Studsvik

# ANNUAL REPORT 2018

Studsvik Annual Report 2018

# INFORMATION TO SHAREHOLDERS

## ANNUAL GENERAL MEETING OF SHAREHOLDERS, APRIL 29, 2019

The Annual General Meeting will be held in Stockholm, World Trade Center, Klarabergsviadukten 70 / Kungsbron 1, on Monday April 29, 2019 at 4 p.m.

### Notification

Shareholders wishing to participate must be registered in the share register kept by Euroclear Sweden AB by Tuesday, April 23, 2019, and must give notification of their intention to attend by Tuesday, April 23 at the latest.

- via Studsvik's website, www.studsvik.se.
- by telephone, + 46 155 22 16 42,
- by mail to Studsvik AB, SE-611 82 Nyköping, Sweden
- by email to studsvik@studsvik.com, or
- by fax, +46 155 26 30 70

The shareholder's notification should state

- name
- personal/corporate identity number
- address and telephone number
- Number of shares

For entitlement to vote at the Annual General Meeting, shareholders with nominee-registered holdings must apply to the bank or broker managing their shares for temporary re-registration a couple of banking days before Tuesday, April 23, 2019.

### Nomination Committee

Studsvik's Nomination Committee consists of:

- Stina Barchan Di Maria, Briban Invest AB (chair)
- Sven Ericsson, representative of the Karinen family
- Carina Heilborn, Peter Gyllenhammar AB
- Anders Ullberg, Chairman of the Board

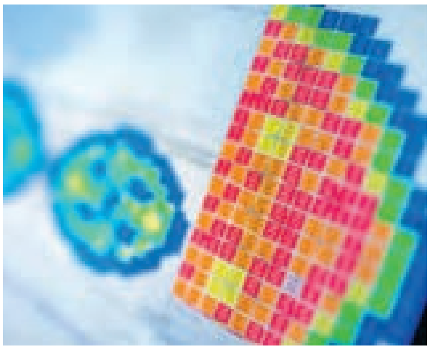
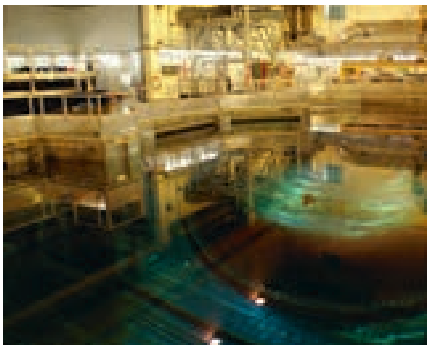
The task of the Nomination Committee is to submit proposals to the Annual General Meeting of Shareholders regarding election of the Board of Directors, auditors and alternate auditors and their fees.

## FORTHCOMING FINANCIAL INFORMATION 2019

| | |
|---|---|
| • Interim Report January-March 2019 | April 29, 2019 |
| • Interim Report January–June 2019 | July 22, 2019 |
| • Interim Report January–September 2019 | October 22, 2019 |
| • Year-end report 2019 | February 2020 |
| • Annual report 2019 | April 2020 |

The reports will be available at **www.studsvik.com** on the publication dates

# CONTENTS


SALES

**726**

**SEK MILLION**

*Studsvik stands for safe and effective solutions*

OPERATING MARGIN

**4.6**

**PER CENT**

FREE CASH FLOW

**54.2**

**SEK MILLION**

*We offer specialized services in material testing, software and waste management methods to companies, mainly in nuclear technology but are also engaged as experts in other radiological areas.*

OPERATING PROFIT

**33.5**

**SEK MILLION**

*We have key skills and a unique facility for markets outside the nuclear industry, such as our proprietary robotized production of medical isotopes.*

*Demand for electricity is growing in the world, due to both increased use of electricity for new technology and the phasing out of fossil fuels such as coal and oil.*

NET DEBT-EQUITY RATIO

**14.0**

**PER CENT**

NUMBER OF EMPLOYEES

**624**

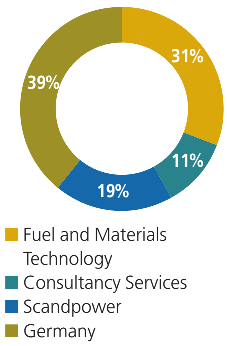
**IN SEVEN COUNTRIES**

*Nuclear power is one of several types of energy that reduce greenhouse gases and our 70-years' experience contributes to even safer solutions and higher efficiency in the nuclear power industry and to the production of medical isotopes for hospitals.*

# 2018 IN REVIEW

The changes in the organization and business processes initiated in previous years in Fuel and Materials Technology and Scandpower have led to improved sales and earnings for these business areas. In 2018 similar changes were started in Consultancy Services and in Germany. The Executive Group Management and administration have been adapted to current operations, resulting in considerably lower costs. The free cash flow was improved by a stronger operating profit and positive development of working capital, enabling refinancing of Studsvik ahead of the bond loan repayment in February 2019.

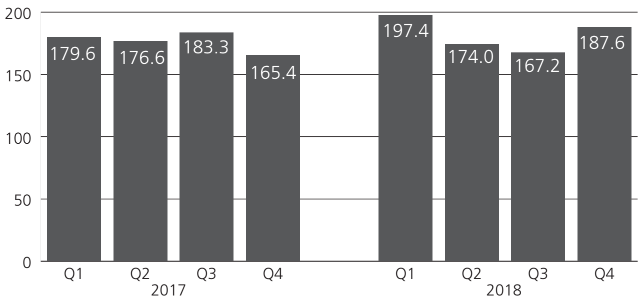
**Share of sales**



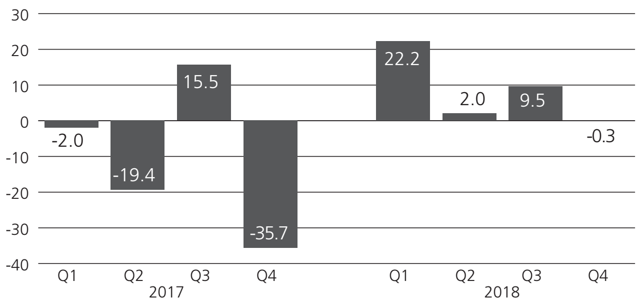

**Key figures**

| | 2018 | 2017 |
|---|---|---|
| Sales, SEK million | 726.1 | 704.8 |
| Operating profit, SEK million | 33.5 | –41.6 |
| Profit/loss after net financial items, SEK million | 18.7 | –58.7 |
| Earnings per share, SEK. | 1.06 | –5.47 |
| Operating margin, % | 4.6 | –5.9 |
| Free cash flow, SEK million | 54.2 | –84.2 |
| Net debt-equity ratio, % | 14.0 | 35.1 |
| Equity per share, SEK | 38.47 | 35.09 |
| Average number of employees | 624 | 662 |

**Sales in SEK million**




**Adjusted operating profit in SEK million**




# EVENTS IN 2018

### ELEKTA

An agreement with Elekta Instrument was signed, which means that Studsvik provides isotopes for application in products sold globally. Elekta's isotopes are packaged in special containers at Studsvik's Hot Cell Laboratories, in conformance with current requirements. The agreement applies from 2018 to 2026 and covers deliveries valued at about SEK 400 million.

Studsvik has a long history of supplying isotopes from the period when the research reactor was in operation and is now resuming operations.

### TVEL

Via its subsidiary Studsvik Scandpower, Studsvik signed two agreements with the Russian nuclear fuel manufacturer JSC TVEL, in total worth about SEK 38 million. In 2018 Studsvik delivered software licenses equivalent to SEK 25 million, as well as maintenance, consultancy and training services for SEK 13 million.

### GERMANY

The company's operations in Germany became a separate business area from April 1. Germany was previously part of the Consultancy Services business area.

The new structure follows Studsvik's operations in Germany more clearly and provides a focus for the measures being taken to improve profitability there.

The operations are being adapted to more clearly meet customers' personnel needs in health physics and decommissioning projects, mainly in the German and Swiss markets.

### CHANGES IN THE EXECUTIVE GROUP MANAGEMENT

Mikael Karlsson was appointed on August 9, 2018 as head of the Consultancy Services business area.

Studsvik's Chief Financial Officer, Pål Jarness, will leave Studsvik at the end of February 2019 and on January 16, 2019 Annika Blondeau Henriksson was appointed as the new interim CFO.

### HORSVIKS GÅRD

Studsvik sold Horsviks gård to Nyköping municipality. The property consists of a total of 100 hectares, of which 27 hectares land (including two islands) and the rest is water. The property includes a number of buildings, a small sandy beach, rocky swimming places, a garden and pastureland. Today the property is a Natura 2000 site, an area of particular natural importance. The property was sold for SEK 14 million.

# *STABLE ORGANIZATION AND INCREASED PROFITABILITY*

We see that the need for services in nuclear power continues, both in new construction and decommissioning, while the need for our traditional services to nuclear power plants in operation is decreasing slightly or stagnating. In the current year we have adapted and further developed services in our areas of expertise, materials testing, software and waste technologies, to meet this change in the market.

During the year we established effective cooperation within the Group regarding marketing and sales. This has created new business opportunities and new customer relations.

Studsvik has a strong brand and one of our competitive advantages is that we are solution-oriented and can deliver to an industry with high requirements from both national and international regulatory frameworks.

During the year we adapted the organization and appointed several new leaders with the ability to drive efficient and effective organizations and motivate our employees. Studsvik is a small organization with great global breadth, which places high demands on leadership, business capability and commitment.

2019 will be a year of increased focus on our capacity to deliver to customers, which is expected to have a positive impact on our profitability. We are continuing our initiatives outside the traditional markets in the USA and Europe. We consider that Studsvik’s services can support safety and the effective use of fuel optimization in important nuclear power nations such as China, Korea and Russia. The international initiative and broadening of Studsvik's technology transfer concept in decommissioning and waste management are also important tasks.

Investment in isotope production is expected to contribute to our growth, while it makes us less sensitive to future fluctuations in the nuclear power industry that impact capacity utilization in the hot-cell facility in Studsvik.

Our organization stands for knowledge, experience, innovation and effectiveness. We are looking forward to 2019 with the challenge of increasing our profitability while focusing on new services and business with unchanged cost structure.

*Stockholm, February 2019*
*Camilla Hoflund*

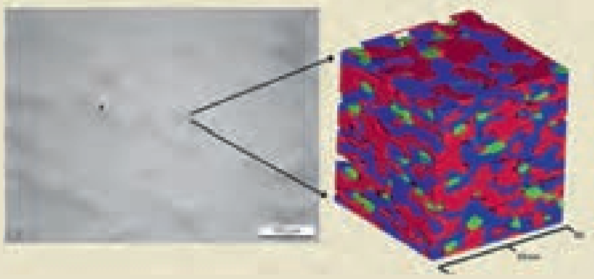
# STRATEGIES AND GOALS

One goal is profitability in all business areas of the Group in 2019. We will achieve this through continued organic growth in already established markets and through successful establishment in new markets. In the markets that are transitioning from operation to decommissioning we adapt the services we offer in nuclear power, mainly in our areas of expertise such as materials testing, software, decommissioning studies and waste technologies.

This is a long-term project and we apply several strategies; see the table below.

| STRATEGIES FOR GROWTH | EXAMPLES |
|---|---|
| Develop current areas of expertise to support nuclear power plants in operation | • Software for safe and optimal use of fuel<br>• Strategies for waste treatment<br>• Material studies for life extension |
| Broaden the current service offer in the later part of the lifecycle | • Services and technologies that stabilize and minimize the volume of radioactive waste<br>• Software for safe management of fuel in interim storage and final disposal<br>• Preparation and if needed repackaging of fuel for final disposal |
| Sell services in markets where new construction of nuclear power plants is taking place or being planned | • Establishment of procedures for waste treatment<br>• Implementation of software for in-core fuel management<br>• Testing and licensing of fuel |
| Strategic partnerships | • Collaboration with established service providers in markets new to us<br>• Collaboration with suppliers that complement our service offer |
| Develop new markets | • Development and implementation of robotized production for packaging isotopes for medical use<br>• Automated packaging of isotopes for industrial use<br>• Expert advisory services to the oil and mineral industry where naturally occurring radioactive material arises |
| Continued support to nuclear facilities being decommissioned | • Planning decommissioning and dismantling<br>• Strategy and techniques for removal of fuel and large components<br>• Calculation models for effective and safe radiological clearance |

# THERMAL AGING OF STAINLESS-STEEL WELDS AND CAST COMPONENTS



Left: Microscope image of the microstructure of cast stainless steel containing ferrite (dark grey) in austenite (light grey). Right: Enlargement of the structure of aged ferrite, with iron-rich (red) and chromium-rich (blue) phase, and silicon-rich G phase (green), formed on thermal aging.

A doctoral project funded by Swedish nuclear power plants, the Swedish Radiation Safety Authority and Studsvik examined how the mechanical properties of stainless-steel change over time. This is an important factor when determining the economic life of nuclear power plants.

Most nuclear power plants in operation were built to last for 30–40 years. Many plant owners are now aiming to operate for 60 years or more. Running the facilities with high availability, retained safety and fully utilized economic life requires understanding of how the properties of individual plant components change over time.

Many components of Swedish nuclear power plants are made of stainless steel. Welds and cast components of stainless steel consist initially of a mixture of two different phases. A good margin against brittle facture is an important basis for reactor construction and these stainless steels may age through long-term exposure to high temperatures, called thermal aging or irradiation embrittlement. Both aging phenomena shorten the life of the components.

Within the project samples are taken from components with long operating periods in nuclear power plants. Tests measure how much energy is required to drive cracks and how those cracks are evaluated. The result of the tests is then linked to changes in the microstructure, which increases understanding for how aging impacts mechanical properties and sensitivity to corrosion. Microscopy, at macro level and down to atomic level, shows the microstructural change in different phases, important factors in the embrittlement process.

The project also studies a mechanical fracture test method that will be able to easily measure the aging of components that are to continue in operation. By taking out very small amounts of material, components can remain in the facility and the test results used to approve continued operation.

The study is conducted by doctoral candidate Martin Bjurman, with the help of colleagues at Studsvik and supervisors at the Royal Institute of Technology in Stockholm.

# FREEZE-TEC

During the year we built a prototype facility for more efficient management of sediment, sludge and low-level waste using our Freeze-tec method. Freeze-Tec is a unique freezing technology that can be used for both de-watering of sludge and dredging to remove hazardous waste and take sediment samples. With this method the hazardous waste remains in the sediment and can thus be removed and sent for final disposal safely. With the help of Freeze-Tec we can make the process more accurate, energy-effective, environmentally friendly, safe and cost-effective. During the year we used Freeze-Tec in our own operations and commercial use of the technology is currently being discussed with several customers.

1. Filling sediment
2. Freezing sediment
3. The frozen blocks are released
4. The blocks are dried
5. The water is drained away and the hazardous waste stays in the sediment
6. Prototype facility at Studsvik

# *ADMINISTRATION REPORT*

The Board of Directors and President of Studsvik AB (publ), corporate identity number 556501-0997, hereby submit the annual accounts and consolidated accounts for the 2018 financial year. This document also includes the sustainability report of Studsvik AB, corporate identity number 556501-0997, in accordance with the Annual Accounts Act, Chapter 6, Sections 10-14.

The report covers the company and underlying subsidiaries in the same Group.

Apart from the risks described in this report, the company has not identified any further non-financial risks that are relevant to the business and that are to be described in this report.

### *BUSINESS ACTIVITIES OF THE GROUP*

Studsvik delivers services to the international nuclear power industry. Its customers are mainly nuclear power plants and suppliers to the nuclear industry. Studsvik's operations are conducted at its own facilities in Sweden and at customer sites. The services cover the entire life cycle of the nuclear power plants as regards waste management, consultancy services and fuel optimization and issues related to fuel and construction materials.

The company’s share is listed on Nasdaq Stockholm.

### *MARKET*

Demand in Europe is characterized by short-term cost savings at the plants in operation, while customers in Sweden and Germany prepare for future decommissioning. The American market is also characterized by restraint due to the “Nuclear Promise” efficiency-improvement program agreed on by the actors.

In Asia market development continues to be positive, mainly driven by major initiatives in China at the same time as demand for our services in Japan is recovering. We are also seeing a continued rise in demand for our consultancy services in the Middle East. Global demand for electricity is still expected to grow by more than 30 per cent in the next 25 years, mainly in non-OECD countries where demand from Asia, and mainly China, makes up a considerable part. The positive development, with a growing percentage of renewable and nuclear electricity, is continuing at the expense of fossil fuels.

With the prevailing low energy prices the market is focusing on continuing to reduce costs, extend lifespan and increase output while the work of planning for future decommissioning, especially in Sweden and Germany, is increasing. All in all, this means that demand for such services as fuel optimization, management of spent nuclear fuel and consultancy services related to decommissioning is expected to increase.

### *STUDSVIK'S MARKET POSITION*

Studsvik offers selective services to the global nuclear power industry in both new construction and decommissioning and dismantling, as well as services to other industries that manage radioactivity and radioactive material.

### *STUDSVIK’S AREAS OF OPERATION*

#### Fuel and Materials Technology

Fuel and Materials Technology offers solutions by combining expertise, unique facilities and external networks. Our customers come to us for our customized solutions that are highly flexible, thus meeting their needs.

#### Consultancy Services

Consultancy Services offers services in nuclear technology and environment, mainly related to radioactivity, radiological waste and associated issues. Our offer focuses on advanced consultancy services, engineering services, technologies and services that optimize our customers’ radiological programs.

#### Scandpower

Scandpower offers software and engineering services to support nuclear power plants, fuel manufacturers, authorities, next generation reactor developers and research organizations.

#### Germany

Germany operates in radiation protection, decommissioning, dismantling and decontamination. Its customers are nuclear power plants, research centers and other nuclear facilities in Germany, Switzerland, Belgium and the Netherlands. The services also include practical solutions for working with radiation and radiation protection training adapted to customer needs.

### *SALES AND EARNINGS*

Sales amounted to SEK 726.1 (704.8) million, in local currencies unchanged for the year. The operating profit was SEK 33.5 (–41.6) million, including non-recurring items of SEK +4.7 (–21.1) million. Adjusted for non-recurring items the operating profit was SEK 28.8 (–20.5) million.

Fuel and Materials Technology increased its sales to SEK 224.3 (195.0) million and operating profit to SEK 30.1 (5.3) million. Sales in local currencies increased by 15 per cent.

Consultancy Services sales decreased by 38 per cent to SEK 78.3 (123.0) million in local currencies and the operating profit decreased to SEK –10.7 (11.3) million.

Sales for Scandpower in local currencies increased by 66 per cent to SEK 137.2 (81.0) million, and the operating profit increased to SEK 26.8 (–11.8) million.

Sales for Germany in local currencies decreased by 8 per cent to SEK 285.4 (291.1) million, and the operating profit decreased to SEK –9.3 (–8.4) million. The business areas' operations and performance are described in more detail on pages 12-19.

### *PROFITABILITY*

The operating margin for the Group was 4.6 (–5.9) per cent. Adjusted for non-recurring items the operating margin was 4.0 (–2.9) per cent. Return on capital employed was 7.4 (–7.8) per cent.

### *CASH FLOW*

Cash flow from operating activities was SEK 80.3 (–73.1) million and the free cash flow was SEK 54.2 (–84.2) million.

### *FINANCING*

After the close of the reporting period Studsvik announced new financing. Studsvik's outstanding bond of SEK 200 million falls due on February 22, 2019. In view of this, Studsvik has agreed with Danske Bank on new bank financing totaling SEK 150 million. Of which, SEK 50 million is a corporate loan with a maturity of five years and the remaining SEK 100 million is an overdraft facility. The interest rate for the new financing is just under 4 percentage points lower than the previous financing.

### *FINANCIAL TARGETS*

Studsvik's overall financial targets are an average annual growth of 10 per cent, achieving an operating margin of 8 per cent and an equity/assets ratio of at least 40 per cent. In 2018 sales in local currencies increased and the operating margin increased to 4.6 (–5.9) per cent. Adjusted for non-recurring items the operating margin in 2018 was 4.0 (–2.9) per cent. The equity-assets ratio has increased to 35.1 (35.0) per cent.

### *INVESTMENTS*

The Group's capital expenditure investments amounted to SEK 32.1 (22.1) million. Investments are mainly related to the order from Elekta.

### *RESEARCH AND DEVELOPMENT*

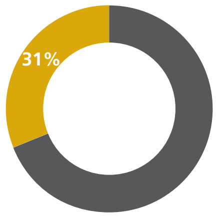
Development projects are initiated and implemented both in partnership with customers in the form of consultancy contracts and within the framework of Studsvik's own product development. Research expenditure is expensed as it is incurred. Identifiable expenditure for the development of new processes and products is capitalized to the extent it is expected to bring economic benefits.

In 2018 total costs of company-funded research and development amounted to SEK 30.7 (28.2) million. The greatest resources were allocated to Studsvik's in-core fuel management codes and reactor operation. Within software development the expenditure is a combination of further development of existing software and new development.

# *FUEL AND MATERIALS TECHNOLOGY*

The business area offers services in materials and fuel technology for nuclear power plants, reactor and fuel manufacturers and authorities, organizations and industrial actors that use irradiated substances in their operations. The offer includes fuel qualification, analysis of material, research relating to final disposal, packaging of medical isotopes and advanced consultancy services. Testing and analysis operations are conducted at Studsvik's facility in Sweden and sometimes in collaboration with other international partners. The customer-value based sales are continuing with the objective of maintaining long-term growth through addressing new markets such as China, Russia and Korea as well as an extended range of products and services related to isotopes for industrial and medical use.

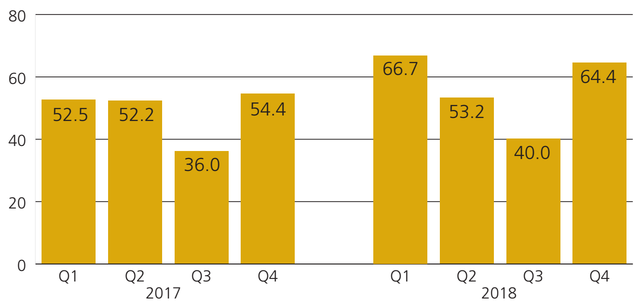
**Percentage of sales**



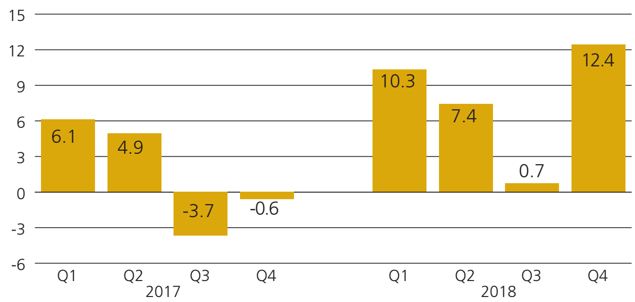

**Key figures**

| Amounts in SEK million | 2018 | 2017 |
|---|---|---|
| Sales | 224.3 | 195.0 |
| Operating profit/loss | 30.1 | 5.3 |
| Operating margin, % | 13.4 | 2.7 |
| Items affecting comparability | 0.7 | 1.4 |
| Adjusted operating profit | 30.8 | 6.7 |
| Adjusted operating margin, % | 13.7 | 3.4 |
| Investments | 23.2 | 13.8 |
| Average number of employees | 98 | 101 |

**Sales in SEK million**




**Adjusted operating profit in SEK million**



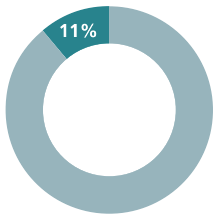

Sales increased to SEK 224.3 (195.0) million and operating profit to SEK 30.1 (5.3) million. Sales in local currencies increased by 15 per cent. Items affecting comparability reduced earnings for the year by SEK 0.7 (1.4) million. The operating margin before items affecting comparability increased to 13 (3) per cent. The operations contribute to improved operating economy and increased security in the nuclear power industry. Testing and analysis operations are growing steadily, while production equipment for packaging medical isotopes is being completed. The workload was high during the year, in particular initially, when customer orders from the previous year's stoppage were dealt with in parallel with other work that was already planned. During the year the business area devoted considerable resources to building up production equipment for packaging isotopes for medical use, while recruitment of new employees continued to ensure skills and resources for both increased production and coming years' retirements.


Studsvik

# CONSULTANCY SERVICES

Studsvik provides consultancy and engineering services to customers in Europe, North America, the Middle East and Asia. The range of services covers the life cycle from planning and design of facilities to management and final disposal of waste such as treatment of radioactive waste, safety analyses, health physics services and services related to decommissioning and dismantling. The business area also includes licensing of technologies for processing of radioactive waste and components as well as related services.

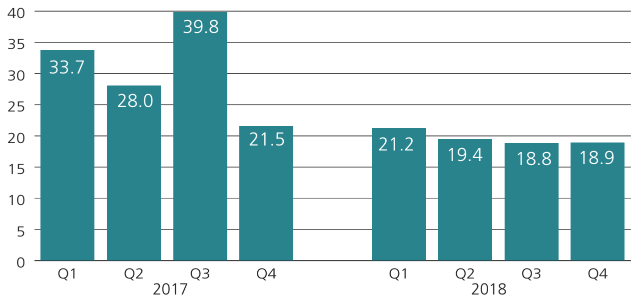
**Percentage of sales**



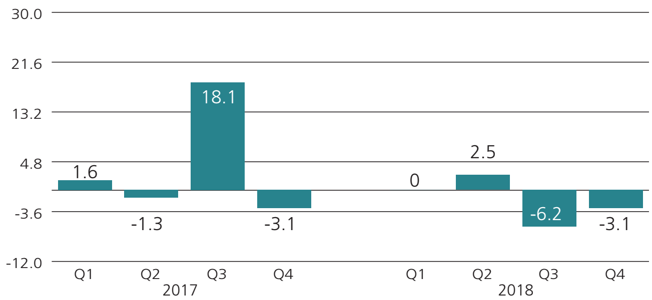

**Key figures**

| Amounts in SEK million | 2018 | 2017 |
|---|---|---|
| Sales | 78.3 | 123.0 |
| Operating profit/loss | –10.7 | 11.3 |
| Operating margin, % | –13.7 | 9.2 |
| Items affecting comparability | 3.9 | 4.0 |
| Adjusted operating profit | –6.8 | 15.3 |
| Adjusted operating margin, % | –8.7 | 12.4 |
| Investments | 2.4 | 2.7 |
| Average number of employees | 51 | 57 |

**Sales in SEK million**




**Adjusted operating profit in SEK million**

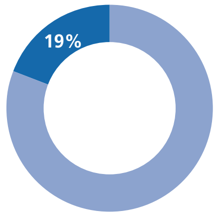



Sales in local currencies decreased by 38 per cent to SEK 78.3 (123.0) million, and the operating profit decreased to SEK –10.7 (11.3) million. Items affecting comparability reduced earnings for the year by SEK 3.9 (4.0) million. Adjusted for items affecting comparability, the operating margin was –9 (12) per cent. Sales of consultancy services were weak during the year in all markets. The decreased sales are mainly due to the discontinuation of some low-margin operations in England. In 2018 no new order contracts for license-based technology were signed, which explains the entire decrease in earnings, as license revenue in 2017 was SEK 21 million. The development is not satisfactory, as the underlying consulting operations excluding license revenues and profit share from the English associated company UKNWM are still reporting a loss. The contract signed with Dynatech in China in 2017 has generated revenue for preparatory studies. Sales of services in waste management and the interest from the oil, mining and gas industries in NORM services remain, but the sales processes are long. Mikael Karlsson took up his post as head of the business area during the year.

# SCANDPOWER

Scandpower is a global leader in software for in-core fuel management and is independent of fuel vendors. The operations are conducted at offices in Europe, the USA, Japan and China. The software development is based in the USA. Scandpower's software is used in half of the world's nuclear power plants. Further development is being undertaken, for example to adapt software for management of fuel in interim storage and final disposal. Apart from license fees for software sales, Scandpower receives maintenance fees and consultancy services from customers where the software is installed. Scandpower also sells consultancy services related to fuel analysis.

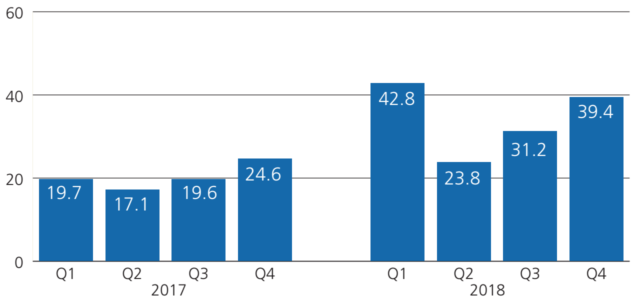
**Percentage of sales**



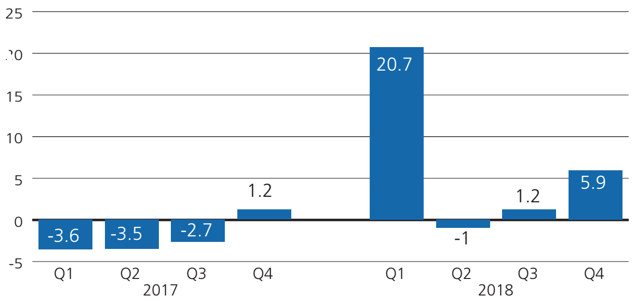

**Key figures**

| Amounts in SEK million | 2018 | 2017 |
|---|---|---|
| Sales | 137.2 | 81.0 |
| Operating profit/loss | 26.8 | –11.8 |
| Operating margin, % | 19.5 | –14.6 |
| Items affecting comparability | 0.0 | 3.2 |
| Adjusted operating profit | 26.8 | –8.6 |
| Adjusted operating margin, % | 19.5 | –10.6 |
| Investments | 0.5 | 0.7 |
| Average number of employees | 33 | 34 |

**Sales in SEK million**




**Adjusted operating profit in SEK million**



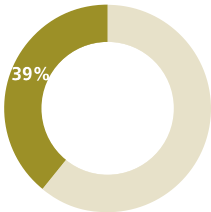

Sales in local currencies increased by 66 per cent to SEK 137.2 (81.0) million, and the operating profit increased to SEK 26.8 (–11.8) million. Items affecting comparability reduced earnings for the year by SEK 0 (3.2) million. Adjusted for items affecting comparability, the operating margin was 19.5 (–10.6) per cent. Sales mainly consist of software licenses, maintenance agreements and consultancy services linked to the software. Software is sold both as one-time licenses and annual fee subscriptions. During the year a large order contract was signed with TVEL for software, documentation and training for licensing of nuclear fuel and a large number of small orders of software and services from customers in the USA and Europe.

Interest for Scandpower's new software and upgrades is growing in the US domestic market. The time-consuming work of obtaining export licenses for Scandpower's software from the USA to China is continuing. Marketing in the Chinese market is now focused on simulation and training software for which export licenses have been granted.

# GERMANY

Studsvik Germany operates in radiation protection, maintenance, decommissioning, dismantling and decontamination. Its customers are nuclear power plants, research centers and other nuclear facilities in Germany, Switzerland, Belgium and the Netherlands. Studsvik's decommissioning services cover the entire process from feasibility studies, planning and project management to practical work on radiological assessment, disassembly, dismantling and subsequent waste management and recycling. The projects integrate the use of traditional decommissioning methods together with advanced tools and calculations for materials management, decontamination, and technology for monitoring and radiological clearance. The staff are experienced in waste classification, sorting, packaging, transport and processing contaminated material, which optimizes the decommissioning process and saves time and money for customers.

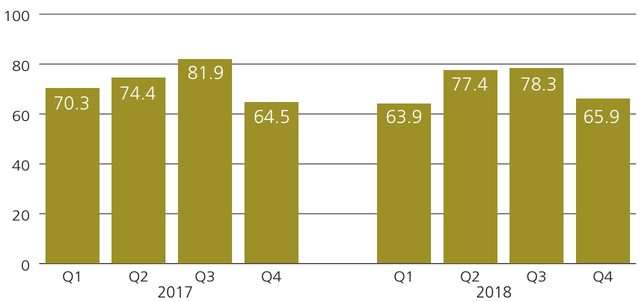
**Percentage of sales**




**Key figures**

| Amounts in SEK million | 2018 | 2017 |
|---|---|---|
| Sales | 285.4 | 291.1 |
| Operating profit/loss | –9.3 | –8.4 |
| Operating margin, % | –3.2 | –2.9 |
| Items affecting comparability | 2.9 | 0.0 |
| Adjusted operating profit | –6.4 | –8.4 |
| Adjusted operating margin, % | –2.2 | –2.9 |
| Investments | 0.3 | 1.4 |
| Average number of employees | 417 | 435 |

Sales in SEK million




Adjusted operating profit in SEK million


Sales in local currencies decreased by 8 per cent to SEK 285.4 (291.1) million, and the operating profit decreased to SEK –9.3 (–8.4) million. Items affecting comparability reduced earnings for the year by SEK 2.9 (0) million. Adjusted for items affecting comparability, the operating margin fell to –2 (–3) per cent. As expected, sales of services in operational and outage support decreased during the year, while services related to both planning and implementation of decommissioning projects increased.

Demand is now high in several specialist areas and the organization is therefore investing in skills development of existing staff and new recruitment, mainly of engineers.

In 2017 new rules were introduced concerning conditions of employment and allowed periods for hiring out personnel in Germany. The rules impacted capacity utilization negatively in 2018, as staff who had reached the maximum period at times could not work with customers.

New procedures are being introduced in the first half of 2019 to ensure staffing planning, forward planning and collaboration between us and our customers. In the fourth quarter the head of the German operations was temporarily replaced by the Chief Executive Officer while recruitment of a replacer was started.

## PARENT COMPANY

Operations in the parent company consist of coordination of the Group. The parent company's sales decreased to SEK 12.8 (19.7) million and operating profit increased to SEK –12.7 (–29.1) million, of which items affecting comparability SEK –1.3 (–9.2) million related to restructuring of the Executive Group Management and administration. The loss after financial items was SEK –67.2 (–42.1) million. The year's net financial income includes revaluation of intra-group loans of SEK 10.5 (–7.0) million.

In addition, earnings were reduced by SEK 65.7 million in impairment loss on the shareholding in Studsvik Ltd. Cash and cash equivalents including current investments amounted to SEK 21.2 (24.9) million and interest-bearing liabilities to SEK 199.9 (199.9) million.

## REMUNERATION TO SENIOR MANAGEMENT

The principles for remunerations to senior management were adopted by the Annual General Meeting held on April 25, 2018.

Senior management executives will be offered a commercially competitive fixed salary based on the individual executive's responsibilities and powers.

Salary will be fixed per calendar year. Senior management may be offered variable remuneration of a maximum of 50 per cent of fixed salary. Variable remuneration will be primarily based on the Group's financial targets. A plan for variable remuneration will be determined for the financial year.

Senior management can make an individual choice of pension solution in addition to what has been agreed. Thus, they can convert salary and variable remuneration to extra pension payments, given that the cost to Studsvik is unchanged.

A maximum period of notice of 12 months from either senior management or Studsvik is applicable. Severance payment equivalent to a maximum of 9 months' salary may be made in addition to salary during the period of notice. There is more information concerning benefits to senior management in note 38.

The Board of Directors does not intend to propose any change to these principles at the 2019 Annual General Meeting.

## EMPLOYEES

The average number of employees in the Group in 2018 was 624 (662). The decrease is due to a smaller number of employees in administration and in the German operations. Demand is increasing for Consultancy Services and Fuel and Materials Technology, which, together with the generational shift that the nuclear power industry is facing, further underlines the importance of creating attractive conditions for the Group's existing and potential employees.

## SUSTAINABILITY REPORTING

Studsvik's sustainability report is presented on pages 23–29.

## SOCIAL COMMITMENT

Studsvik endeavors to maintain good and open communications with regions, municipalities, authorities and other stakeholders. We also aim to support the local community through cooperation with organizations and municipal administrations on matters that are strategically important for Studsvik.

## DECOMMISSIONING OF STUDSVIK'S NUCLEAR FACILITIES

The operations at Studsvik's nuclear facilities in Sweden are conducted under license pursuant to the Swedish Act on Nuclear Activities and it is therefore Studsvik's responsibility to decommission the facilities. Under the Act the holder of the license has both the technical and the financial responsibility for decommissioning.

Previously, a large proportion of decommissioning costs was financed through payments from the nuclear power industry in accordance with the Studsvik Act (1988:1597). This Act was, however, abolished in 2018 and the funds transferred to the Nuclear Waste Fund, which is administered by the Swedish National Debt Office.

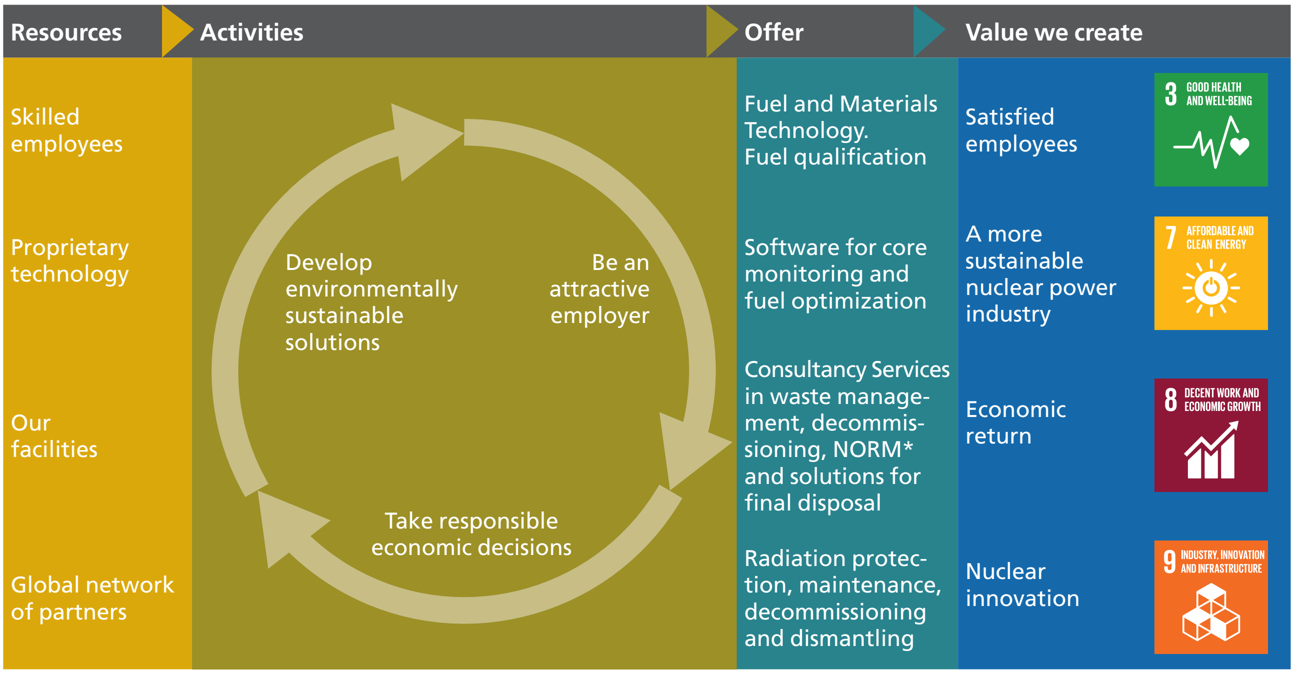
Studsvik's fulfillment of its obligations is financially assured, partly by payment of a fee to the Nuclear Waste Fund, partly by pledging collateral to assure performance. Cost estimates are made to determine the extent of Studsvik's commitment. These then form the basis for determining the fee to be paid by Studsvik to the Nuclear Waste Fund.

In 2018 the fee to the Nuclear Waste Fund was SEK 6,850,000. Studsvik assesses that the annual fee will continue at that level. The balance in the Nuclear Waste Fund is recorded as an asset in the accounts.

# SUSTAINABILITY REPORT

The purpose of this report is to provide Studsvik's stakeholders with a deeper understanding of how we as a company create value for our customers, employees and the communities where we operate. Consequently, we have given an account of the social, economic and environmental principles that are important to us, with an accompanying description of how we manage our most material risks within the company.

## HOW WE CREATE VALUE




*NORM=Naturally Occuring Radioactive Material

We supply innovative technical solutions that create value by improving reactor performance and reducing both risks and costs throughout the entire lifecycle of nuclear facilities and radioactive material. Studsvik is a world leader with our competency-based business model that offers high quality services that signal security and safety. The Group has a high recognition factor throughout the world and is an important actor for Sweden. We act to make all radiological and nuclear activities safer, and all projects undertaken by the company create value for both the customer and for society as a whole.

We have three principles that are crucial for the company's profitability and that function as guidelines for Studsvik's sustainability work. These principles are; to develop environmentally sustainable solutions for the nuclear industry, be an attractive employer for our potential and existing employees and take responsible and long-term economic decisions.

We have decided to address four of the UN's seventeen sustainable development goals. These global goals were adopted in 2015 and are the most ambitious agenda ever adopted by the countries of the world to create a peaceful, democratic and sustainable world by 2030. All seventeen goals are equally important, but by taking responsibility for and focusing on the areas that are most significant for our business we can make the greatest difference.

## OUR STAKEHOLDERS

As a major actor in an important market, there is great pressure on our activities from stakeholders. Questions concerning nuclear technology are of public interest and various issues may be subject to expressions of opinion and debate. Studsvik therefore acts consistently to maintain high public confidence by endeavoring to not conduct its business in conflict with public opinion. Its approach to the rest of the world is characterized by dialogue and open communication with regions, municipalities, authorities and other stakeholders. We also aim to support the local community through cooperation with organizations and municipal administrations on matters that are strategically important for Studsvik.

Through this open dialog with our stakeholders we want to uphold a transparency that challenges and develops Studsvik as a responsible actor in society. We have therefore drawn up the following outline and dialog plan that describes our most important stakeholders.

| Stakeholder group | Dialog method |
|---|---|
| Employees | Staff survey every 18th month*<br>Annual employee performance reviews |
| Customers | Regular physical customer meetings<br>Annual customer satisfaction survey via questionnaire |
| Local community | Annual information meeting for people living near the Studsvik facility |
| Authorities | Frequent meetings with authorities<br>Announced and unannounced regulatory controls are carried out at regular intervals to examine and ensure that we comply with the safety procedures set up |
| Suppliers | Continual dialog<br>Assessments at procurements<br>Annual control of A suppliers* |

* The next staff survey will be conducted in 2019
* "A" suppliers are large and significant for our business, such as suppliers of services in the form of IT, building maintenance and security services.

## OUR MATERIAL RISKS

Being an actor in the nuclear power industry entails specific risks that are regulated and supervised by national authorities and international organizations. Consequently, we have well-developed procedures for systematic risk management. They are formulated together with relevant authorities that take a position on our risk assessment and on whether the management of these risks is adequate. Risk dialogs are frequent and documented and are a necessity to be able to maintain and extend our licenses. Consequently, our systematic risk management is a fundamental condition for our operations.

The responsibility for assessing operational and financial risk lies with the respective business area. The business areas' risk assessments are examined, compared and followed up by the parent company as well as being dealt with in connection with the regular follow-up in each business area. An overall analysis of the Group's risks and how they are dealt with is presented annually to the Board of Directors of Studsvik AB and is followed up on a regular basis.

Our overall risk assessment includes all parts of the business, both financial and non-financial risks as well as a general business environment analysis and future analysis. This has resulted in eight focus areas that follow our three sustainability principles and manage our most material risks. In the section below a description follows of why these areas are of material importance and how Studsvik deals with them in its operations.

Financial risks are dealt with in the "Financial risk management" section, note 2.

| Focus area | Identified risks | Page |
|---|---|---|
| Sustainable solutions for the nuclear industry | Competition<br>Supplier liability<br>Dependence on suppliers<br>Digital development | 24 |
| Safety | Licensing obligation and regulatory framework<br>Accidents and stoppages<br>Damage caused to a contracting party or third party<br>Theft and burglary<br>Transportation<br>IT and personal data | 25 |
| Health | Risk of injury and accident<br>High sickness absence | 26 |
| Attractive employer | Dependence on employees<br>Dependence on key personnel<br>Discrimination<br>High staff turnover<br>Difficulty to attract future employees | 26 |
| Stable economy | Market risk<br>Fixed price contracts<br>Price changes for energy and raw materials<br>Financing and political decisions<br>Cost liability for decommissioning | 27 |
| Business ethics | Bribery and corruption<br>Human rights violations | 28 |
| Energy consumption and carbon dioxide emissions | High climate load<br>High energy costs | 28 |
| Waste and water management | Pollution of local environment<br>Ionizing radiation<br>Owner liability for waste | 29 |

## FOCUS AREAS

### *SUSTAINABLE SOLUTIONS FOR THE NUCLEAR INDUSTRY*

#### Innovation

Studsvik endeavors to always be at the forefront as regards innovative solutions for the nuclear industry so as to contribute to more sustainable energy supply. With our services our customers can use existing assets longer, more safely and with less environmental impact. Our innovative technical solutions improve reactor performance and reduce both risks and costs over the entire life-cycle. We offer advisory services concerning fuel management and optimization as well as safety and fuel economy. We deliver world-leading software for fuel optimizing and core monitoring. The aim is to help improve profitability, safety and sustainability for our customers and for society as a whole.

Much of our business is based on proprietary technology that is challenged by competition. Consequently, it is crucial for us to always have an innovative approach to all our assignments and together with our customers to develop new, customized and effective services. Where it is considered possible and economically justifiable, we limit the risk of competition by patenting our proprietary technology and constantly developing new solutions. Part of our strategy is to develop customer offers together with selected partners. This can result in a measure of natural dependence on these sub-contractors. To limit this risk, at Studsvik we work with contracts that enable close relationships based on trust, while keeping alternative partners available.

### Supplier liability

As a supplier of highly technological content to qualified clients Studsvik is responsible for ensuring that services ordered are delivered on time and are of high quality. If a service is delivered late or does not fulfill requirements that a customer can rightfully impose, Studsvik risks loss of income and/or costs incurred for replacement or damages. To limit this risk, we conduct our systematic quality work actively and make regular assessments of potential exposures and provisions for identified risks.

### Digitalization

Our digital development is also essential for effective internal operation and delivery to our customers. Digital tools mean that we can make communication and information flows easier and more efficient. In the past three years we have therefore invested almost SEK 5 million in IT infrastructure to enable digitalization of processes and facilitate interaction and exchange of information both internally and externally.

### SCIP

The Studsvik Cladding Integrity Program (SCIP) was launched in 2004 to drive nuclear technology forward. SCIP is an international OECD project including experiments, studies, development of testing methods and knowledge transfer. The participants are from all over the world, as we believe that collaboration and exchange of experience and research findings are essential for development of the nuclear industry.

## *SAFETY*

The Group has a high security culture, which rests on a long tradition of clear routines for quality assurance and follow up in the context of various quality certification processes. We want to prevent accidents and operational disruptions by having competent and motivated staff and facilities of a high standard. Our policy for safety, the environment, health and quality applies to the entire Group and along with goals and regular follow-up of our action plans, creates a high level of safety and awareness among our employees. We apply a precautionary principle in all our assignments, by systematically assessing, managing and communicating environmental, economic and social risks that the company's operations entail. We also help our customers to apply a precautionary principle in their operations.

### Licensing obligation

Studsvik handles radioactive material and waste, which means that some of the operations must be licensed under the Swedish Environmental Code and are subject to official supervision and approval. Consequently, there is a risk that the conditions governing operations may be changed through revised or cancelled official permits, changes in the regulatory framework or through political decisions. This may for example involve further protective measures that we may need to invest in to fulfill requirements. If it is alleged that Studsvik is infringing permits or regulations, we may receive notification from authorities.

We meet the requirements under these regulations and our culture of high safety standards means that the capacity to adapt to new rules and directives is high.

### Theft and burglary

A company handling radioactive material can never completely exclude the possibility of theft of this material. Consequently, we work actively on physical protection in close cooperation with the police and authorities to reduce the risk of theft and burglary. The level of physical protection is continually adjusted in line with the assessment of the threat picture made by the police and public authorities. Studsvik follows the plans drawn up by the licensing and supervisory authorities.

### Insurance

Where the Group conducts nuclear activities subject to license, it is a licensing requirement that insurance has been taken out and maintained. This is regulated in the Nuclear Liability Act in Sweden and corresponding legislation in other countries. All our facilities have property insurance and consequential loss insurance has been taken out for all strategic facilities. Apart from this, third party liability insurance has been taken out to protect Studsvik from economic risks and consequences of physical and/or financial loss for a contractual or third party. Nuclear liability insurance for the Swedish operations is provided by Nordic Nuclear Insurers (NNI) and European Liability Insurers Limited (ELINI). The non-nuclear operations are insured through a global liability insurance policy with the insurance company IF P&C Insurance Ltd. The amounts insured currently amount to SDR 360 million (special drawing rights) equivalent to SEK 4.5 billion.

### Transportation

A part of Studsvik's operations, especially in the field of materials testing, involves the transportation of material to and from our facilities. This could be hindered by new legislation or amendments to international conventions. Transportation of radioactive waste may also be subject to sabotage or other forms of attack. Transportation thus complies with high safety standards, is subject to frequent inspections by supervisory authorities and has a low risk of harmful consequences in the event of an accident, for example. By maintaining a high level of competence in our own transport organization and having access to our own transport packaging the risk is limited.

### Information security

As an actor in the nuclear industry we handle confidential information. For us it is of utmost importance to handle confidential and classified information securely and in a structured manner, for the sake of the company, the customers and society. A compulsory eTraining course in information security in Swedish was produced during the year. The ambition is to translate it into English in 2019 to be available to all other employees in the Group. Local instructions on how protected information should be dealt with as regards distribution, storage and destruction were also drawn up.

| Information security training | 2018 | 2019 Objective |
|---|---|---|
| Percentage of employees in Sweden who have completed information security training | 50% | 100% |

## *HEALTH*

### Work environment

Our employees' health and well-being are of the greatest importance for us at Studsvik. We run our operations with a high standard of both physical and mental health in the work environment by means of efficient safety procedures and high requirements concerning our facilities. Under our management system every employee must show personal commitment to the work environment in their day-to-day work. In our policy for safety, the environment, health and quality we clarify our active efforts to eliminate all risks of work-related injury and physical ill health. We also describe our work to ensure the mental well-being of our employees, which is fundamental for Studsvik's success. We offer our employees professional development opportunities and we believe all employees are important in the work towards our overall mission and objective.

To reduce the number of work-related injuries Studsvik has an action program eliminate physical work environment risks both at the Group's and its customers' facilities. Improved knowledge of risks and influencing and changing attitudes and behavior are equally important. Part of this work is to encourage all employees to identify improvements and to report potential risks and risk behaviors. The Safety Committee in Sweden has held a total of two meetings during the year at which all injuries and accidents relating to the work environment and transport to and from work are followed up. According to plan, safety rounds are conducted at least once a year in Sweden. The number of injuries resulting in sickness absence has decreased in recent years.

| Country | Sickness absence as a percentage | Number of accidents during the year |
|---|---|---|
| Sweden | 3 (2) | 1 (4) |
| UK | 1 (0) | 0 (0) |
| USA | 0 (0) | 0 (0) |
| Germany | 8 (13) | 16 (24) |
| **Total** | **8 (9)** | **17 (28)** |

Previous year's figures in parentheses

### Staff and health surveys

Every 18 months we conduct a staff survey at Studsvik, and the results are followed up to deal with any comments. The latest staff survey in 2016 showed that important aspects of our employees' health at the workplace were that the work environment must be inspiring, ergonomic and free of sexual harassment. 90 % of the Group's employees consider that they have a safe work environment in relation to their duties. The majority of the 10 % who do not consider that they have a safe work environment work with consultancy services for demolition and decommissioning in Germany. 69 % of the Group's employees were satisfied with their work and their work situation. Due to staff changes in the HR function the staff survey has been postponed and will take place in 2019. During the year compulsory health examinations were carried out for those who have radiological jobs, which is the majority of our employees.

## *ATTRACTIVE EMPLOYER*

As a knowledge-intensive service company, our employees are our most important asset. Without employees with the right skills we cannot deliver sustainable solutions for the nuclear industry and generate value for our shareholders. It is therefore of the highest importance to us to retain the competent staff we have and to attract future talents to the company.

To limit the risk entailed in being dependent on key personnel and specialist skills we are systematizing the processes we develop and creating good and stable relations with our employees and trade union organizations. In 2018 we worked on our Studsvik Leadership Academy course program for internal development and employed a new HR manager to start in 2019. In the Swedish organization we have started to use the Howdy tool for frequent measurement of employee satisfaction by asking our employees every two weeks to respond to four questions concerning their well-being.

Being an attractive employer also means that we attract the right skills to the company. Therefore, we must live up to the expectations our potential employees have of their future employer.

As an employer Studsvik is a unique company with its international, innovative and research-heavy operations. For those who want to work in the nuclear industry it is attractive to have access to the long experience our specialists possess. However, we see that requirements of employers now and in the future will be different compared with before. Consequently, we must adapt our communication and what we as employers have to offer our potential employees accordingly.

| Business area | Staff turnover (%) |
|---|---|
| Fuel and Materials Technology | 20 |
| Consultancy Services | 65 |
| Germany | 4 |
| Scandpower Group | 13 |
| **Total** | **11** |
| **Average period of employment (years)** | **11** |

### Gender equality and diversity

Studsvik values and encourages diversity in the organization in a way that reflects the diversity in our markets. Our employees' differences and backgrounds reflect our international and innovative business and ensure that we can tackle the global challenges we face. Therefore, it is important that we ensure that everyone, regardless of differences, has the same opportunities regarding employment, working conditions and development opportunities. To achieve this, we must take responsibility at all levels and we focus on the following aspects we consider to be important to achieve a gender equal and inclusive organization:

- Ensure that recruitment, promotion and pay increases are only based on qualifications and experience.
- Improve the opportunity to combine working life and family life.
- Encourage women to take leading positions.
- Clarify our zero tolerance for any form of discrimination or harassment.

A survey is made every year of gender distribution and pay and there is active prevention of discrimination and harassment by the company and its management. There is an action plan against all types of harassment.

| Gender distribution | Women | Men |
|---|---|---|
| Employees | 100 | 524 |
| Managers (number) | 5 | 28 |
| Ratio of managers to employees (%) | 1 | 4 |

## *STABLE ECONOMY*

Studsvik has a long-term economic strategy and our aim is a sustainable business. We value long-term economic stability above decisions characterized by short-term profit. This is important for our stakeholders, not least our employees. The aim to be sustainable in all economic decisions.

### Market

Demand for Studsvik's services is affected by a number of factors, and in the long term is dependent on developments in the nuclear power industry and the factors that influence them. This includes both political decisions and pricing of other energy sources. This makes it difficult to predict future business. In some countries, including China and Russia, new nuclear power plants are being built, while nuclear power is being discontinued and abolished in other parts of the world. In most countries, both new construction and decommissioning require active participation by authorities through decisions concerning financing, decommissioning permits and rules for final disposal. In many markets these activities are funded through complex systems involving a combination of accumulated funds, income from the operations of nuclear power plants, and taxes. Political decisions therefore have a great impact on our business, above all in connection with our decommissioning services.

Delays in processing by the authorities and resulting delay in completion of contracts cannot be ruled out.

In that our services include all phases of the nuclear industry, the operations are only in the very long term dependent on the survival of the nuclear power industry. Our assessment is that more nuclear power contracts will develop in the long term and Studsvik is and will be an important actor in ensuring a future efficient, safe and sustainable nuclear power industry.

### Decommissioning of facilities

The operations at our Swedish nuclear facilities are conducted under license pursuant to the Swedish Act on Nuclear Activities and it is therefore Studsvik's responsibility to decommission the facilities. Extensive analyses of the costs of demolition, restoration and decommissioning are therefore carried out regularly and every year provision is made for this purpose.

### Fixed price contracts

We make fixed-price commitments in several service contracts. These contracts require effective risk management and project management. We therefore have special procedures that are integrated into the quality systems to ensure professional management of risks.

### Sensitivity analysis

Variations in prices to customers and the Group's costs affect the Group's earnings. The Group's largest single cost item is personnel, which accounts for about 63 per cent of total costs. The Group's currency exposure is greatest against EUR, GBP and USD.

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Net debt-equity ratio | 14.0 | 35.1 | 0.8 |
| Equity ratio | 35.1 | 35.0 | 38.7 |

### *BUSINESS ETHICS*

For us at Studsvik it is of utmost importance to act in accordance with sound business ethics in all our operations and all our contracts. The ethics we follow are based on current legal requirements and standards of business ethics, and we always comply with the laws applicable in the countries where we operate. The Studsvik Group is characterized by responsible leadership with zero tolerance for bribery and corruption. We stay constantly up to date regarding new and existing legal requirements throughout the world. When we want to establish ourselves in a new market a thorough analysis is made based on permits and possible risks such as an uncertain political climate. We want to work mainly in direct contact with our customers without intermediaries, to minimize risks, be able to maintain a high ethical standard and guarantee the best possible quality.

#### Code of conduct

To ensure a sustainable value chain Studsvik has drawn up a Code of Conduct that applies to both the Group and its suppliers. The purpose of the Code of Conduct is to provide guidance to employees and business partners, minimize risks, strengthen the corporate culture and convey Studsvik's core values. The code is based on the UN Global Compact and some of the common requirements defined through the Code of Conduct are as follows:

- That we comply with all local safety rules and laws
- That we have a sound financial position
- That we meet the requirements of our certification under ISO 9001, 14001 and 18001 for the European companies
- That we comply with legislation on bribery and corruption, where Swedish law constitutes the minimum level
- That we respect human rights in accordance with the UN Declaration through zero tolerance of harassment, work in high-risk environments, forced labor and child labor.

The Code of Conduct is presented to our employees in connection with new recruitment and is also sent to our partners. All white-collar workers in the Group must give annual confirmation that they have taken note of the policy. This can be done by accepting the terms via the intranet or email. In 2019 system support will be provided to make other policy documents and the staff manual more accessible to our employees. This will also make it possible for them to sign the Code of Conduct on the intranet.

#### Suppliers

Our suppliers receive the Code of Conduct in connection with procurement, when they also receive our anti-corruption policy and sign a cooperation agreement. Before selecting suppliers, a supplier assessment is made to ensure that they can comply with our business ethics standards. During the year fifty supplier assessments were made.

For our existing suppliers we have an audit program. Our aim is to make an annual audit of all our largest and most important suppliers, our "A" suppliers. This includes a review of their policies and management systems as regards quality, the environment and work environment as well as their creditworthiness. During the year all our seven A suppliers were audited, and we consider that our collaboration continues to be sound and close.

#### Whistle-blower function

We have a whistleblower function, which means that our employees can safely and securely draw the management's attention to information about any suspected irregularities. The function is structured so that an email is sent to an external law firm that in turn contacts the Chairman of the Board, who can then take the case further with the Executive Group Management. No such reports were made during the year.

### *ENERGY CONSUMPTION AND CARBON DIOXIDE EMISSIONS*

Taking responsibility for the environment is a natural part of our business strategy. The goal is to minimize the impact of operations on the environment, both as regards emissions and use of resources, within the framework of what is reasonable from a business perspective. Our constant efforts to improve in the area of the environment are based on the commitment of all our employees as well as environmental targets set and monitored within the company organization. An important part of our environmental impact is our energy consumption and our carbon dioxide emissions in our operations.

#### Energy consumption

To reduce our energy consumption and our emissions we have conducted an energy survey in stages for Studsvik in Sweden, in which specific facilities have been studied in detail based on where potential is greatest to save energy. The survey identified a need for better equipment for measurement and automatic control engineering. In 2018 we started to replace our measurement system at the Swedish facility to improve potential energy performance. We have also outsourced maintenance of our properties to enable improved heat generation efficiency and reduce energy consumption at the facility. In the winter, heat generation is normally in a solid fuel boiler with bio-based fuel (chips).

| Electricity consumption (Sweden) | 2018 | 2017 |
|---|---|---|
| Total [MWh] | 15,465 | 14,485 |
| Sold to external customer [MWh] | 9,459 | 10,063 |
| $CO_2$ emissions [tonnes] | * | 4,774 |

*Figures for 2018 were not published at the time of this report's publication.

| Heat generation | 2018 | 2017 |
|---|---|---|
| Total production thermal power plant [MWh] | 12,111 | 12,887 |
| Sold to external customer [MWh] | 4,595 | 5,216 |
| Recycled heat from treatment plant Cyclife-EDF [MWh] | 3,508 | 3,520 |

The table refers to the facility in Sweden.

**Company cars**

Business travel is an important and necessary part of the work in our organization but unfortunately it has some negative climate impact. Consequently, we have increased the incentives to choose cars with a lower climate footprint by introducing a higher amount threshold for chargeable vehicles. This has led to an average reduction in emissions from our passenger cars from 132 g $CO_2$/km in 2016 to 107 g $CO_2$/km in 2018. As regards other forms of transport, our travel policy makes it clear that it is important to take the environment and safety into consideration when we travel. Reducing the number of business trips and being cost effective does not need to mean compromising safety, the environment and quality.

### *WASTE AND WATER MANAGEMENT*

As a leading actor in the nuclear power industry there is naturally great focus on reducing and treating waste responsibly. We at Studsvik have therefore developed world-leading, rigorous processes for managing different types of radioactive waste, which considerably reduce our and our customers' waste volumes. Our solutions can also enable recovery of energy and raw materials such as steel.

Only small amounts of radioactive waste are generated by Studsvik's own operations. For this waste, and some waste from our customers, we have owner liability. All hazardous waste is categorized, packaged and managed on a continuous basis. The waste water generated by the facility is purified in our own water treatment plant. The waste water generated by the facility is purified in our own water treatment plant. Continual measurements are made, both in the form of analysis of bottom sediment and exploratory fishery that is regulated by the authorities. The Group aims to have agreements with sub-contractors on the conditions for final disposal of nuclear waste. Changes in regulatory or commercial conditions that necessitate amendments or supplements to these arrangements cannot be ruled out. The risk is managed through Studsvik periodically calculating the economic effects of these commitments, making provision for future costs of final disposal, paying in fees in accordance with local regulations and receiving remuneration from customers for Studsvik's commitments.

The radioactive releases from Studsvik are very small in relation to other sources of radiation in society. On average Studsvik's emissions to air and water are 0.000035 mSv/year, which can be compared with the average radiation dose of 3.0 mSv that an ordinary Swede is exposed to in a year. Studsvik's internal target limit is lower: 0.0001 mSv person/year and we endeavor continually to limit all risk linked to radioactive radiation in operations.

| Emissions of nutrients to water from sewage treatment plant | 2018 | 2017 |
|---|---|---|
| Phosphorus | 15 kg | 14 kg |
| Nitrogen | 700 kg | 703 kg |
| Biochemical oxygen consumption, 7 days (BOD7) | 426 kg | 251 kg |
| Organic carbon | 746 kg | 552 kg |
| Sludge | 73 $m^3$ | 191 $m^3$ |

The table refers to the facility in Sweden.

## CORPORATE GOVERNANCE

The company has drawn up a corporate governance report separate from the administration report, which can be found in the Corporate Governance section.

## PROPOSED APPROPRIATION OF EARNINGS

The Board of Directors proposes that no dividend be distributed for 2018. The total profits at the disposal of the Annual General Meeting comprise the parent company's non-restricted equity, SEK –56,762,722, consisting of retained earnings, SEK 12,248,005 and loss for the year, SEK –69,010,727. The Board's proposal means that the available funds should be appropriated as follow:

| | |
|---|---|
| To be carried forward | SEK –56,762,722 |
| Total non-restricted equity in the parent company | SEK –56,762,722 |

## THE STUDSVIK SHARE

### Share price and trading

The Studsvik share is listed on NASDAQ Stockholm. In 2018 the share price fell by 15 per cent from SEK 45.30 to SEK 38.30. At the close of the year the market value was SEK 315 million. During the year the share price varied between a high of SEK 50.00 on January 22 and a low of SEK 35.10 on March 1.

In 2018, 1 million Studsvik shares were traded for a value of SEK 46 million. This corresponds to 26 per cent of the free float (the value of shares that are available for trading), to be compared with 32 per cent in the previous year. The free float refers to shares held by shareholders with less than 10 per cent of the capital.

### Number of shares and share capital

On December 31, 2018 Studsvik AB (publ) had 8,218,611 shares issued. Each share carries one vote and entitles the owner to share equally in the company's assets and earnings. The quotient value is SEK 1.0 and the share capital amounted to SEK 8.2 million.

### Shareholders

On December 31, 2018 Studsvik had 2,881 shareholders. The percentage of shares registered abroad was 24 per cent. The three largest owners, the Karinen family, Briban Invest AB and Peter Gyllenhammar AB, held 49 per cent of the shares and the ten largest shareholders 73 per cent. The shareholdings of the Board and the Executive Group Management are presented in the sections Board of Directors and auditors and Executive Group Management.

### Dividend policy and dividend

The Board's target is that on average the dividend should correspond to at least 30 per cent of the consolidated profit after tax. Decisions on dividend proposals will, however, take into consideration Studsvik's expansion potential, the strength of its balance sheet, liquid funds and financial position in general. The Board of Directors proposes that no dividend be distributed for 2018.

### Market maker

ABG Sundal Collier has been appointed to act as market maker for the company's share.

## ANALYSTS

The Studsvik share is monitored on a continuous basis by ABG Sundal Collier.

## INFORMATION ON THE ARTICLES OF ASSOCIATION ETC.

There is no provision in Studsvik's Articles of Association that restricts the right to transfer shares. The company has not transferred any of its own shares or issued new shares during the financial year. The company is not aware of any agreements between shareholders that may result in restrictions on the right to transfer shares in the company. The company is not a party to any material agreement that is affected by any public take-over bid. The company's employees do not hold any shares for which the voting right cannot be exercised directly.

The elected members of the Board of Directors are appointed by the Annual General Meeting. There is no provision in the Articles of Association concerning appointment and dismissal of Board members. The Board of Directors is not authorized to decide on the issue of new shares or acquisition of own shares.

| SHAREHOLDERS DECEMBER 31, 2018 | Number of shares | Holding, % |
|---|---|---|
| Karinen family | 1,769,552 | 21.5 |
| Briban Invest AB | 1,285,492 | 15.6 |
| Peter Gyllenhammar AB | 966,492 | 11.8 |
| Familjen Girell | 391,482 | 4.8 |
| Credit Agricole Suisse SA | 363,879 | 4.4 |
| Avanza Pensionsförsäkring AB | 289,574 | 3.5 |
| Nordnet Pensionsförsäkring AB | 259,902 | 3.2 |
| Malte Edenius | 250,000 | 3.0 |
| Leif Lundin | 197,000 | 2.4 |
| Invus Investment AB | 191,594 | 2.3 |
| **Total of the 10 largest shareholders – holdings** | **5,964,967** | **72.5** |
| Other shareholders | 2,253,644 | 27.5 |
| **Total** | **8,218,611** | **100.0** |

## CHANGE IN SHARE CAPITAL

| Year | Transaction | Increase in the number of shares | Share capital SEK | Total number of shares |
|---|---|---|---|---|
| 1994 | Formation | 500,000 | 500,000 | 500,000 |
| 2001 | Bonus issue | 5,300,000 | 5,800,000 | 5,800,000 |
| 2001 | Private placement | 2,314,211 | 8,114,211 | 8,114,211 |
| 2004 | New issue[1)] | 2,400 | 8,116,611 | 8,116,611 |
| 2005 | New issue[1)] | 102,000 | 8,218,611 | 8,218,611 |

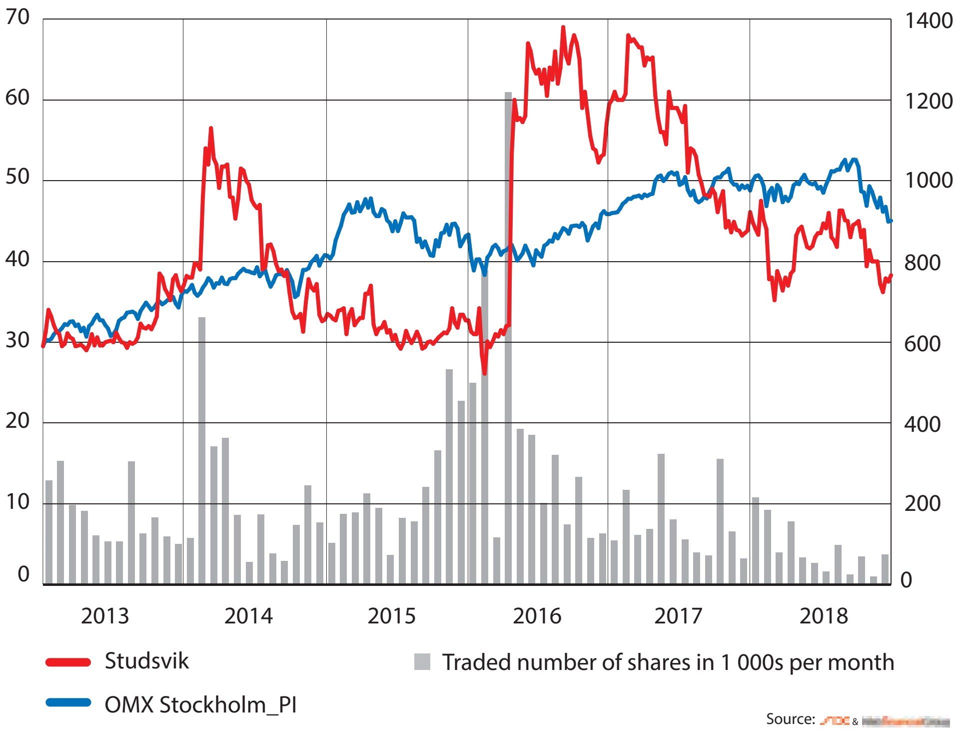
[1)] Conversion of warrants.

## SHAREHOLDER STRUCTURE, DECEMBER 31, 2018

| Shareholding | Number of shareholders | Number of shares | % of total shares |
|---|---|---|---|
| 1 – 500 | 2,485 | 220,977 | 2.7 |
| 501 – 1 000 | 168 | 144,911 | 1.8 |
| 1 001 – 5 000 | 138 | 304,238 | 3.7 |
| 5 000 – 10 000 | 26 | 192,555 | 2.3 |
| 10 001 – 15 000 | 16 | 202,974 | 2.4 |
| 15 001– 20 000 | 5 | 90,324 | 1.1 |
| 20 001 – | 43 | 7,062,632 | 86.0 |
| **Total** | **2,881** | **8,218,611** | **100.0** |

## DATA PER SHARE

| Amount, SEK | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Number of shares at close of period | 8,218,611 | 8,218,611 | 8,218,611 | 8,218,611 | 8,218,611 |
| Average number of shares | 8,218,611 | 8,218,611 | 8,218,611 | 8,218,611 | 8,218,611 |
| Price, December 31 | 32.80 | 32.70 | 59.50 | 46.10 | 38.30 |
| Earnings per share from continuing operations before and after dilution | 0.63 | 1.78 | 2.07 | –5.47 | 1.06 |
| Earnings per share from operations held for sale before and after dilution | –2.09 | –1.49 | 5.60 | – | – |
| Equity per share | 35.64 | 36.30 | 42.41 | 35.09 | 38.47 |
| P/E ratio | neg | 112 | 7.8 | neg | 36.1 |



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**Amounts in SEK '000**

| | Note | 2018 | 2017 |
|---|---|---|---|
| Sales revenues | 4 | 726,111 | 704,833 |
| Costs of services sold | 7 | –529,478 | –539,121 |
| **Gross profit** | | **196,633** | **165,712** |
| Selling and marketing costs | 7 | –39,894 | –44,196 |
| Administrative expenses | 7, 8 | –107,942 | –116,901 |
| Research and development costs | 7 | –30,715 | –28,178 |
| Profit share from associated companies and joint ventures | 17, 18 | 10,622 | 8,680 |
| Other operating income | 5 | 17,321 | 2,843 |
| Other operating expense | 6 | –12,544 | –29,526 |
| **Operating profit/loss** | 4, 5, 6, 7, 8, 9 | **33,481** | **–41,567** |
| Financial income | 10 | 3,913 | 980 |
| Financial expenses | 10 | –18,317 | –15,309 |
| Fair value gain/loss (realized and unrealized) | 10, 12 | –343 | –2,757 |
| **Profit/loss before tax** | | **18,734** | **–58,654** |
| Income tax | 11 | –10,019 | 13,662 |
| **Net profit/loss for the year** | | **8,715** | **–44,991** |
| | | | |
| **Operations held for sale** | | | |
| Profit/loss for the year from operations held for sale | 39 | – | – |
| **NET PROFIT/LOSS FOR THE YEAR** | | **8,715** | **–44,991** |
| | | | |
| **Other comprehensive income** | | | |
| **Items that may later be reversed in the income statement** | | | |
| Translation differences on foreign subsidiaries | 28 | 19,557 | –9,904 |
| Cash flow hedges | | –731 | 4,058 |
| Income tax on items recognized in other comprehensive income | | 161 | –893 |
| **Other comprehensive income for the year, net after tax** | | **18,987** | **–6,739** |
| **Total profit or loss and other comprehensive income for the year** | | **27,702** | **–51,730** |
| | | | |
| **Net profit/loss for the year attributable to** | | | |
| Parent company's shareholders | 27 | 8,715 | –44,991 |
| Non-controlling interests | | – | – |
| | | | |
| **Total comprehensive income attributable to** | | | |
| Parent company's shareholders | | 27,672 | –51,695 |
| Non-controlling interests | | 30 | –35 |
| | | | |
| **Earnings per share calculated on income attributable to the parent company's shareholders during the year (SEK)** | | | |
| **Earnings per share before and after dilution** | 13 | **1.06** | **–5.47** |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**Amounts in SEK '000**

| | Note | 2018 | 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| *Non-current assets* | | | |
| Property, plant and equipment | 15 | 124,335 | 116,556 |
| Intangible assets | 16 | 190,218 | 177,407 |
| Holdings in associated companies and joint ventures | 17, 18 | 12,531 | 6,867 |
| Deferred tax assets | 31 | 93,016 | 98,097 |
| Financial assets at fair value through profit or loss | 19, 23 | 29,186 | 30,928 |
| Derivative instruments | 19, 21, 23 | – | 95 |
| Trade and other receivables | 19, 22 | 34,291 | 26,664 |
| **Total non-current assets** | | **483,577** | **456,614** |
| *Current assets* | | | |
| Inventories | 24 | 534 | 622 |
| Trade and other receivables | 19, 20, 22 | 257,755 | 266,329 |
| Financial assets at fair value through profit or loss | 19, 23 | – | – |
| Derivative instruments | 19, 20, 21, 23 | 3,236 | 2,638 |
| Cash and cash equivalents | 19, 20, 25 | 155,539 | 98,672 |
| **Total current assets** | | **417,064** | **368,261** |
| Assets in operations held for sale | | – | – |
| **TOTAL ASSETS** | | **900,641** | **824,875** |
| **EQUITY** | | | |
| *Capital and reserves attributable to parent company's shareholders* | | | |
| Share capital | 26 | 8,219 | 8,219 |
| Other contributed capital | 26 | 225,272 | 225,272 |
| Other reserves | 28 | 23,772 | 4,785 |
| Retained earnings | 27 | 58,573 | 49,858 |
| **Equity attributable to the parent company's shareholders** | | **315,836** | **288,134** |
| **Non-controlling interests** | | **369** | **339** |
| **Total equity** | | **316,205** | **288,473** |
| **LIABILITIES** | | | |
| *Long-term liabilities* | | | |
| Liabilities to credit institutions | 19, 30 | – | 199,850 |
| Derivative instruments | 19, 21, 23 | 53 | – |
| Deferred tax liabilities | 31 | 34,380 | 33,283 |
| Pension obligations | 32 | 9,719 | 9,767 |
| Other provisions | 33 | 107,960 | 106,755 |
| Trade and other payables | 29 | 14,568 | 14,987 |
| **Total long-term liabilities** | | **166,680** | **364,642** |
| *Current liabilities* | | | |
| Trade and other payables | 29 | 208,578 | 162,001 |
| Current tax liabilities | | 1,241 | 880 |
| Liabilities to credit institutions | 19, 30 | 199,850 | – |
| Derivative instruments | 19, 21, 23 | 3,650 | 2,862 |
| Other provisions | 33 | 4,437 | 6,017 |
| **Total current liabilities** | | **417,756** | **171,760** |
| **Total liabilities** | | **584,436** | **536,402** |
| **TOTAL EQUITY AND LIABILITIES** | | **900,641** | **824,875** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**Amounts in SEK '000**

| | Share capital | Other contri-buted capital | Other reserves | Retained earnings | Equity att-ributable to the parent company's shareholders | Non-control-ling interests | Total equity |
|---|---|---|---|---|---|---|---|
| **Opening balance at January 1, 2017** | **8,219** | **225,272** | **11,528** | **103,068** | **348,087** | **374** | **348,461** |
| Other comprehensive income | | | –6,743 | | –6,743 | –35 | –6,778 |
| – Dividend | | | | –8,219 | –8,219 | | –8,219 |
| – Net profit/loss for the year | | | | –44,991 | –44,991 | | –44,991 |
| **Closing balance at December 31, 2017** | **8,219** | **225,272** | **4,785** | **49,858** | **288,134** | **339** | **288,473** |
| | | | | | | | |
| **Opening balance at January 1, 2018** | **8,219** | **225,272** | **4,785** | **49,858** | **288,134** | **339** | **288,473** |
| Other comprehensive income | | | 18,987 | | 18,987 | 30 | 19,017 |
| – Dividend | | | | | – | | – |
| – Net profit/loss for the year | | | | 8,715 | 8,715 | | 8,715 |
| **Closing balance at December 31, 2018** | **8,219** | **225,272** | **23,772** | **58,573** | **315,836** | **369** | **316,205** |

# GROUP STATEMENT OF CASH FLOW

**Amounts in SEK '000**

| Total operations | Note | 2018 | 2017 |
|---|---|---|---|
| *Cash flow from operating activities* | | | |
| Operating profit/loss | | 33,481 | –41,569 |
| Adjustment for non-cash items | 34 | 16,263 | 16,095 |
| | | **49,744** | **–25,474** |
| Interest received | | 3,913 | 981 |
| Interest paid | | –18,317 | –9,972 |
| Income tax paid | | –6,359 | –6,535 |
| **Cash flow from operating activities before changes in working capital** | | **28,981** | **–41,000** |
| | | | |
| Change in working capital | | | |
| – Current assets | | 5,621 | –11,595 |
| – Other current liabilities | | 45,789 | –20,514 |
| **Cash flow from operating activities** | | **80,391** | **–73,109** |
| | | | |
| *Cash flow from investing activities* | | | |
| Sale of subsidiaries | | – | – |
| Acquisition of financial assets | | – | – |
| Disposals of financial assets | | – | – |
| Purchases of property, plant, and equipment | 15 | –27,730 | –21,419 |
| Proceeds from sale of property, plant and equipment | 15 | 441 | 76 |
| Purchases of intangible assets | 16 | –4,349 | –665 |
| Dividend from associated companies | 17 | 5,455 | 10,975 |
| **Cash flow from investing activities** | | **–26,183** | **–11,033** |
| **FREE CASH FLOW** | | **54,208** | **–84,142** |
| | | | |
| *Cash flow from financing activities* | | | |
| Loans raised | 30 | – | – |
| Amortization of loans | 30 | – | – |
| Dividend | 27 | – | –8,219 |
| **Cash flow from financing activities** | | **–** | **–8,219** |
| | | | |
| Cash flow for the year | | 54,208 | –92,361 |
| Opening cash and cash equivalents | | 98,672 | 195,363 |
| Exchange rate difference on cash and cash equivalents | | 2,659 | –4,330 |
| **Closing cash and cash equivalents** | 25 | **155,539** | **98,672** |

# PARENT COMPANY INCOME STATEMENT

**Amounts in SEK '000**

| | Note | 2018 | 2017 |
|---|---|---|---|
| Sales revenues | 41 | 12,774 | 19,668 |
| Costs of services sold | | – | –900 |
| **Gross profit** | | **12,774** | **18,768** |
| Administrative expenses | 43, 44 | –25,050 | –39,220 |
| Other operating income | 45 | 996 | 829 |
| Other operating expense | 45 | –1,376 | –9,459 |
| **Operating profit/loss** | 41, 42, 43, 44, 45, 46 | **–12,656** | **–29,081** |
| Profit/loss from participations in group companies | 47 | –65,687 | – |
| Interest income and similar items | 48 | 21,341 | 10,150 |
| Interest expense and similar items | 49 | –17,562 | –23,225 |
| **Profit/loss before tax** | | **–74,564** | **–42,156** |
| Appropriations | 50 | 7,390 | – |
| Income tax | 51 | –1,836 | 9,348 |
| **Net profit/loss for the year** | | **–69,010** | **–32,809** |
| | | | |
| **Parent company statement of comprehensive income** | | | |
| **Net profit/loss for the year** | | **–69,010** | **–32,809** |
| **Other comprehensive income** | | – | – |
| **Total comprehensive income for the year** | | **–69,010** | **–32,809** |

# PARENT COMPANY BALANCE SHEET

**Amounts in SEK '000**

| | Note | 2018 | 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| *Non-current assets* | | | |
| Intangible assets | 52 | 1,168 | 1,869 |
| Property, plant and equipment | | | |
| – Equipment and tools | | – | – |
| Financial assets | 53 | | |
| – Deferred tax assets | | 15,428 | 17,264 |
| – Shares in subsidiaries | 55 | 318,053 | 383,740 |
| – Participations in associated companies and joint ventures | 53 | 12,072 | 12,073 |
| – Receivables from subsidiaries | 53 | 227,576 | 203,662 |
| Financial assets at fair value through profit or loss | 53 | 26,182 | 27,067 |
| Derivative instruments | | – | – |
| **Total non-current assets** | | **600,479** | **645,675** |
| *Current assets* | | | |
| Inventories and goods for resale | | 425 | 458 |
| Trade and other receivables | | 4,199 | 5,848 |
| Derivative instruments | | – | – |
| Receivables from group companies | | 21,476 | 986 |
| Prepaid expenses and accrued income | 54 | 325 | 943 |
| Cash and cash equivalents | | 21,151 | 24,853 |
| **Total current assets** | | **47,576** | **33,088** |
| **TOTAL ASSETS** | | **648,055** | **678,763** |
| **EQUITY** | | | |
| *Equity* | | | |
| Share capital | | 8,219 | 8,219 |
| Restricted reserves | | 225,272 | 225,272 |
| **Total restricted equity** | | **233,491** | **233,491** |
| *Non-restricted equity* | | | |
| Non-restricted reserves | | 12,247 | 45,056 |
| Net profit/loss for the year | | –69,010 | –32,809 |
| **Total non-restricted equity** | | **–56,763** | **12,247** |
| **Total equity** | | **176,728** | **245,738** |
| **Untaxed reserves** | | – | – |
| **LIABILITIES** | | | |
| *Long-term liabilities* | | | |
| Amounts owed to credit institutions | 56 | – | 199,850 |
| Deferred tax liabilities | | – | – |
| Liabilities to Group companies | | 30,594 | 29,544 |
| Other liabilities | | 12,233 | 14,028 |
| **Total long-term liabilities** | | **42,827** | **243,422** |
| *Current liabilities* | | | |
| Liabilities to Group companies | | 217,391 | 166,432 |
| Trade payables | | 599 | 1,292 |
| Amounts owed to credit institutions | 56 | 199,850 | – |
| Derivative instruments | | – | – |
| Other liabilities | | 2,860 | 2,631 |
| Accrued expenses and deferred income | 57 | 7,800 | 19,248 |
| **Total current liabilities** | | **428,500** | **189,603** |
| **Total liabilities** | | **471,327** | **433,025** |
| **TOTAL EQUITY AND LIABILITIES** | | **648,055** | **678,763** |

# PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

| Amounts in SEK '000 | Share capital | Other contributed capital | Retained earnings | Equity attributable to the parent company's shareholders | Total equity |
|---|---|---|---|---|---|
| **Opening balance at January 1, 2017** | **8,219** | **225,272** | **53,276** | **286,767** | **286,767** |
| Comprehensive income | | | | | |
| – Dividends | | | –8,220 | –8,220 | –8,220 |
| – Net profit/loss for the year | | | –32,809 | –32,809 | –32,809 |
| **Closing balance at December 31, 2017** | **8,219** | **225,272** | **12,247** | **245,738** | **245,738** |
| | | | | | |
| **Opening balance at January 1, 2018** | **8,219** | **225,272** | **12,247** | **245,738** | **245,738** |
| Comprehensive income | | | | | |
| – Dividends | | | – | – | – |
| – Net profit/loss for the year | | | –69,010 | –69,010 | –69,010 |
| **Closing balance at December 31, 2018** | **8,219** | **225,272** | **–56,763** | **176,728** | **176,728** |

# PARENT COMPANY CASH FLOW STATEMENT

**Amounts in SEK '000**

| | Note | 2018 | 2017 |
|---|---|---|---|
| *Cash flow from operating activities* | | | |
| Operating profit/loss | | –12,656 | –29,081 |
| Adjustment for non-cash items | 60 | –209 | 702 |
| | | **-12,865** | **–28,379** |
| Interest received | | 3,019 | 10,150 |
| Interest paid | | –14,084 | –13,727 |
| Income tax paid | | –1,097 | – |
| **Cash flow from operating activities before changes in working capital** | | **–25,027** | **–31,956** |
| Change in working capital | | | |
| – Current assets | | –12,300 | 17,021 |
| – Other current liabilities | | 40,147 | 20,442 |
| **Cash flow from operating activities** | | **2,820** | **5,507** |
| *Cash flow from investing activities* | | | |
| Amortization of financial assets | 53 | 9,604 | 16,695 |
| Loans to group companies | 53 | –16,113 | – |
| **Cash flow from investing activities** | | **–6,509** | **16,695** |
| *Cash flow from financing activities* | | | |
| Amortization of loans | | – | –33,067 |
| Dividend paid | | – | –8,220 |
| **Cash flow from financing activities** | | **–** | **–41,287** |
| Cash flow for the year | | –3,689 | –19,085 |
| Opening cash and cash equivalents | | 24,853 | 49,938 |
| Exchange rate difference on cash and cash equivalents | | –13 | – |
| **Closing cash and cash equivalents** | | **21,151** | **24,853** |

# NOTES

## NOTES TO THE CONSOLIDATED ACCOUNTS

**Amounts in SEK '000**

### *NOTE 1* Accounting Policies and Valuation Principles

The principal accounting policies applied in the preparation of these consolidated accounts are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

**1.1. BASIS OF PREPARATION**

The consolidated accounts for the Studsvik Group have been prepared in accordance with the Annual Accounts Act, the Swedish Financial Reporting Board recommendation RFR 1, Supplementary accounting rules for groups, International Financial Reporting Standards (IFRS) and interpretations by the IFRS Interpretations Committee (IFRIC) as adopted by the EU. The consolidated accounts have been prepared in accordance with the historical cost method except as regards financial assets and liabilities carried at fair value through profit or loss.

Preparing statements in accordance with IFRS requires the use of a number of important accounting estimates. Furthermore, the management must make certain judgements when applying the Group's accounting policies. The areas that entail a high degree of judgement, which are complex or of such a nature that assumptions and estimates are critical to the consolidated accounts are specified in note 3.

**New and amended standards applied by the Group**

The following standards will be applied by the Group for the first time for the financial year starting on January 1, 2018:

- IFRS 9 Financial instruments
- IFRS 15 Revenue from contracts with customers
- Classification and measurement of share-based payments (Amendment of IFRS 2)
- Annual Improvements to IFRS Standards 2014–2016 Cycle
- Amendment to areas of use of an investment property (Amendments to IAS 40)
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The application of IFRS 9 and IFRS 15 is presented separately below, other changes have not had any impact on the Group's accounting policies or disclosures for the current financial year or the previous financial year and neither are they expected to have any impact on coming periods.

**Implementation of new International Financial Reporting Standards**

As of January 1, 2018, IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers came into force. The Group has carried out an analysis to evaluate the effects of implementation of the new standards.

**IFRS 9**

IFRS 9 deals with classification, measurement and accounting for financial assets and liabilities and introduces new rules for hedge accounting. The standard replaced the parts of IAS 39 that deal with classification and measurement of financial instruments and introduced a new impairment model. The Group has not identified any material impact on classification, measurement or recognition of the Group's financial assets and liabilities. The rules for derecognition from the balance sheet have been transferred from IAS 39 Financial instruments: Recognition and measurement have not been changed. The new hedge accounting rules in IFRS 9 are more consistent with the company's risk management in practice. It will be easier in general to apply hedge accounting since the standard entails a more principles-based approach for hedge accounting. The Group's current hedging situation will continue to qualify for hedge accounting and the accounting treatment will be the same as before under IFRS 9. The new model for calculating credit loss reserves is based on expected credit losses, instead of incurred credit losses under IAS 39, which could entail earlier recognition of credit losses. The model is applied to financial assets recognized at amortized cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15 Revenue from contracts with customers, lease receivables, loans and some financial guarantees. Analysis carried out shows that the Group's reserves for credit losses were not materially impacted by the new rules. The extended disclosure requirements that follow from the new standard mean changes in the Groups financial statements. IFRS 9 is applied retroactively with some practical exceptions presented in the standard. The Group will not restate previous periods.

**IFRS 15**

IFRS 15 is the new standard for revenue recognition. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction contracts. IFRS 15 is based on the principle that revenue is recognized when the customer obtains control over a good or service, a principle that replaces the earlier principle that revenue is recognized when risks and rewards have been transferred to the buyer.

Implementation of IFRS 15 had an impact in principle. This applies to Studsvik's recognition of license revenues. Under IFRS 15 one form of license that Studsvik sells is deemed to be a "right to use" license where control of the license is obtained by the customer directly at the time of its sale and delivery. Previously some licenses have been recognized in revenue on a straight-line basis over the period of the contract. The difference between IFRS 15 application and earlier principles means that Studsvik will recognize the revenue earlier. For other customer contracts analyzed, no material differences in revenue recognition have emerged. A company can choose between a "full retroactive" application or prospective application with further disclosures in future periods to provide comparability for users of the financial statements. Studsvik reports the transition to IFRS 15 prospectively from January 1, 2018.

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

A number of new standards and interpretations will come into force for the financial year commencing January 1, 2018 and have not been applied on compilation of this financial report. Of these, IFRS 16 Leases is expected to impact the Group's financial statements.

**IFRS 16**

IFRS 16 was published in January 2016. Implementation of the standard means that almost all leases will be recognized in the balance sheet, as no differentiation is made any longer between operating and finance leases. Under the standard an asset (the right to use a leased asset) and a financial liability to make lease payments must be recognized. Short-term leases and leases of low-value assets are exempted. Lessors' accounting will essentially be unchanged.

The standard will mainly impact reporting of the Group's operating leases. On the balance sheet date, the Group's non-cancellable operating leases amounted to SEK 16,099 thousand, see note 36. The standard is effective from January 1, 2019 and at present the Group does not intend to opt for early application. Studsvik will apply the simplified transition method. An exemption will be made for contracts with a shorter maturity than 1 year and contracts whose value is less than USD 5,000. The expected effect of the transition to IFRS 16 is SEK 25 million in increased non-current property, plant and equipment, SEK 15.4 million in increased long-term liabilities and SEK 9.6 million in increased current liabilities.

**1.2 CONSOLIDATED ACCOUNTS**

**Subsidiaries**

Subsidiaries are all companies over which the Group has a controlling interest (note 55). The Group controls a company when it is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the Group's business combinations. The purchase price for the acquisition of a subsidiary consists of the fair value of transferred assets, liabilities and the shares issued by the Group. The purchase price also includes the fair value of all assets and liabilities that are a consequence of an agreement on contingent purchase price. Acquisition related costs are expensed as the arise. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. For each acquisition the Group determines if all non-controlling interests in the acquired company are to be measured at fair value or at their proportionate share of the acquiree's identifiable net assets. The excess of the purchase price, any non-controlling interest and fair value on the acquisition date of prior shareholdings over the fair value of the Group's share of identifiable net assets acquired is recognized as goodwill. If the amount is less than the fair value for the acquired subsidiary's assets in the case of a "bargain purchase", the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**Transactions with non-controlling interests**

The Group treats transactions with non-controlling interests as transactions with the Group's shareholders. For acquisitions from non-controlling interests the difference between the purchase price paid and the actual acquired share of the carrying amount of the subsidiary's net assets is recognized directly in equity. Gains and losses on sales to non-controlling interests are also recognized in equity.

When the Group no longer has a controlling interest or significant influence, each remaining holding is revalued to fair value and the change in the carrying amount is recognized in the income statement. The fair value is used as the first carrying amount and forms the basis of continued accounting treatment of the remaining holding as an associated company, joint venture or financial asset. All amounts referring to the entity sold, which were previously recorded in other comprehensive income, are recorded as though the Group had sold the related assets or liabilities directly. This may mean that amounts previously recorded in other comprehensive income are reclassified to profit or loss.

If the participating interest in an associated company decreases, but a significant influence nevertheless remains, where relevant only a proportional share of the amounts previously recorded in other comprehensive income is reclassified to profit or loss.

**Associated companies**

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in associated companies are accounted for in accordance with the equity method and initially recorded at cost. The Group's carrying amount for investments in associated companies includes goodwill identified on acquisition, net of any impairment.

The Group's share of the post-acquisition profit or loss of an associated company is recognized in the income statement and its share of post-acquisition changes in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition changes are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealized gains on transactions between the Group and its associated companies are eliminated in relation to the Group's holding in the associated company. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been amended where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses on participations in associated companies are recognized in the income statement.

**Joint ventures**

For joint ventures, where there is a common controlling interest, the equity method is applied. Interests in a joint venture are initially recognized at cost at the time of acquisition and adjusted on a current basis by its share of changes in the equity of the entity under common control.

The Group's share of the profit from the entity under common control is recognized in the consolidated statement of comprehensive income. If the Group's share of accumulated losses is equal to or more than the Group's share of the equity of the entity under common control, the Group does not recognize further losses.

**1.3 SEGMENT REPORTING**

Operating segments must be reported in line with the internal reports submitted to the chief operating decision maker. The chief operating decision maker has been identified as the President.

**1.4 FOREIGN CURRENCY TRANSLATION**

**Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in SEK, which is the parent company's functional and presentation currency.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. An exception is when the transactions qualify as cash flow hedges, in which case the gains/losses are recognized in other comprehensive income.

Foreign exchange gains and losses attributable to loans and cash and cash equivalents are recognized in the income statement as financial income or expense. All other foreign exchange gains or losses, mainly on trade receivables and trade payables, are recorded in the items 'Other operating income' and 'Other operating expenses' in the income statement.

Translation differences for non-monetary financial assets and liabilities are recorded as part of fair value gains/losses. Translation differences for non-monetary financial assets and liabilities, such as shares recognized at fair value in the income statement, are recorded in the income statement as part of fair value gains/losses.

**Group companies**

The results and financial position of all the Group companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the Group's presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate.
- Income and expenses for each income statement are translated at average exchange rates.
- All foreign exchange differences arising are recorded in other comprehensive income.

On consolidation, foreign exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign business is sold, fully or partly, the currency differences reported in equity are transferred to the income statement and recognized as part of the capital gain/loss. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**1.5 NON-CURRENT PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment is recorded at historical cost less depreciation. The Group applies depreciation of components, where each part of an item of property, plant and equipment with a cost of acquisition that is significant in relation to the total cost of the item is to be depreciated separately. Historical cost includes expenses directly attributable to the acquisition of the asset. Expenditure for dismantling and restoration is added to the historical cost and reported as a separate component. Dismantling and restoration costs during the useful life of the asset are calculated annually on the basis of the evaluation made on each date of estimate. Any adjustments of the future costs adjust the cost of acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount for the replaced part is removed from the balance sheet. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

| | |
|---|---|
| • Buildings and land improvements | 20–50 years |
| • Plant and machinery | 3–20 years |
| • Equipment and tools | 3–20 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing sales proceeds with the carrying amount and are recorded under 'Other operating income' and 'Other operating expenses' in the income statement.

**1.6 INTANGIBLE ASSETS**

**Goodwill**

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associated companies is included in the value of investments in associated companies and tested for impairment as part of the value of the total investment. Goodwill that is disclosed separately is tested annually for impairment and recognized at cost less accumulated impairment losses. Goodwill impairment loss is not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units when tested for impairment. Allocation is to the cash-generating units or groups of cash-generating units that are expected to benefit from the business combination giving rise to the goodwill item.

**Computer software**

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These capitalized costs are amortized over the estimated useful life (normally 10 years).

Costs associated with developing or maintaining computer software are recognized as an expense as incurred.

Development costs for software recognized as an asset are amortized over the estimated useful life.

**Contractual customer relations and similar rights**

Contractual customer relations and similar rights consist mainly of customer relations and contracts as well as some tenancy rights. Documents to verify their capitalization could be business plans, budgets or the company's assessments of future outcomes. An individual assessment is made for each item. Amortization starts when the asset is ready for use and subsequently continues over the estimated useful life. Contractual customer relations are amortized over 15 years The amortization period for other rights varies.

### 1.7 IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, such as goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling costs and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than financial assets and goodwill for which an impairment loss has previously been recognized, are tested to establish if any reversal should be made.

### 1.8 FINANCIAL ASSETS

In 2017 the Group classified its financial assets in accordance with IAS 39 in the following categories: financial assets at fair value through profit or loss, loans and receivables and derivatives for hedging. As of January 1, 2018, the Group classifies its financial assets in accordance with IFRS 9 in the following categories: financial assets at fair value through profit or loss and amortized cost. The classification depends on the purpose for which the financial asset was acquired. The management determines the classification of financial assets when they are first reported.

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired mainly for the purpose of selling in the short term Derivatives are classified as held for trading if they are not designated as hedging instruments. Assets in this category are classified as current assets if they are expected to be settled within 12 months. Otherwise they are classified as non-current assets.

The Group recognizes the following financial instruments at fair value through profit or loss:

- Investments in debt instruments that do not qualify for recognition at amortized cost or at fair value via other comprehensive income,
- Investments in equity instruments held for trading.

**Investments in debt instruments**

The Group classifies its investments in debt instruments in the measurement category Amortized cost, which is financial assets that have fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's amortized cost consists of derivatives, trade and other receivables and cash and cash equivalents in the balance sheet (notes 21, 22 and 25).

**Recognition and measurement**

Purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset Financial instruments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets recognized at fair value through profit or loss are initially recognized at fair value, while related transaction costs are recognized in the income statement. Financial assets are derecognized when the rights to receive cash flows from the instruments have expired or have been transferred and the Group has transferred substantially all risks and benefits of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value after the date of acquisition. Investments in debt instruments are carried at amortized cost after the acquisition date, applying the effective interest method. Debt instruments with short maturities are recognized at nominal value.

Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category, are presented in the income statement in the period in which they arise under the items 'Other operating income' and 'Other operating expenses'.

### 1.9 OFFSET OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and recognized net in the balance sheet only if there is a legally enforceable right to set off the recognized amounts and an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The legal right may not be contingent on a future event and it must be legally enforceable on the company and the counterparty, both in the normal course of business or in the event of default, insolvency or bankruptcy.

### 1.10 IMPAIRMENT LOSSES ON FINANCIAL ASSETS

**Assets carried at amortized cost**

The Group assesses at the close of each accounting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group applies the simplified method for calculating expected credit losses. The method means that expected losses during the entire life of the claim are used as the basis for trade receivables and contract assets. A financial asset or group of financial assets is impaired, and impairment losses are recognized, only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and this event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured.

The Group first assesses whether there is objective evidence of impairment.

The impairment is estimated as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses that have not yet occurred), discounted at the original effective interest rate of the financial asset. The carrying amount of the asset is written down and the impairment loss is recognized in the consolidated income statement. If a loan or investment held to maturity has a variable interest rate, the current contractual effective interest rate used as the discount rate when impairment has been established. As a practical solution, the Group can establish impairment loss on the basis of the fair value of the instrument using an observable market price.

If the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognized (for example an improvement in the debtor's creditworthiness), the previously recognized impairment loss is reversed through the consolidated income statement.

### 1.11 DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are recognized in the balance sheet on the date of the contract at fair value, both initially and on subsequent remeasurement. The method of reporting the gain or loss arising on revaluation depends on whether the derivative is identified as a hedging instrument, and, if so, the nature of the hedged item. The Group identifies certain derivatives as either:

- a hedge of the fair value of a recognized asset or liability or a firm commitment (fair value hedge),
- a hedge of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

When the transaction is entered into, the Group documents the relationship between the hedging instrument and the hedged item, as well as the Group's risk management objective and strategy for undertaking the hedge. The Group also documents its assessment, both when the hedge is undertaken and on a continuous basis, of whether the derivative instruments used in hedging transactions are effective in offsetting the changes in the fair value or cash flows of the hedged items.

Information on the fair value of the different derivative instruments used for hedging purposes is given in note 21. The entire fair value of a derivative designated as a hedging instrument is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

**Fair value hedging**

The Group only applies fair value hedging for certain financial non-current assets and borrowing.

**Cash flow hedging**

The effective portion of the change in fair value of a derivative instrument identified as a cash flow hedge and satisfying the criteria for hedge accounting, is reported in other comprehensive income in the hedging reserve in equity. The gain or loss referring to the ineffective portion is recognized immediately in the income statement in the items 'Other operating income' or 'Other operating expenses' - net. When a hedging instrument matures or is sold or when the hedge no longer fulfills the criteria for hedge accounting and accumulated gains or losses referring to the hedge are in equity, these gains/losses remain in equity and are recognized in revenue at the time when the forecast transaction is ultimately reported in the income statement. When a forecast transaction is no longer expected to occur, the accumulated gains or losses deferred in equity must immediately be taken to the income statement items 'Other operating income' or 'Other operating expenses' – net.

### 1.12 INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads. Borrowing costs are not included. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**1.13 TRADE RECEIVABLES**

Accounts receivable are reported in the amount at which they are expected to be received after deduction for bad debts, assessed individually. The expected maturity of trade receivables is less than twelve months and therefore the value has been recognized at the nominal amount without discounting. Impairment losses in trade receivables are recognized in the item 'Selling and marketing costs'.

**1.14 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents includes cash in hand, bank balances and other short-term liquid investments with original maturities of three months or less of the date of acquisition.

**1.15 SHARE CAPITAL**

Ordinary shares are classified as equity.

Transaction costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**1.16 TRADE PAYABLES**

Trade payables are recognized at fair value and are commitments to pay for goods or services acquired from suppliers in the operating activities. Trade payables have a short expected maturity and are classified as current liabilities.

**1.17 BORROWINGS**

Borrowings are recognized at fair value, net after transaction costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**1.18 CURRENT AND DEFERRED INCOME TAX**

Tax expense for the period includes current and deferred tax. Tax is reported in the income statement, except when the tax refers to items reported in other comprehensive income or directly in equity. In that case the tax is also reported in other comprehensive income and equity respectively.

The current tax expense is calculated on the basis of the tax laws that have been enacted or substantively enacted on the balance sheet date in the countries in which the parent company's subsidiaries and associated companies operate and generate taxable revenues.

The management regularly assesses claims made in tax returns for situations where applicable tax rules are subject to interpretation and, where deemed appropriate, makes provision for amounts that will probably have to be paid to the tax authorities.

Deferred tax is recognized in its entirety, using the balance sheet method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. However, the deferred tax is not recognized if it arises as a consequence of a transaction constituting the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent it is probable that future taxable profit will be available against which the temporary differences can be applied.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax liabilities and assets on a net basis.

**1.19 EMPLOYEE BENEFITS**

**Pension obligations**

The Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, in which the payments are determined on the basis of periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or constructive obligation to pay further contributions if this legal entity does not have sufficient assets to pay all employee benefits associated with the employees' service in the current or prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. It is characteristic of defined benefit plans that they define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability

Actuarial gains and losses as a result of experience adjustments and changes in actuarial assumptions are reported in other comprehensive income in the period in which they arise. Past service costs are recognized directly in the income statement.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that cash refund or a reduction in the future payments is available to the Group.

**Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy or in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates, a) when the Group can no longer withdraw the offer of those benefits, and b) when the company recognizes the costs for a restructuring within the scope of IAS 37 that includes the payment of termination benefits. In cases where the company has made an offer to encourage voluntary redundancy, the termination benefits are calculated on the basis of the number of employees expected to accept the offer.

**Profit sharing and variable salary components**

The Group recognizes a liability and an expense for variable salary and profit-sharing, based on a formula that takes into consideration the profit that can be attributed to the parent company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**1.20 PROVISIONS**

Provisions for environmental restoration measures, future waste management costs, restructuring costs and other legal requirements are recognized when: The Group has a present legal or constructive obligation as a result of past events; it is more probable than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. No provision has been made for future operating losses.

If there are a number of similar obligations, the probability that an outflow of resources will be required to settle the obligations will be assessed overall for the entire group of obligations. A provision is reported even if the probability of an outflow for a particular item in this group of obligations is minor. See note 33, 'Other provisions'.

**1.21 REVENUE RECOGNITION**

Revenue comprises the fair value of the consideration received or receivable for goods and services sold in the Group's operating activities. Revenue is reported exclusive of value added tax, returns and discounts and after elimination of sales within the Group.

**Consultancy Services**

The Group offers services at both fixed and variable prices. Revenue from services delivered is recognized in the period they are supplied. For fixed price contracts, the revenue is based on the percentage of the total contracted service delivered during the financial year when the customer receives and uses the services at the same time. This is determined on the basis of the actual cost incurred compared with the total expected cost of the contract. Estimates of revenue, costs or percentage of completion of projects are revised if circumstances change. Increases or decreases in assessed revenue or costs that depend on a changed estimate are recognized in the income statement in the period when the circumstances that caused the revision became known.

In fixed price contracts the customer pays the agreed price at agreed times of payment. If payments exceed the services delivered, a contract liability is recognized in the item Trade and other payables. If the contract is a cost-plus contract based on an hourly rate, the revenue is recognized to the extent the Group has a right to invoice the customer. Customers are invoiced monthly, usually with a 30-day payment term. More information on the Group's Consultancy Services can be found in note 4 and the Consultancy Services, Fuel and Materials Technology and Germany segments.

**Software**

Revenue for the software developed by the Group is received through:

- Sale of goods
- License revenues
- Maintenance agreements
- Contract revenue

Sales of software are recognized in revenue when control of the products is transferred, which is when the software is delivered to the customer and there are no unfulfilled obligations that may affect the customer's approval of the software. A receivable is recognized when the software has been delivered, as this is the time at which payment becomes unconditional.

License revenues are classified as "right to use" licenses where control over the license is received by the customer directly at the time of sale and delivery and they are therefore recognized in revenue when the customer receives the license key. Customers are invoiced annually, usually with a 30-day payment term.

Maintenance agreements are normally signed on an annual basis and as it is difficult to estimate when the maintenance will be supplied, these revenues are recognized on a straight-line basis over the period of the agreement. The deferred income is recognized as a contract liability in the item Trade and other payables. Customers are invoiced annually, usually with a 30-day payment term.

Contract revenue is offered at both fixed and variable prices and the Group treats these revenues in the same way as Consultancy Services (see description above). More information about the Group's software can be found in note 4 and the Scandpower segment.

Interest income is recognized on a time-proportion basis using the effective interest method. When the value of a receivable is impaired, the Group reduces the carrying amount to the recoverable amount, which is the estimated future cash flow, discounted at the original effective interest rate for the instrument, and continues to reverse the discount effect as interest income. Interest income on impaired loans is recognized at the original effective interest rate.

Dividend income is recognized when the right to receive payment is established.

**Remaining performance obligations**

The table below shows unfulfilled performance obligations referring to long-term projects in the Fuel and Materials Technology segment. The table does not include revenue related to contracts invoiced on a cost plus basis or contracts with an expected maximum duration of one year.

| Year | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | Total |
|---|---|---|---|---|---|---|---|---|---|
| SEK m | 62 | 65 | 31 | 62 | 71 | 72 | 73 | 74 | **510** |

**1.22 LEASING**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (less any lease incentives) are recognized as expenses in the income statement on a straight-line basis over the lease term.

The Group leases some property, plant and equipment. Leases on non-current assets, in which the Group holds the financial risks and rewards incident to legal ownership, are classified as finance leases. At the start of the lease term finance leases are recorded in the balance sheet at the lower of the lease At the start of the lease term finance leases are recorded in the balance sheet at the lower of the leased asset's fair value and present value of the minimum lease payments.

Each lease payment is allocated between amortization of the debt and financial costs for achieving a fixed rate of interest on the reported debt. The corresponding payment liabilities, less financial expenses, are included in the balance sheet items 'Non-current borrowing' and 'Current borrowing'. The interest component of the financial expenses is allocated over the lease term in the income statement so that each accounting period is charged with an amount equivalent to a fixed interest rate on the reported debt in the respective period. Non-current assets held as finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

**1.23 DIVIDENDS**

Dividend distribution to the parent company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the parent company's shareholders.

**1.24 PARENT COMPANY**

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and Swedish Financial Reporting Board recommendation RFR 2, Accounting for Legal Entities. RFR 2 means that the Parent Company, in its separate financial statements, must apply all the IFRS and statements adopted by the EU as far as possible, subject to the Annual Accounts Act and the Act on Safeguarding Pension Obligations, taking into account the connection between accounting and taxation. The recommendation specifies the exemptions and additions that must be made in relation to IFRS. The differences between the Group's and the Parent Company's accounting policies are presented below. The main differences between the accounting policies applied by the Group and the Parent Company are:

**Formats**

The income statement and balance sheet follow the format of the Annual Accounts Act. This entails differences compared with the consolidated accounts, mainly as regards financial income and expense, the statement of comprehensive income, provisions and the statement of changes in equity.

**Shares and participations in subsidiaries**

Investments in subsidiaries are recorded at the lower of cost and fair value. Assessments are made as to whether the book amount corresponds to fair value and the book amount is written down if the impairment is deemed permanent and recorded in the item 'Profit/loss from participations in Group companies'. Dividend received is reported as financial income.

**Revenue**

The Parent Company's income includes dividends and group contributions received from subsidiaries and other internal transactions that are eliminated in the consolidated accounts.

**Leases**

All leases, regardless of whether they are finance or operating leases, are recorded as rental agreements (operating leases).

**Pensions**

Pension obligations refer to defined contribution plans and are covered by insurance arrangements.

**Taxes**

The accumulated values of accelerated depreciation and other untaxed reserves are presented in the parent company balance sheet under the item Untaxed reserves with no deduction for the deferred tax. Changes in the untaxed reserves are shown on a separate line in the income statement in the parent company income statement. The consolidated accounts, however, divide untaxed reserves into deferred tax liability and equity.

**Group contributions and shareholders' contributions for legal entities**

The company reports group contributions and shareholders' contributions in accordance with the Swedish Financial Reporting Board's recommendation RFR 2. Shareholders' contributions are recognized directly in the equity of the recipient and capitalized in shares and participations by the giver, to the extent there is no impairment loss. Group contributions from subsidiaries are reported as financial income as is normal dividend from subsidiaries. Tax on group contributions is reported in accordance with IAS 12 in the income statement.

## *NOTE 2* Financial Risk Management

**2.1 FINANCIAL RISK FACTORS**

Through its operations the Group is exposed to a number of different financial risks; market risk (covering currency risk, fair value interest rate risk, cash-flow interest rate risk and price risk), credit risk and liquidity risk. The financial risks also include the company's ability to uphold financial key ratios (covenants) that regulate borrowing. The Group's overall risk management policy focuses on the unpredictability of financial markets and aims to minimize potential adverse effects on the Group's financial performance. The Group uses derivative instruments to hedge certain risk exposure. Risk management is handled by a central treasury function in accordance with policies determined by the Board of Directors. The central function identifies, evaluates and hedges financial risk in close cooperation with the Group's operating units. The Board of Directors draws up written policies, both for overall risk management and for specific areas, such as currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of surplus liquidity.

**Market risk**

*Price risk*

The Group's largest single cost item is personnel, which accounts for 63 (64) per cent of the total costs of continuing operations. Other expenses vary. The Group's risk exposure as regards purchases is therefore of less significance.

*Currency risk*

The Group operates internationally and is exposed to currency risk arising from various currency exposures, above all in US dollars (USD), euros (EUR) and pounds sterling (GBP). Currency risk arises through future business transactions, reported assets and liabilities and net investment in foreign operations.

The Board of Directors has drawn up policies and guidelines for how currency risk is to be managed in the Group. To minimize the currency risk arising on business transactions and for reported assets and liabilities, the companies use different forms of currency derivatives issued by external banks. Currency risk arises when future business transactions or reported assets and liabilities are denominated in a currency that is not the functional currency of the unit.

At Group level only external foreign currency derivative contracts are classified as hedges of gross amounts of specific assets, liabilities or future transactions.

If the Swedish krona had weakened by 10 per cent against the euro, all other variables being constant, the year's profit for continuing operations as at December 31, 2018 would have been SEK 1.0 million lower (1.3 million lower), as the Group's total costs in EUR are lower than the corresponding revenue in EUR. Equity would have been SEK 1.0 million lower (1.3 million lower), mainly due to translation of the Group's net investments in Germany.

If the Swedish krona had weakened by 10 per cent against the pound sterling, all other variables being constant, the year's profit for continuing operations as at December 31, 2018 would have been SEK 0.3 million lower (0.2 million higher), as the Group's total revenues in GBP are greater than the corresponding expenses in GBP. Equity would have been SEK 0.3 million lower (0.2 million higher), mainly due to translation of the Group's net investments in the United Kingdom.

If the Swedish krona had weakened by 10 per cent against the US dollar, all other variables being constant, the year's profit from continuing operations as at December 31, 2018 would have been SEK 1.8 million lower (SEK 2.2 million lower), mainly as a result of Scandpower Inc's operations. Equity would have been SEK 1.8 million lower (2.1 million lower), mainly due to translation of the Group's net investments in the USA.

**Interest rate risk referring to cash flows and fair values**

Since the Group does not have any material interest-bearing assets, the Group's income and cash flow from operating activities are in all essentials independent of changes in market interest rates.

The Group's interest rate risk arises through long-term borrowings. Borrowing at variable interest rates exposes the Group to cash flow interest rate risk. Borrowing at fixed interest rates exposes the Group to fair value interest rate risk. The Group's contractual repricing dates for interest rates are shown in note 30.

The Group analyses its interest rate exposure regularly. Different scenarios are simulated, taking into account refinancing, renewals of existing positions, alternative funding and hedging. With these scenarios as a base, the Group calculates the impact on earnings of a given interest rate change. For each simulation the same interest rate change is used for all currencies. The scenarios are only simulated for debt constituting the largest interest-bearing positions.

Simulations carried out show that the impact on pre-tax earnings of a change of 0.1 percentage point would be a maximum increase or decrease respectively of SEK 0.2 (0.2) million.

If the interest rate on borrowing in SEK on December 31, 2018 had been 0.5 percentage points higher/lower, all other variables being constant, the pre-tax earnings for the financial year would have been SEK 1.0 (1.1) million higher/lower, mainly as an effect of higher/lower interest expense in connection with changes in reference rates.

**Credit risk**

Credit risk is managed at company and Group level. Credit risk arises through cash and cash equivalents, derivative instruments and balances at banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and contractual transactions. The Group only uses banks with an A+ or higher rating for depositing cash and cash equivalents. In cases where no independent credit evaluation exists, a risk appraisal is made of the customer's creditworthiness in which financial position and prior experience and other factors are taken into consideration. Individual risk limits are set, based on internal or external credit evaluations in accordance with limits set by the Board of Directors.

The credit quality of the financial assets is presented in note 20 and the credit quality of other receivables is presented in note 22.

**Liquidity risk**

Liquidity risk is managed through the Group holding sufficient cash and cash equivalents and short-term deposits in a liquid market, available funding through contracted credit lines and the possibility of closing market positions. Due to the dynamic character of operations, the Group retains flexibility of funding by maintaining contracts for withdrawable lines of credit. The company has a bond loan of SEK 200.1 thousand, which falls due on February 22, 2019. The loan carries interest of 6.5 % + STIBOR 3 months. Expected interest expense is estimated as SEK 1,915 thousand for 2019, up to the maturity date. In addition, the remaining amount for the cost of the bond arrangement, already paid, SEK 250 thousand, will be amortized over the period. The management also carefully follows rolling forecasts of the Group's liquidity reserve, consisting of unutilized loan assurances (note 30) and cash and cash equivalents (note 25), on the basis of expected cash flows.

The table below analyses the Group's financial liabilities and derivative instruments settled net that constitute financial liabilities, broken down by the contractual time to maturity remaining on the balance sheet date. The amounts stated in the table are the contracted, undiscounted cash flows.

| As at December 31, 2018 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|---|---|---|---|---|
| Bank loans | – | – | – | – |
| Bond loans | 201,765 | – | – | – |
| Derivative instruments | 3,650 | 53 | – | – |
| Trade and other payables | 208,520 | 1,500 | 4,500 | 8,568 |

| As at December 31, 2017 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|---|---|---|---|---|
| Bank loans | – | – | – | – |
| Bond loans | 13,007 | 202,015 | – | – |
| Derivative instruments | 2,855 | 7 | – | – |
| Trade and other payables | 162,001 | 1,500 | 4,500 | 8,987 |

The table below analyses the Group's financial derivative instruments that will be settled gross, broken down by the contractual time to maturity remaining on the balance sheet date The amounts stated in the table are the contracted, undiscounted cash flows. The amounts that mature within 12 months have not been discounted, since the discount effect is immaterial.

| As at December 31, 2018 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|---|---|---|---|---|
| Forward exchange contracts – Cash flow hedges | | | | |
| – Outflow | – | – | – | – |
| – Inflow | 49,433 | 2,980 | – | – |

| As at December 31, 2017 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|---|---|---|---|---|
| Forward exchange contracts – Cash flow hedges | | | | |
| – Outflow | – | – | – | – |
| – Inflow | 24,739 | 5,057 | – | – |

**2.2 CAPITAL RISK MANAGEMENT**

The Group's goal for its capital structure is to safeguard the Group's ability to continue as a going concern, so that it can generate a return for its shareholders and benefit for other stakeholders and maintain an optimal capital structure as a means of controlling the cost of capital. The Group assesses the capital on the basis of debt/equity ratio and equity/assets ratio. Studsvik has an overall goal of an equity/assets ratio of 40 per cent. The equity/assets ratio at the close of the year was 35.1 per cent (34.5).

To retain or adjust the capital structure, the Group can alter the dividend it pays to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce its liabilities

Just like other companies in the industry, the Group assesses its capital on the basis of the debt/equity ratio. This ratio is defined as net debt divided by total equity. Net debt is defined as total borrowing (including the items current borrowing and Non-current borrowing in the consolidated balance sheet) less cash and cash equivalents. Equity is calculated including non-controlling interests

| | 2018 | 2017 |
|---|---|---|
| Total borrowing (note 30) | 199,850 | 199,850 |
| Less cash and cash equivalents (note 25) | -155,539 | –98,672 |
| **Net debt** | **44,311** | **101,178** |
| **Total equity** | **316,205** | **288,473** |
| Debt/equity ratio | 14.0% | 35.1% |

The change in debt/equity ratio in 2018 was mainly a consequence of higher cash and cash equivalents after a positive cash flow in 2018. Positive earnings is the main reason for higher equity.

**2.3 FAIR VALUE ESTIMATION**

The table below shows financial instruments at fair value on the basis of their classification in the fair value hierarchy. The different levels are defined as follows:

- Level 1 – Quoted prices (unadjusted) on active markets for identical assets or liabilities.
- Level 2 – Other observable market data for the asset or liability other than quoted prices included in level 1, either direct (i.e. as quoted prices) or indirect (i.e. derived from quoted prices).
- Level 3 – Data on the asset or liability not based on observable market data (i.e. unobservable inputs).

The following table shows the Group's assets and liabilities measured at fair value as at December 31, 2018.

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| *Assets* | | | |
| Financial assets at fair value through profit or loss | | | |
| – Unlisted shareholdings | – | – | 13,949 |
| – Capital insurance | – | 12,233 | – |
| – Long-term bank deposits | – | 3,004 | – |
| Derivatives used for hedging | – | 3,236 | – |
| **Total assets** | **–** | **18,473** | **13,949** |
| *Liabilities* | | | |
| Derivatives used for hedging | – | 3,703 | – |
| **Total liabilities** | **–** | **3,703** | **–** |

The following table shows the Group's assets and liabilities measured at fair value as at December 31, 2017.

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| *Assets* | | | |
| Financial assets at fair value through profit or loss | | | |
| – Unlisted shareholdings | – | – | 13,039 |
| – Capital insurance | – | 14,028 | – |
| – Long-term bank deposits | – | 3,861 | – |
| Derivatives used for hedging | – | 2,733 | – |
| **Total assets** | **–** | **20,622** | **13,039** |
| *Liabilities* | | | |
| Derivatives used for hedging | – | 2,862 | – |
| **Total liabilities** | **–** | **2,862** | **–** |

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices from a stock exchange, broker, industrial group, pricing service or supervisory authority are easily and regularly available, and these prices represent actual and regularly occurring market transactions at arm's length. The Group does not currently hold such assets or liabilities.

Fair value of financial instruments not traded on an active market (for example OTC derivatives) is established using valuation techniques. These techniques use market information as far as possible when this is available, while company-specific information is used as little as possible If all material inputs required for fair value measurement of an instrument are observable the instrument is found at level 2.

In the cases where one or more material inputs are not based on observable market information the instrument concerned is classified at level 3.

Specific valuation techniques used to measure financial instruments include:

- Quoted market prices or brokers' quotations for similar instruments.
- The fair value of interest swaps is calculated as the present value of estimated future cash flows based on observable yield curves.
- The fair value of forward exchange contracts is determined using quoted forward exchange rates at the balance sheet date, where the resulting value is discounted to present value.
- Other techniques, such as estimating discounted cash flows, are used to determine the fair value of remaining financial instruments.

The following instruments at level 3 refer to our holdings in nuclear insurance companies. They are valued at acquisition cost plus our share of their surplus.

The following table shows changes for instruments at level 3 in 2017.

| | Level 3 |
|---|---|
| Opening balance | 12,259 |
| Acquisitions of shares | |
| Gains recognized in the income statement | 780 |
| **Closing balance** | **13,039** |
| **Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period** | **780** |

The following table shows changes for instruments at level 3 in 2018.

| | Level 3 |
|---|---|
| Opening balance | 13,039 |
| Acquisitions of shares | |
| Gains recognized in the income statement | 910 |
| **Closing balance** | **13,949** |
| **Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period** | **910** |

## *NOTE 3* Important accounting estimates

Estimates and assumptions are continually evaluated and rest on historical experience and other factors, including expectations of future events regarded as reasonable under the circumstances.

**3.1 IMPORTANT ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The Group makes estimations and assumptions about the future. The estimates for accounting purposes derived from these assumptions will, by definition, seldom correspond to the actual outcome. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

**Impairment tests for goodwill**

Each year the Group examines whether goodwill is impaired, in accordance with the accounting policy described in note 1.7. Recoverable amounts for cash-generating units in continuing operations have been determined by calculating value in use. Certain estimates must be made for these calculations (note 16).

Based on the assumptions and estimates made, there is no impairment loss on goodwill.

**Income taxes**

The Group is liable to pay tax in different countries. Extensive assessments are required to establish the global provision for income tax. There are many transactions and calculations in which the final tax is uncertain at the time the transactions and calculations are made. The Group reports a liability for expected tax field audits based on assessments of whether further tax liability will arise. In cases where the final tax for these cases differs from the amounts first reported, the differences will affect current tax and provisions for deferred tax in the period when these determinations are made. Moreover, estimates and assumptions are made to determine the value of the deferred tax asset and deferred tax liability on the balance sheet date. Future amendments to tax legislation and the development of the business climate affect the company's future taxable profit and thus the ability to use the deferred tax asset on tax loss carry forwards.

**Fair value of derivative instruments or other financial instruments**

Fair value of financial instruments not traded on an active market is established using valuation techniques. The Group chooses several methods and makes assumptions that are mainly based on the market conditions existing on the respective balance sheet date.

**Revenue recognition**

The Group uses the percentage of completion method for reporting fixed price contracts. The percentage of completion method means that the Group must estimate completion of services on the balance sheet date as a proportion of the total services to be provided. If the proportion of completed services to total services to be provided deviates by 10 per cent from the management's estimate, the year's reported revenue would increase by SEK 8.2 (12.7) million if the percentage of completion had increased, or decrease by SEK 8.2 (12.7) million if the percentage of completion had decreased.

**Provisions**

The operations at Studsvik's facilities in Sweden are subject to local licensing requirements and Studsvik is liable to decommission facilities, manage waste and restore land. The Group makes provision in its own balance sheet for these future decommissioning costs. The Group also provides collateral in the form of bank guarantees and deposits blocked funds. The Group makes regular assessments of its technical and financial obligations and revises the value of these provisions annually. The commitment consists of discounted values of future cash flows.

If the actual estimate of the future decommissioning cost were to deviate by 10 per cent from the management's assessment, the result would have been SEK 0.9 (1.1) million lower for a higher estimate of future costs. Changes in estimates of future costs refer to repository costs for waste treated in the Group's Swedish facility, which affect future cash flows. Other changes in estimated future costs are capitalized as property, plant and equipment and thus only affect future depreciation.

Changes in the Group's provisions are presented in note 33.

## *NOTE 4* Segment reporting

Operating segments have been established on the basis of information dealt with by the Board of Directors and the President and used to make strategic decisions. The Board of Directors and the President assess operations mainly from a business area perspective, and therefore the segments consist of the Group's four business areas, which are described on pages 12-19.

The Board of Directors and the President assess the operating segments' performance on the basis of operating profit.

Operating segment assets refer to all non-current assets and current assets allocated by segment. Operating segment liabilities refers to all long-term and current liabilities allocated by segment.

Interest income and expenses are not allocated to the segments, since they are affected by measures taken by the central treasury, which handles the Group's cash liquidity. Reclassification of income, earnings and employees was made between segments for the comparison year to achieve comparability with 2018.

| **Financial year 2018** | **Consultancy Services** | **Fuel and Materials Technology** | **Studsvik Scandpower** | **Germany** | **Other** | **Eliminations** | **Group** |
|---|---|---|---|---|---|---|---|
| Sales revenues | 78,243 | 224,327 | 137,182 | 285,427 | 47,981 | –47,049 | 726,111 |
| External sales revenue | 68,910 | 219,509 | 129,668 | 280,003 | 28,021 | – | 726,111 |
| EBITDA before non-recurring items | –16,245 | 43,478 | 27,627 | –5,330 | –12,013 | – | 37,517 |
| Non-recurring items | –3,918 | –742 | – | –2,866 | 12,251 | – | 4,725 |
| Depreciation/amortization and impairment | –1,172 | –12,670 | –777 | –1,071 | –3,692 | – | –19,382 |
| Earnings from associated companies and joint ventures | 10,622 | – | – | 0 | – | – | 10,622 |
| **Operating profit/loss** | **–10,712** | **30,066** | **26,850** | **–9,267** | **–3,454** | – | **33,481** |
| Net financial items | | | | | | | –14,747 |
| Taxes | | | | | | | –10,019 |
| **Net profit/loss for the year** | | | | | | | **8,715** |
| Holdings in associated companies and joint ventures | 12,531 | | | | | | 12,531 |
| Other operating segments | 149,269 | 217,641 | 145,627 | 230,237 | 432,906 | –287,570 | 888,111 |
| **Total assets** | **161,800** | **217,641** | **145,627** | **230,237** | **432,906** | **–287,570** | **900,641** |
| Operating segment liabilities | 133,646 | 158,687 | 49,537 | 209,319 | 320,816 | –287,570 | 584,437 |
| Equity | | | | | | | 316,205 |
| **Total equity and liabilities** | **133,646** | **158,687** | **49,537** | **209,319** | **320,817** | **–287,570** | **900,641** |
| Investments | 2,370 | 23,237 | 500 | 337 | 5,635 | – | 32,079 |
| Average number of employees | 51 | 98 | 33 | 417 | 25 | – | 624 |

| **Financial year 2017** | **Consultancy Services** | **Fuel and Materials Technology** | **Studsvik Scandpower** | **Germany** | **Other** | **Eliminations** | **Group** |
|---|---|---|---|---|---|---|---|
| Sales revenues | 122,891 | 195,038 | 81,015 | 291,168 | 69,345 | –54,624 | 704,833 |
| External sales revenue | 114,367 | 192,138 | 73,482 | 281,135 | 43,710 | – | 704,833 |
| EBITDA before non-recurring items | 7,755 | 16,541 | –7,808 | –7,370 | –21,668 | – | –12,550 |
| Non-recurring items | –3,981 | –1,413 | –3,163 | 0 | –12,550 | – | –21,107 |
| Depreciation/amortization and impairment | –1,120 | –9,879 | –809 | –1,044 | –3,738 | – | –16,590 |
| Earnings from associated companies and joint ventures | 8,680 | – | – | – | – | – | 8,680 |
| **Operating profit/loss** | **11,334** | **5,249** | **–11,780** | **-8,414** | **–37,956** | **–** | **–41,567** |
| Net financial items | | | | | | | –17,086 |
| Taxes | | | | | | | 13,662 |
| **Net profit/loss for the year** | | | | | | **–** | **–44,991** |
| Holdings in associated companies and joint ventures | 6,867 | | | | | | 6,867 |
| Other operating segments | 150,861 | 182,716 | 95,170 | 220,107 | 420,480 | –251,326 | 818,008 |
| **Total assets** | **157,728** | **182,716** | **95,170** | **220,107** | **420,480** | **–251,326** | **824,875** |
| Operating segment liabilities | 120,177 | 153,511 | 23,203 | 190,978 | 299,859 | –251,326 | 536,402 |
| Equity | | | | | | | 288,473 |
| **Total equity and liabilities** | | | | | | | **824,875** |
| Investments | 2,619 | 13,849 | 727 | 1,403 | 3,487 | – | 22,084 |
| Average number of employees | 57 | 101 | 34 | 435 | 35 | – | 662 |

## *NOTE 4* (cont.)

| External sales revenue per product area | 2018 | 2017 |
|---|---|---|
| Consultancy and engineering services | 112,365 | 130,779 |
| Health physics services | 113,322 | 132,285 |
| Transport and logistics | 21,202 | 11,935 |
| Decommissioning services | – | – |
| Operational and outage support | 146,003 | 157,441 |
| Fuel and materials performance | 138,101 | 119,859 |
| Corrosion and water chemistry studies | 41,448 | 45,649 |
| Fuel optimization software | 114,894 | 55,182 |
| Other operations | 38,776 | 51,702 |
| **Total** | **726,111** | **704,833** |

Other operations include the parent company and the part of the Swedish company Studsvik Nuclear AB that is not part of the Consultancy Services or Fuel and Materials Technology segments.

| External sales revenue based on the customer's | 2018 | | 2017 | |
|---|---|---|---|---|
| **country of location** | **SEK '000** | **Per cent** | **SEK '000** | **Per cent** |
| Sweden | 126,912 | 17.5 | 157,133 | 22.3 |
| Europe excluding Sweden | 484,315 | 66.7 | 424,405 | 60.2 |
| North America | 71,331 | 9.8 | 72,695 | 10.3 |
| Asia | 43,553 | 6.0 | 50,600 | 7.2 |
| All other countries | – | – | – | – |
| **Total** | **726,111** | **100.0** | **704,833** | **100.0** |

In 2018 the Group had no customers that accounted for 10 per cent of total sales.

| Non-current assets per | 2018 | | 2017 | |
|---|---|---|---|---|
| **country** | **SEK '000** | **Per cent** | **SEK '000** | **Per cent** |
| Sweden | 208,217 | 43.1 | 186,992 | 41.2 |
| Europe excluding Sweden | 171,332 | 35.4 | 165,214 | 36.8 |
| North America | 97,861 | 20.2 | 101,472 | 21.4 |
| Asia | 6,167 | 1.3 | 2,937 | 0.6 |
| **Total** | **483,577** | **100.0** | **456,615** | **100.0** |

## *NOTE 5* Other operating income

| Other income | 2018 | 2017 |
|---|---|---|
| Sale of property, plant and equipment | 91 | 76 |
| Insurance compensation | – | 2 |
| Revaluation of holding in mutual insurance company | – | 781 |
| Non-recurring structural revenue | 13,568 | – |
| Other | 1,457 | 700 |
| **Total** | **15,116** | **1,559** |

| Other gains | 2018 | 2017 |
|---|---|---|
| Other financial instruments at fair value through profit or loss | | |
| – Fair value gains | 1,553 | 654 |
| Forward exchange contracts | | |
| - Foreign exchange differences | 652 | 630 |
| **Total** | **2,205** | **1,284** |

Non-recurring structural revenue amounts to 13,568 and refers to capital gains from the sale of Horsviks gård.

## *NOTE 6* Other operating expenses

| Other costs | 2018 | 2017 |
|---|---|---|
| Sale of property, plant and equipment | – | – |
| Non-recurring structural costs | 8,843 | 21,107 |
| Other | 1,367 | 2,291 |
| **Total** | **10,210** | **23,398** |

| Other losses | 2018 | 2017 |
|---|---|---|
| Other financial instruments at fair value through profit or loss | | |
| – Fair value losses | 1,529 | 3,779 |
| Forward exchange contracts | | |
| – Foreign exchange differences | 805 | 2,349 |
| **Total** | **2,334** | **6,128** |

Non-recurring structural costs amount to SEK 8,843 (21,107) thousand and consist of costs for termination of staff in Sweden of SEK 4,518 (11,685) thousand, in the USA of SEK 0 (4,494) thousand, in the UK of SEK 0 (2,466) thousand, in Germany of SEK 2,866 (2,462) thousand and in France of SEK 1,459 (0) thousand.

## *NOTE 7* Costs by nature of expense

| | 2018 | 2017 |
|---|---|---|
| Purchases of material and services | 214,359 | 229,670 |
| Personnel costs | 447,627 | 462,541 |
| Energy | 12,096 | 8,330 |
| Depreciation/amortization and impairment | 19,383 | 17,873 |
| Other costs | 14,564 | 9,982 |
| **Total** | **708,029** | **728,396** |

## *NOTE 8* Remuneration to Auditors

| | 2018 | 2017 |
|---|---|---|
| PricewaterhouseCoopers | | |
| – Audit assignments | 2,360 | 1,834 |
| –Audit business in addition to audit | – | 325 |
| –Tax consultancy | 265 | 201 |
| – Other services | 82 | 163 |
| **Total** | **2,707** | **2,523** |
| Other auditors | | |
| – Audit assignments | 234 | 204 |
| – Audit business in addition to audit | 106 | 239 |
| –-Tax consultancy | 800 | 1,755 |
| – Other services | 0 | 0 |
| **Total** | **1,140** | **2,198** |
| **Group total** | **3,847** | **4,721** |

Audit assignments refers to examination of the annual accounts, the accounting records and the administration by the Board of Directors and the President, other duties incumbent on the company's auditors, as well as advisory services and other types of support as a result of observations made through such an examination or performance of such duties. Other services consist mainly of fees referring to the sale of the waste treatment operations.

The fees specified above refer to the following: PwC Sweden, audit assignment SEK 1,322 thousand, audit business in addition to audit assignment, SEK 0 thousand (tax consultancy) and other services SEK 82 thousand.

## *NOTE 9* Employee benefits

| Employee benefits | 2018 | 2017 |
|---|---|---|
| Salaries, benefits and other remuneration | 379,934 | 386,212 |
| Social security contributions | 71,850 | 78,544 |
| Pension costs - defined contribution based | 21,129 | 27,282 |
| Pension costs – defined benefit based | 469 | 178 |
| **Total** | **473,382** | **492,216** |

## *NOTE 9* (cont.)

| Salaries and other remuneration distributed between board members and president as well as other employees | 2018 Board and President | 2018 Of which variable compensation | 2018 Other employees | 2017 Board and President | 2017 Of which variable compensation | 2017 Other employees |
|---|---|---|---|---|---|---|
| Parent company | 4,716 | – | 6,852 | 10,925 | – | 6,000 |
| Subsidiaries in Sweden | 3,087 | – | 82,658 | 3,786 | – | 82,348 |
| Subsidiaries abroad | 9,187 | 405 | 273,434 | 6,988 | 55 | 276,165 |
| **Total, subsidiaries** | **12,274** | **405** | **356,092** | **10,774** | **55** | **358,513** |
| **Group total** | **16,990** | **405** | **362,944** | **21,699** | **55** | **364,513** |

| Average number of employees | 2018 Men | 2018 Women | 2018 Total | 2017 Men | 2017 Women | 2017 Total |
|---|---|---|---|---|---|---|
| **Parent company** | **2** | **3** | **5** | **3** | **3** | **6** |
| Subsidiaries in Sweden | 99 | 44 | 143 | 106 | 48 | 154 |
| Subsidiaries abroad | 423 | 53 | 476 | 473 | 29 | 502 |
| – Germany | 366 | 38 | 404 | 406 | 15 | 421 |
| – United Kingdom | 10 | 10 | 20 | 17 | 9 | 26 |
| – USA | 30 | 4 | 34 | 31 | 4 | 35 |
| – Japan | 1 | – | 1 | 1 | – | 1 |
| – Switzerland | 16 | 1 | 17 | 17 | 1 | 18 |
| – France | – | – | – | 1 | – | 1 |
| **Total, subsidiaries** | **522** | **97** | **619** | **579** | **77** | **656** |
| **Group total** | **524** | **100** | **624** | **582** | **80** | **662** |

| Gender breakdown in the Group (including subsidiaries) for members of the Board and other senior management | 2018 Number on balance sheet date | 2018 Of whom men | 2017 Number on balance sheet date | 2017 Of whom men |
|---|---|---|---|---|
| Board members | 7* | 4 | 8* | 5 |
| President and other senior management | 5 | 4 | 7 | 5 |
| **Group total** | **12** | **8** | **15** | **10** |

Salaries and other remuneration includes severance pay in 2018. For information on benefits to senior management, see note 38.

* The number of board members only refers to ordinary members.

## *NOTE 10* Financial income and expense

| | 2018 | 2017 |
|---|---|---|
| *Financial income* | | |
| Current bank balances | 1,726 | 893 |
| Fair value gains (realized and unrealized) | 104 | 334 |
| Other financial income | 2,187 | 87 |
| **Total** | **4,017** | **1,314** |
| *Financial expenses* | | |
| Bank loans | –14,991 | –13,439 |
| Fair value losses (realized and unrealized) | –447 | –3,091 |
| Other financial expenses | –3,326 | –1,870 |
| **Total** | **–18,764** | **–18,400** |
| **Net financial items** | **–14,747** | **–17,086** |

## *NOTE 11* Income tax

| | 2018 | 2017 |
|---|---|---|
| *Current tax* | | |
| Current tax on profit for the year | –5,498 | –700 |
| Adjustment for previous years | 800 | –1213 |
| **Total** | **–4,698** | **–1,913** |
| *Deferred tax (note 31)* | | |
| Origination and reversal of temporary differences | –5,321 | 15,575 |
| **Total** | **–5,321** | **15,575** |
| **Total income tax** | **–10,019** | **13,662** |

## *NOTE 11* (cont.)

The Swedish income tax rate is 22 (22) per cent. The income tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate for profits of the consolidated companies as follows.

| | 2018 | 2017 |
|---|---|---|
| Profit/loss before tax | 18,734 | –58,654 |
| Tax according to applicable tax rate | –4,496 | 13,490 |
| Non-taxable revenue | 1,042 | 1,952 |
| Expenses not deductible for tax purposes | –2,869 | –216 |
| Tax unrecognized loss | 18 | 11,034 |
| Tax asset unrecognized loss | – | – |
| Adjustment for foreign tax rate | – | –7,065 |
| Adjustment for previous years' tax assessment | 800 | –1,213 |
| Tax loss carry-forwards utilized | – | –4,528 |
| Unrecognized deferred tax | 735 | – |
| Revaluation, deferred tax assets | –4,762 | – |
| Other effects | –487 | 208 |
| **Tax expense** | **–10,019** | **13,662** |

The weighted average tax rate was 24 (23) per cent. The revaluation of deferred tax assets includes revaluation to new tax rate as well as new assessment concerning the potential utilization of tax loss carry-forwards.

Other comprehensive income only includes tax effects on cash flow hedges and on December 31 these were SEK –161 (893) thousand. Other comprehensive income also includes foreign exchange differences, but they have no tax effect.

## *NOTE 12* Foreign exchange differences – net

Foreign exchange differences are recognized in the income statement as follows.

| | 2018 | 2017 |
|---|---|---|
| Other gains and losses – net (notes 5 and 6) | –129 | –4,844 |
| Financial items (note 10) | –343 | –2,757 |
| **Total** | **–472** | **–7,601** |

## *NOTE 13* Earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of shares in issue to assume conversion of all dilutive potential shares. There were no unconverted share options or convertible debt instruments in issue on the balance sheet date.

Earnings per share before and after dilution is calculated by dividing the profit for the year by the weighted average number of shares in issue (note 26).

**Before and after dilution**

| | 2018 | 2017 |
|---|---|---|
| Net profit/loss for the year | 8,715 | –44,991 |
| Weighted average number of ordinary shares in issue | 8,218,611 | 8,218,611 |
| **Earnings per share before and after dilution (SEK per share)** | **1.06** | **–5.47** |

## *NOTE 14* Dividend per share

Dividend paid in 2018 and 2017 was SEK 0 (1) per share. At the Annual General Meeting on April 29, 2019 it will be proposed that no dividend be distributed for the 2018 financial year.

## *NOTE 15* Non-current property, plant and equipment

| | Buildings and land | Plant and machinery facilities | Equipment and tools | Construction in progress and advance payments for property, plant and equipment | Total |
|---|---|---|---|---|---|
| **As at December 31, 2016** | | | | | |
| Cost of acquisition | 83,356 | 124,965 | 124,157 | 39,190 | 371,668 |
| Accumulated depreciation and impairment | –57,941 | –98,868 | –101,542 | – | 258,351 |
| **Book value** | **25,415** | **26,097** | **22,615** | **39,190** | **113,317** |
| **January 1 – December 31, 2017** | | | | | |
| Opening book value | 25,415 | 26,097 | 22,615 | 39,190 | 113,317 |
| Foreign exchange differences | –22 | 51 | –249 | – | –220 |
| Investments | 724 | 485 | 2,952 | 17,258 | 21,419 |
| Capitalization of future restoration cost | – | – | – | – | – |
| Redistributions | 28,547 | 9,487 | 5,654 | –43,688 | – |
| Disposals and retirements | –1,106 | – | –1,187 | – | –2,293 |
| Depreciation/amortization | –2,865 | –7,172 | –5,630 | – | –15,667 |
| Impairment losses for the year | – | – | – | – | - |
| **Closing book value** | **50,693** | **28,948** | **24,155** | **12,760** | **116,556** |
| **As at December 31, 2017** | | | | | |
| Cost of acquisition | 111,081 | 132,900 | 121,550 | 12,760 | 378,291 |
| Accumulated depreciation and impairment | –60,388 | –103,952 | –97,395 | – | –261,735 |
| **Book value** | **50,693** | **28,948** | **24,155** | **12,760** | **116,556** |
| **January 1 – December 31, 2018** | | | | | |
| Opening book value | 50,693 | 28,948 | 24,155 | 12,760 | 116,556 |
| Foreign exchange differences | 32 | 97 | 187 | – | 316 |
| Investments | – | 1,377 | 877 | 25,476 | 27,730 |
| Capitalization of future restoration cost | – | – | – | – | – |
| Redistributions | 53 | 6,279 | 493 | –7,478 | –653 |
| Disposals and retirements | –432 | –714 | –92 | – | –1,238 |
| Depreciation/amortization | –3,658 | –8,960 | –5,758 | – | –18,376 |
| Impairment losses for the year | – | – | – | – | – |
| **Closing book value** | **46,688** | **27,027** | **19,862** | **30,758** | **124,335** |
| **As at December 31, 2018** | | | | | |
| Cost of acquisition | 108,646 | 111,992 | 81,448 | 30,758 | 332,844 |
| Accumulated depreciation and impairment | –61,958 | –84,965 | –61,586 | – | –208,509 |
| **Book value** | **46,688** | **27,027** | **19,862** | **30,758** | **124,335** |

Depreciation costs include SEK 16,348 (14,150) thousand in 'Cost of services sold', SEK 71 (78) thousand in 'Selling and marketing costs' SEK 1,662 (1,149) thousand in 'Administrative expenses' and SEK 295 (290) thousand in 'Research and development costs'. The value of finance leases capitalized as property, plant and equipment is presented in note 36.

## *NOTE 16* Intangible assets

| | Goodwill | Software rights | Contractual customer relations and similar rights | Total |
|---|---|---|---|---|
| **As at December 31, 2016** | | | | |
| Cost of acquisition | 208,620 | 30,637 | 17,768 | 257,025 |
| Accumulated depreciation and impairment | –34,938 | –26,610 | –17,440 | –78,988 |
| **Book value** | **173,682** | **4,027** | **328** | **178,037** |
| | | | | |
| **January 1 – December 31, 2017** | | | | |
| Opening book value | 173,682 | 4,027 | 328 | 178,037 |
| Foreign exchange differences | –270 | –111 | 8 | –373 |
| Investments | – | 646 | 20 | 666 |
| Disposals and retirements | – | – | – | – |
| Depreciation/amortization | – | –904 | –19 | –923 |
| Impairment losses for the year | – | – | – | – |
| **Closing book value** | **173,412** | **3,658** | **337** | **177,407** |
| | | | | |
| **As at December 31, 2017** | | | | |
| Cost of acquisition | 209,284 | 31,001 | 18,236 | 258,521 |
| Accumulated depreciation and impairment | –35,872 | –27,343 | –17,899 | –81,114 |
| **Book value** | **173,412** | **3,658** | **337** | **177,407** |
| | | | | |
| **January 1 – December 31, 2018** | | | | |
| Opening book value | 173,412 | 3,658 | 337 | 177,407 |
| Foreign exchange differences | 8,644 | 156 | 16 | 8,816 |
| Investments | – | 1,054 | 3,295 | 4,349 |
| Redistributions | – | – | 653 | 653 |
| Disposals and retirements | – | – | – | – |
| Depreciation/amortization | – | –976 | –31 | –1,007 |
| Impairment losses for the year | – | – | – | – |
| **Closing book value** | **182,056** | **3,892** | **4,270** | **190,218** |
| | | | | |
| **As at December 31, 2018** | | | | |
| Cost of acquisition | 219,299 | 10,921 | 22,952 | 253,172 |
| Accumulated depreciation and impairment | –37,243 | –7,029 | –18,682 | –62,954 |
| **Book value** | **182,056** | **3,892** | **4,270** | **190,218** |

Contractual customer relations and similar rights consist mainly of customer relations/contracts as well as some tenancy rights. Amortization of SEK 1,007 (923) thousand is included in 'Cost of services sold' in the income statement.

**Impairment tests for goodwill**

Goodwill is allocated to the Group's cash generating units (CGUs) identified by segment. A segment level summary of the goodwill allocation is presented below.

| | 2018 | 2017 |
|---|---|---|
| Consultancy Services | 182,056 | 173,412 |
| Other | – | – |
| **Total** | **182,056** | **173,412** |

Goodwill is tested annually to identify any impairment loss. Acquired operations are integrated with other operations after acquisition. Impairment testing is therefore carried out at segment level. The segments are identified as cash generating units.

The cash-generating units' recoverable amount is based on value in use. These values are based on estimated future cash flows based on business plans approved by the Board of Directors for the next three years. The management has established the budgeted gross margin on the basis of previous earnings and its expectations concerning market developments. The rate of growth is estimated for each cash-generating unit on the basis of market position and development. Cash flows beyond the three-year period are extrapolated with an estimated annual rate of growth. A weighted cost of capital for borrowed capital and equity is applied as the discount rate, as presented below.

Material assumptions used for calculating value in use:

| | Gross margin, % | Rate of growth after year 3, % | Discount rate, % |
|---|---|---|---|
| Consultancy Services 2018 | 11.0 | 2.5 | 10.4 |
| Consultancy Services 2017 | 11.0 | 2.5 | 10.8 |

The cost of borrowed capital has been determined individually for each segment, thereby taking into consideration differences in market rates between the markets in which the various units operate. The cost of equity is calculated as the return on risk-free investments for each segment, plus a market risk premium. The weighted cost of capital used in calculating the recoverable amount is 14 (16) per cent before tax. Based on the assumptions and estimates made, there is no impairment loss on goodwill. Studsvik has also assessed the sensitivity of value in use to unfavorable changes in the most important assumptions concerning cash flows and discount rate. There are no other specific circumstances that have affected impairment testing.

## *NOTE 17* Investments in associated companies

| | 2018 | 2017 |
|---|---|---|
| **As at January 1** | **3,121** | **4,010** |
| Share in earnings | 8,388 | 10,116 |
| Disposals | – | –74 |
| Dividend received from associated companies | –5,455 | –10,975 |
| Share in proceeds from disposals | – | 5 |
| Foreign exchange differences | –92 | 39 |
| **As at December 31** | **5,962** | **3,121** |

The Group's holding in UK Nuclear Waste Management Ltd. The ordinary shares are directly owned by the Group.

| 2017 | Participating interest % | Valuation method |
|---|---|---|
| UK Nuclear Waste Management Ltd | 15.0 | Equity method |

| 2018 | Participating interest % | Valuation method |
|---|---|---|
| UK Nuclear Waste Management Ltd | 15.0 | Equity method |

UK Nuclear Waste Management Ltd (NWM) has been appointed to be responsible, together with the Nuclear Decommissioning Authority (NDA), for management and operation of a final repository and to implement a well-functioning strategy for management of low-level waste in the United Kingdom.

**Obligations and contingent liabilities**

There is an obligation to contribute capital to associated companies if necessary.

**Financial information for the Group's associated companies**

A financial summary of the Group's associated companies to which the equity method is applied is given below.

| **Balance sheet** | UK Nuclear Waste Management Ltd* | |
|---|---|---|
| | 2018 | 2017 |
| **Current** | | |
| Cash and cash equivalents | 2,305 | 1,215 |
| Other current assets | 2,425 | 1,268 |
| **Total current assets** | **4,730** | **2,482** |
| Financial liabilities (excluding trade payables) | – | – |
| Other current liabilities (including trade payables) | 26,590 | 13,915 |
| **Total current liabilities** | **26,590** | **13,915** |
| **Non-current** | | |
| Non-current assets | 61,607 | 32,237 |
| **Total non-current assets** | **61,607** | **32,237** |
| Financial liabilities | – | – |
| Other long-term liabilities | – | – |
| **Total long-term liabilities** | – | – |
| **Net assets** | **39,747** | **20,804** |

| **Statement of comprehensive income** | 2018 | 2017 |
|---|---|---|
| Revenue | 91,112 | 71,404 |
| Depreciation/amortization | – | – |
| Interest income | – | – |
| Interest expense | – | – |
| **Profit/loss before tax** | **55,920** | **67,440** |
| Income tax | – | – |
| **Net profit/loss for the year** | **55,920** | **67,440** |
| Other comprehensive income | – | – |
| **Total comprehensive income** | **55,920** | **67,440** |

The information above reflects the figures presented in the associated companies' financial statements adjusted for differences in accounting rules between the Group and the respective associated company.

* UKNWM's financial year runs from April 1 to March 31. The figures are estimated on the basis of information available at the year-end closing in 2017 and 2018.

**Reconciliation of the financial information**

Reconciliation of the financial information to the carrying amount of the Group's participations in associated companies.

| | UK Nuclear Waste Management Ltd | |
|---|---|---|
| | **2018** | **2017** |
| **Net assets as at January 1** | **20,804** | **26,275** |
| Net profit/loss for the year | 55,920 | 67,440 |
| Dividend | –36,367 | –73,168 |
| Capital contributions from owners | – | – |
| Foreign exchange differences | –610 | 257 |
| Other comprehensive income | – | – |
| **Net assets as at December 31** | **39,747** | **20,804** |
| Participating interest associated companies | 5,962 | 3,121 |
| **Carrying amount** | **5,962** | **3,121** |

## *NOTE 18* Interests in joint ventures

| | 2018 | 2017 |
|---|---|---|
| **As at January 1** | **3,746** | **5,245** |
| Share in earnings | 2,234 | –1,441 |
| Foreign exchange differences | 589 | –58 |
| **As at December 31** | **6,569** | **3,746** |

The Group's share in earnings of the joint ventures in which the company has interests, all of which are unlisted, and its share of assets (including goodwill and liabilities) is as follows.

| 2018 | | Non-current assets | Current assets | Current liabilities | Net assets | Revenue | Results | Participating interest |
|---|---|---|---|---|---|---|---|---|
| THOR Treatment Technologies, LLC | USA | – | 510 | 2 | 508 | 402 | –69 | 50 |
| KOBELCO STUDSVIK Co., Ltd | Japan | 7,770 | 4,628 | 334 | 12,064 | 3,233 | 2,303 | 49 |
| **Total** | | **7,770** | **5,138** | **336** | **12,572** | **3,635** | **2,234** | |

| 2017 | | Non-current assets | Current assets | Current liabilities | Net assets | Revenue | Results | Participating interest |
|---|---|---|---|---|---|---|---|---|
| THOR Treatment Technologies, LLC | USA | – | 989 | 453 | 556 | –21 | –23 | 50 |
| KOBELCO STUDSVIK Co., Ltd | Japan | 4,317 | 4,164 | 569 | 7,913 | 958 | –2,245 | 49 |
| **Total** | | **4,317** | **5,153** | **1,022** | **8,468** | **937** | **–2,268** | |

THOR Treatment Technologies, LLC (TTT), is a joint venture where Studsvik is a co-owner under a cooperation agreement on joint control. TTT conducts waste treatment operations on the US federal waste market. KOBELCO STUDSVIK Co., Ltd is a joint venture in Japan, focusing on design of facilities for treatment of Japanese radioactive waste.

### Obligations and contingent liabilities

The Group has an obligation to contribute capital to TTT if necessary. The Group has no obligations regarding KOBELCO STUDSVIK Co., Ltd.

### Financial information for the Group's joint ventures

A summary is given below of the Group's joint venture companies in which the equity method is applied.

| Balance sheet | KOBELCO STUDSVIK Co., Ltd | | THOR Treatment Technologies, LLC | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **Current** | | | | |
| Cash and cash equivalents | 1,784 | 241 | 850 | 2,216 |
| Other current assets | 7,661 | 8,258 | 169 | – |
| **Total current assets** | **9,445** | **8,498** | **1,019** | **2,216** |
| Financial liabilities (excluding trade payables) | – | – | – | – |
| Other current liabilities (including trade payables) | 682 | 1,161 | 4 | 1,298 |
| **Total current liabilities** | **682** | **1,161** | **4** | **1,298** |
| **Non-current** | | | | |
| Non-current assets | 15,857 | 8,811 | – | 149 |
| **Total non-current assets** | **15,857** | **8,811** | – | **149** |
| Financial liabilities | – | – | – | – |
| Other long-term liabilities | – | – | – | – |
| **Total long-term liabilities** | – | – | – | – |
| **Net assets** | **24,620** | **16,148** | **1,015** | **1,067** |
| Share of net assets | 12,064 | 7,913 | 508 | 534 |
| Elimination of intra-group profit against share of equity | –6,003 | –5,498 | – | – |
| **Carrying amount** | **6,061** | **2,415** | **508** | **534** |

| Statement of comprehensive income | KOBELCO STUDSVIK Co., Ltd | | THOR Treatment Technologies, LLC | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Revenue | 6,597 | 1,955 | 804 | –42 |
| Depreciation/amortization | – | – | – | – |
| Interest income | – | – | – | – |
| Interest expense | – | – | – | – |
| **Profit/loss before tax** | **4,718** | **–4,582** | **–152** | **–50** |
| Income tax | –18 | – | – | – |
| **Net profit/loss for the year** | **4,700** | **–4,582** | **–152** | **–50** |
| Other comprehensive income | – | – | – | – |
| **Total comprehensive income** | **4,700** | **–4,582** | **–152** | **–50** |

The information above reflects the figures presented in THOR Treatment Technologies, LLC, KOBELCO STUDSVIK Co., Ltd, financial statements adjusted for differences in accounting rules between the Group and the joint venture company.

## *NOTE 19* Financial instruments by category

Accounting policies for financial instruments have been applied to the items below.

| | Amortized cost | Assets at fair value through profit or loss | Total |
|---|---|---|---|
| **As at December 31, 2018** | | | |
| *Assets on the balance sheet* | | | |
| Derivative instruments | 3,236 | – | 3,236 |
| Trade and other receivables | 292,046 | – | 292,046 |
| Other financial instruments at fair value through profit or loss | – | 29,186 | 29,186 |
| Cash and cash equivalents | 155,539 | – | 155,539 |
| **Total** | **450,821** | **29,186** | **480,007** |

| | Amortized cost | Assets at fair value through profit or loss | Total |
|---|---|---|---|
| *Liabilities on the balance sheet* | | | |
| Liabilities to credit institutions | 199,850 | – | 199,850 |
| Derivative instruments | 3,703 | – | 3,703 |
| **Total** | **203,553** | – | **203,553** |

| | Loan and trade receivables | Assets at fair value through profit or loss | Derivatives for hedging | Total |
|---|---|---|---|---|
| **As at December 31, 2017** | | | | |
| *Assets on the balance sheet* | | | | |
| Derivative instruments | - | – | 2,733 | 2,733 |
| Trade and other receivables | 266,329 | – | – | 266,329 |
| Other financial instruments at fair value through profit or loss | - | 57,592 | – | 57,592 |
| Cash and cash equivalents | 98,672 | – | – | 98,672 |
| **Total** | **365,001** | **57,592** | **2,733** | **425,326** |

| | Liabilities at fair value through profit or loss | Other financial liabilities | Derivatives for hedging | Total |
|---|---|---|---|---|
| *Liabilities on the balance sheet* | | | | |
| Liabilities to credit institutions | – | 199,850 | – | 199,850 |
| Derivative instruments | – | – | 2,862 | 2,862 |
| **Summa** | **–** | **199,850** | **2,862** | **202,712** |

## *NOTE 20* Credit quality of the financial assets

The credit quality of the financial assets can be assessed by referring to external credit ratings (if available) or to the counterparty's payment history.

| | 2018 | 2017 |
|---|---|---|
| *Trade receivables* | | |
| Counterparties without external credit rating | | |
| – New customers (less than 6 months) | – | 8,170 |
| – Existing customers with no defaults in the past | 139,437 | 150,744 |
| – Existing customers with some delayed payments in the past | 4,460 | – |
| **Total** | **143,897** | **158,914** |

| | | |
|---|---|---|
| *Loans to related parties* | | |
| Existing related party with no previous defaults | 1,691 | 1,654 |
| **Total** | **1,691** | **1,654** |

No repayment of loans to related parties was made during the year.

| | | |
|---|---|---|
| *Bank balances* | | |
| AA- and A+ | 155,539 | 98,672 |
| **Total** | **155,539** | **98,672** |

| | | |
|---|---|---|
| *Derivative instruments* | | |
| AA- and A+ | 3,236 | 2,733 |
| **Total** | **3,236** | **2,733** |

## *NOTE 21* Derivative instruments

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Forward exchange contracts – Cash flow hedges | 3,236 | 3,703 | 2,733 | 2,862 |

The entire fair value of a derivative instrument des The entire fair value of a derivative instrument designated as a hedging instrument is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity is less than 12 months. Revaluation of forward exchange contracts designated as hedges is through equity. Other forward contracts are revalued through profit or loss.

The ineffective portion, recognized in the income statement, referring to cash flow hedges, amounts to SEK –153 thousand (notes 5 and 6).

The hedged, highly probable forecast transactions in foreign currency are expected to occur at varying dates during the coming 36 months. Gains and losses on forward exchange contracts as at December 31, 2018, recognized in the hedging reserve in equity (note 28), are recognized in the income statement in the period or periods during which the hedged forecast transaction affects the income statement.

**Outstanding forward exchange contracts on December 31, 2018**

| | | INFLOW CURRENCIES | | | OUTFLOW CURRENCIES | |
|---|---|---|---|---|---|---|
| **Maturity year** | | **EUR 000** | **GBP 000** | **USD 000** | **EUR 000** | **JPY 000** |
| 2019 | Amount | 3,632 | – | 1,413 | – | – |
| | Rate[1] | 10,193 | – | 8,783 | – | – |
| 2020 | Amount | 250 | – | 51 | – | – |
| | Rate[1] | 9,490 | – | 8,667 | – | – |
| Remeasured at fair value, SEK thousands | | **39,214** | – | **12,713** | – | – |

[1] Average contractual rate

The nominal amount for outstanding forward exchange contracts is SEK 52,413 (29,796) thousand.

| | Spot component of forward exchange contract |
|---|---|
| **As at January 1, 2018** | –764 |
| In addition: Change in fair value of hedging instruments recognized in OCI | –731 |
| Less: Deferred tax | 161 |
| **As at December 31, 2018** | **–1,334** |
| | |
| **As at January 1, 2017** | –3,929 |
| In addition: Change in fair value of hedging instruments recognized in OCI | 4,058 |
| Less: Deferred tax | –893 |
| **As at December 31, 2017** | **–764** |

## *NOTE 22* Trade and other receivables

| | 2018 | 2017 |
|---|---|---|
| Trade receivables | 145,909 | 159,258 |
| Less – Provision for impairment of receivables | –244 | –344 |
| **Trade receivables – net** | **145,665** | **158,914** |
| Loans to related parties (note 37) | 1,691 | 1,654 |
| Other receivables | 22,700 | 24,800 |
| Service contracts in progress | 71,916 | 53,477 |
| Tax assets | 8,825 | 11,268 |
| Other receivables | 12,236 | 28,962 |
| Prepaid expenses and accrued income | | |
| – Accrued income | 9,602 | 6,070 |
| – Prepaid rent | 1,212 | 925 |
| - Prepaid lease charges | – | – |
| - Prepaid insurance premiums | 2,006 | 1,653 |
| – Other prepaid expenses | 6,495 | 5,270 |
| **Total** | **282,348** | **292,993** |
| | | |
| Long term portion | 24,593 | 26,664 |
| Current portion | 257,755 | 266,329 |
| **Total** | **282,348** | **292,993** |

## *NOTE 22* Trade and other receivables (cont.)

Of the long-term receivables SEK 1,691 (1,654) million constitutes receivables from related parties, which is on level 2 of the fair value hierarchy. The book value for trade and other receivables is the fair value.

The effective interest rate on long-term receivables is as follows.

| | 2018 | 2017 |
|---|---|---|
| Loans to related parties (note 37) | 2.0 % | 2.0 % |

As at December 31, 2018 trade receivables amounting to SEK 55,748 (53,108) million were overdue without any impairment loss being identified. These refer to a number of independent customers who have not had payment difficulties in the past. The Group applies the simplified method for calculating expected credit losses. The method means that expected losses during the entire life of the claim are used as the basis for trade receivables and contract assets. The expected credit loss levels are based on the customers' payment history. An age analysis of these trade receivables and contract assets is given below:

| December 31, 2018 | Not past due | Up to 3 months overdue | 3-6 months overdue | More than 6 months overdue | Total |
|---|---|---|---|---|---|
| Expected loss level in % | 0% | 0% | 1.6% | 6.0% | |
| Carrying amount trade receivables gross | 90,161 | 45,885 | 7,891 | 1,972 | 145,909 |
| Carrying amount contract assets gross | 71,916 | – | – | – | 71,916 |
| Credit loss reserve | – | – | 126 | 118 | 244 |

| January 1, 2018 | Not past due | Up to 3 months overdue | 3-6 months overdue | More than 6 months overdue | Total |
|---|---|---|---|---|---|
| Expected loss level in % | 0% | 0% | 3.4% | 8.0% | |
| Carrying amount trade receivables gross | 106,150 | 45,109 | 6,462 | 1,537 | 159,258 |
| Carrying amount contract assets gross | 53,477 | – | – | – | 53,477 |
| Credit loss reserve | – | – | 220 | 124 | 344 |

The reserve for doubtful receivables amounted to SEK 244 (344) thousand as at December 31, 2018.

Carrying amounts of the Group's trade and other receivables by currency are as follows.

| | 2018 | 2017 |
|---|---|---|
| SEK | 150,830 | 158,123 |
| EUR | 82,380 | 74,765 |
| GBP | 10,684 | 12,058 |
| USD | 34,946 | 41,009 |
| Other currencies | 3,508 | 7,038 |
| **Total** | **282,348** | **292,993** |

Changes in the reserve for doubtful receivables:

| | 2018 | 2017 |
|---|---|---|
| **As at January 1** | **-344** | **–1,261** |
| Translation difference | – | – |
| Provision for doubtful receivables | – | – |
| Receivables written off as unrecoverable | – | 307 |
| Unused amounts reversed | 100 | 610 |
| **As at December 31** | **–244** | **–344** |

Transfers to and reversals from reserves for doubtful receivables are included in the item 'Other costs' in the income statement. Amounts stated in the depreciation account are normally written off when the Group is not expected to recover further cash funds. No impairment loss has been identified for any assets in other categories of trade and other receivables. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

## *NOTE 23* Financial assets at fair value through profit or loss

| | 2018 | 2017 |
|---|---|---|
| Unlisted shareholdings | 13,949 | 13,039 |
| Capital insurance | 12,233 | 14,028 |
| Long-term bank deposits | 3,004 | 3,861 |
| **Total** | **29,186** | **30,928** |

The statement of cash flows includes financial assets measured at fair value through profit or loss in the category 'Cash flow from operating activities' as part of the change in working capital. This does not, however, apply to bank deposits recorded as 'Cash flow from financing activities'.

## *NOTE 24* Inventories

| | 2018 | 2017 |
|---|---|---|
| Raw material | – | – |
| Finished products | 534 | 622 |
| **Total** | **534** | **622** |

The expensed expenditure for inventories is included under 'Cost of services sold' and amounts to SEK 621 (3,956) thousand.

## *NOTE 25* Cash and cash equivalents

| | 2018 | 2017 |
|---|---|---|
| Cash and bank balances | 155,539 | 98,672 |
| **Total** | **155,539** | **98,672** |

## *NOTE 26* Share capital and other contributed capital

| | Number of shares | Share capital | Other contributed capital |
|---|---|---|---|
| **As at January 1, 2017** | **8,218,611** | **8,219** | **225,272** |
| **As at December 31, 2017** | **8,218,611** | **8,219** | **225,272** |
| | | | |
| **As at January 1, 2018** | **8,218,611** | **8,219** | **225,272** |
| **As at December 31, 2018** | **8,218,611** | **8,219** | **225,272** |

All shares are ordinary shares with a quotient value of 1.0. Number of shares in absolute figures.

## *NOTE 27* Retained earnings

| | |
|---|---|
| **As at January 1, 2017** | **103,068** |
| Net profit/loss for the year | –44,991 |
| Dividend paid for 2016 | –8,219 |
| Transfers within equity | – |
| **As at December 31, 2017** | **49,858** |
| | |
| **As at January 1, 2018** | **49,858** |
| Net profit/loss for the year | 8,715 |
| Dividend paid for 2017 | – |
| Transfers within equity | – |
| **As at December 31, 2018** | **58,573** |

## *NOTE 28* Reserves

All the items below may be reclassified in the income statement.

| | Currency translation reserve | Hedging reserve | Total reserves |
|---|---|---|---|
| **As at January 1, 2017** | **15,457** | **–3,929** | **11,528** |
| Foreign exchange differences | | | |
| – Group | –9,904 | – | –9,904 |
| Cash flow hedges | | | |
| – Currency translation reserve | – | –3,161 | –3,161 |
| **As at December 31, 2018** | **5,553** | **–768** | **4,785** |
| | | | |
| **As at January 1, 2018** | **5,553** | **–768** | **4,785** |
| Foreign exchange differences | | | |
| – Group | 19,557 | – | 19,557 |
| Cash flow hedges | | | |
| – Currency translation reserve | – | –570 | –570 |
| **As at December 31, 2017** | **25,110** | **–1,338** | **23,772** |

## *NOTE 29* Trade and other payables

| | 2018 | 2017 |
|---|---|---|
| Trade payables | 34,182 | 16,920 |
| Liabilities for work in progress | 62,592 | 25,225 |
| Social security and other taxes | 19,152 | 22,741 |
| Other liabilities | 28,321 | 27,974 |
| Accrued expenses and deferred income | | |
| – Deferred income | 1,463 | 1,497 |
| – Accrued interest expense | 1,409 | 1,409 |
| – Accrued wages and salaries | 27,071 | 13,631 |
| – Accrued pension costs | 14,568 | 14,987 |
| – Accrued consulting and service costs | 25,977 | 13,524 |
| – Accrued audit fees | 1,264 | 2,089 |
| – Other items | 7,147 | 36,991 |
| **Total** | **223,146** | **176,988** |
| | | |
| Long term portion | 14,568 | 14,987 |
| Current portion | 208,578 | 162,001 |
| **Total** | **223,146** | **176,988** |

For liabilities referring to service contracts in progress in existence at the close of 2017, SEK 21.3 million was recognized in revenue in 2018. In 2018 the Group received advances from customers for projects expected to be carried out in 2019 onwards, which explains the increase between years.

## *NOTE 30* Borrowings

| | 2018 | 2017 |
|---|---|---|
| **Long term portion** | | |
| Bond loans | – | 199,850 |
| **Total** | – | **199,850** |
| | | |
| **Current portion** | | |
| Bond loans | 199,850 | – |
| **Total** | **199,850** | – |
| | | |
| **Total borrowing** | **199,850** | **199,850** |

The bond loan bears an interest margin of 6.50 per cent plus Stibor 30 days and matures in its entirety on February 22, 2019.

| **The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet date are as follows** | 2018 | 2017 |
|---|---|---|
| 0–6 month | 199,850 | – |
| 6–12 month | – | – |
| 1–5 year | – | 199,850 |
| More than 5 years | – | – |
| **Total borrowing** | **199,850** | **199,850** |

## *NOTE 30* (cont.)

The bond loan matures in February 2019. The total borrowing includes bank loans and other borrowing against collateral of SEK 70,307 (65,710) thousand. Shares in Studsvik Nuclear AB have been put up as collateral for the Group's bank loans.

Carrying amounts and fair value for non-current borrowing are presented below. The loans are at level 2 of the fair value hierarchy.

| | FAIR VALUE | | CARRYING AMOUNT | |
|---|---|---|---|---|
| **Maturities of borrowings** | 2018 | 2017 | 2018 | 2017 |
| Less than 1 year | 200,200 | – | 199,850 | – |
| Between 1 and 2 years | – | 207,354 | – | 199,850 |
| Between 2 and 5 years | – | – | – | – |
| More than 5 years | – | – | – | – |
| **Total** | **200,200** | **207,354** | **199,850** | **199,850** |

| **Carrying amounts, per currency, for the Group's borrowings** | 2018 | 2017 |
|---|---|---|
| SEK | 199,850 | 199,850 |
| **Total** | **199,850** | **199,850** |

| **The Group has the following unutilized credit facilities** | 2018 | 2017 |
|---|---|---|
| Variable interest rate | | |
| – Matures within one year | – | – |
| **Total** | **–** | **–** |

The lines of credit that mature within one year are one-year credit facilities that will be reviewed on varying dates in 2018.

| **Average effective interest rate on balance sheet date, bank loans** | 2018 | 2017 |
|---|---|---|
| SEK | 6.50 % | 6.50 % |

## *NOTE 31* Deferred tax

Deferred tax assets and tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax refers to the same tax authority.

| **Offset amounts** | 2018 | 2017 |
|---|---|---|
| *Deferred tax assets* | | |
| Deferred tax assets to be utilized after more than 12 months | 85,701 | 89,897 |
| Deferred tax assets to be utilized within 12 months | 7,315 | 8,200 |
| **Total** | **93,016** | **98,097** |
| *Deferred tax liabilities* | | |
| Deferred tax liabilities to be paid after more than 12 months | 33,992 | 32,601 |
| Deferred tax liabilities to be paid within 12 months | 388 | 682 |
| **Total** | **34,380** | **33,283** |

| **Deferred tax assets** | Tax losses | Fair value gains | Other | Total |
|---|---|---|---|---|
| **As at January 1, 2017** | **84,569** | **5,333** | **–** | **89,902** |
| Recognized in the income statement | 15,575 | – | – | 15,575 |
| Reposting from other financial receivables | – | – | –1,515 | –1,515 |
| Tax referring to components in other comprehensive income | – | – | – | – |
| Tax attributable to sold operations | – | – | – | – |
| Translation differences | 3,165 | –8,871 | –159 | –5,865 |
| **As at December 31, 2017** | **103,309** | **–3,538** | **–1,674** | **98,097** |
| Recognized in the income statement | –4,094 | 226 | –1,454 | –5,321 |
| Reposting from other financial receivables | – | – | – | – |
| Tax referring to components in other comprehensive income | – | 161 | – | 161 |
| Tax attributable to sold operations | – | – | – | – |
| Reposting to current tax | –6,533 | – | – | –6,533 |
| Reclassification | –9,874 | 3,818 | 6,056 | – |
| Translation differences | 6,612 | – | – | 6,612 |
| **As at December 31, 2018** | **89,420** | **667** | **2,928** | **93,016** |

| **Deferred tax liabilities** | Accelerated tax depreciation | Fair value gains | Other* | Total |
|---|---|---|---|---|
| **As at January 1, 2017** | **–** | **126** | **32,030** | **32,156** |
| Recognized in the income statement | – | – | – | – |
| Tax referring to components in other comprehensive income | – | – | – | – |
| Reposting to current tax | – | – | – | – |
| Translation differences | – | 233 | 894 | 1,127 |
| **As at December 31, 2017** | – | **359** | **32,924** | **33,283** |
| Recognized in the income statement | – | – | – | – |
| Tax referring to components in other comprehensive income | – | – | – | – |
| Reposting to current tax | – | – | – | – |
| Translation differences | – | –89 | 1,186 | 1,097 |
| **As at December 31, 2018** | **–** | **270** | **34,110** | **34,380** |

* Other deferred tax liabilities include deferred tax of SEK 34.0 (33.6) million referring to temporary differences from goodwill in the German operations.

Deferred tax assets are recognized for tax loss carry forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. Most of the Group's tax loss carry forwards are related to the US and UK operations. They amount to a total of USD 105.1 (106.7) million, which restated at the balance sheet rate is SEK 937.5 (871.2) million, to be utilized within a 20-year period in the USA, and GBP 7.2 (6.1) million in the United Kingdom, which restated at the balance sheet rate is SEK 80.8 (67.3) million, where there is no time limit on the right to apply tax loss carry forwards. Apart from these, the Group has tax loss carry forwards in Germany of EUR 6.3 million, which restated at the balance sheet rate amount to SEK 64 million, and in Sweden of SEK 80.6 million. The Group's recognized deferred tax assets include in the USA SEK 57.8 (53.8) million, in the UK SEK 3.6 (0,0) million, in Sweden SEK 20.4 (28.7) million and SEK 14.8 (12.0) million in Germany.

## *NOTE 32* Pension obligations

**Defined benefit pension plans**

There are a few defined benefit pension plans within the Group, which are primarily based on final salary. The largest of the plans is in Germany. Other pension obligations, which also exist in Germany and Japan, have not been regarded as having any material effect and have not been subject to actuarial calculation.

**Pension insurance with Alecta**

Commitments for old-age pension and family pension for employees in Sweden are safeguarded through insurance with Alecta. According to a statement by the Swedish Financial Reporting Board, UFR 10, this is a defined benefit plan covering several employers. For the 2018 financial year the Group has not had access to such information as will make it possible to report this plan as a defined benefit plan. The pension plan under ITP, which is vested through insurance with Alecta, is therefore reported as a defined contribution plan. The year's contributions for pension insurance taken out with Alecta amount to SEK 4,657 (5,798) thousand. Alecta's surplus can be distributed to the policy holders and/or the insured. At the end of 2018 Alecta's surplus in the form of a collective solvency level was 142 (154) per cent. The collective solvency level comprises the market value of Alecta's assets as a percentage of its insurance commitments calculated in accordance with Alecta's actuarial assumptions, which do not comply with IAS 19.

| | 2018 | 2017 |
|---|---|---|
| *Obligations in the balance sheet for* | | |
| Pension benefits | 9,719 | 9,767 |
| *Recognition in the income statement for (note 9)* | | |
| Pension costs | 21,598 | 27,460 |

| **Amounts recognized in the balance sheet** | **2018** | **2017** |
|---|---|---|
| Present value of unfunded obligations | 9,719 | 9,767 |
| **Total** | **9,719** | **9,767** |

| **Amounts recognized in the income statement** | **2018** | **2017** |
|---|---|---|
| *Defined benefit plans* | | |
| Current service cost | – | – |
| Interest expense | 102 | 57 |
| **Total** | **102** | **57** |

Of the total cost, SEK 61 (57) thousand was included in the items 'Cost of goods sold' and 'Administrative expenses'. The actual return on plan assets was SEK – (–) thousand.

| **Changes in the liability recognized in the consolidated balance sheet** | **2018** | **2017** |
|---|---|---|
| **At the start of the year** | **9,767** | **5,525** |
| Translation differences | 24 | 4,302 |
| Total expense recognized in the income statement | 102 | 57 |
| Contributions paid | –174 | –117 |
| **At the end of the year** | **9,719** | **9,767** |

| **Total pension costs recognized in the consolidated income statement** | **2018** | **2017** |
|---|---|---|
| Total costs for defined benefit plans | 102 | 57 |
| Total costs for defined contribution plans | 17,583 | 23,567 |
| Costs of special employer's contribution and tax on returns from pension funds | 3,913 | 3,836 |
| **Total** | **21,598** | **27,460** |

| **Actuarial assumptions** | **2018** | **2017** |
|---|---|---|
| Discount rate | 1.8% | 1.5 % |
| Expected return on plan assets | 1.0% | 1.0 % |
| Future salary increases | 0.0% | 0.0 % |
| Future pension increases | 1.0% | 1.0 % |

## *NOTE 33* Other provisions

| | **Future waste management costs** | **Other provisions** | **Total** |
|---|---|---|---|
| **As at January 1, 2018** | **92,330** | **20,443** | **112,772** |
| Recognized as an expense in the consolidated income statement | | | |
| – Additional provisions | 8,319 | 318 | 8,637 |
| – Reversed provisions | –4,738 | – | –4,738 |
| Capitalized as property, plant and equipment | | | |
| Transfers | – | – | – |
| Discount effect | – | – | – |
| Exchange rate difference | – | – | – |
| Funds in sold operations | – | – | – |
| Amount utilized during the period | –4,274 | – | –4,274 |
| Translation difference | – | – | – |
| **As at December 31, 2018** | **91,637** | **20,761** | **112,397** |
| Long term portion | 87,439 | 20,521 | 107,960 |
| Current portion | 4,197 | 240 | 4,437 |
| **Total** | **91,636** | **20,761** | **112,397** |

The Group's operations generate nuclear waste and radioactive waste which must be sent for final disposal within the framework of the systems and rules in force in the countries in which Studsvik carries on operations in its own production facilities. Provisions are made for operational waste, spent reactor fuel and also to some extent for decommissioning of facilities and the resulting decommissioning waste. The main part of the costs of decommissioning and decommissioning waste from the Group's Swedish nuclear facilities is financed, under the provisions of the Studsvik Act 1988:1597, through a charge on nuclear generated electricity. Fees paid in are administered by the Nuclear Waste Fund. The Group's total payments to the Nuclear Waste Fund amount to SEK 9,698 (2,849) million and are recorded as long-term bank deposits, see note 23. Funds for decommissioning and waste management may be withdrawn from the Fund by Studsvik, which holds the nuclear permit for the facilities in question. Studsvik is not liable to pay under the current Act. Studsvik's responsibility for decommissioning and waste management for its own nuclear facilities is limited to buildings, systems and components coming into existence after June 30, 1991. Studsvik estimates these commitments on a current basis and provision is made for them.

**Future waste management costs**

Future waste management costs cover provisions for operational waste and spent reactor fuel. Of the total provisions of SEK 91.6 million, SEK 4.2 million is expected to be utilized in 2019 and the rest is expected to be utilized successively and at the earliest starting in 2020.

**Other provisions**

Other provisions cover future costs for decommissioning and management of waste in connection with the decommissioning of the Studsvik facility. Of the total provisions of SEK 20.8 million, SEK 0.2 million is expected to be utilized in 2019. The remaining part of the provisions is expected to be utilized only in connection with decommissioning operations. Studsvik's payments to the Nuclear Waste Fund are included in the item 'Financial assets at fair value through profit or loss'.

## *NOTE 34* Cash flow from operating activities

| **Non-cash items** | **2018** | **2017** |
|---|---|---|
| Depreciation/amortization | 19,383 | 16,590 |
| Impairment losses on property, plant and equipment | 785 | 2,293 |
| Proceeds from sale of property, plant and equipment | – | – |
| Proceeds from sale of subsidiaries and other business units | – | –76 |
| Share in earnings from associated companies | –10,622 | –8,680 |
| Revaluation of financial holdings | 5,559 | –545 |
| Other changes in provisions | 1,158 | 6,513 |
| **Total** | **16,263** | **16,095** |

## *NOTE 35* Contingent liabilities and pledged assets

The Group has contingent liabilities in respect of bank guarantees and other guarantees as well as other items arising in the normal course of business. No material liabilities are expected to arise through these contingent liabilities. In the normal course of business, the Group has issued guarantees amounting to SEK 62,796 (65,710) thousand to third parties. No further payments are expected as at the date of these financial statements.

| **Pledged assets** | **2018** | **2017** |
|---|---|---|
| Shares in Studsvik Nuclear AB | 15,000 | 15,000 |

## *NOTE 36* Commitments

**CAPITAL COMMITMENTS**

Capital expenditure contracted for at the balance sheet date but not yet recognized in the financial statements is as follows.

| | **2018** | **2017** |
|---|---|---|
| Property, plant and equipment | – | – |
| **Total** | **–** | **–** |

**OPERATING LEASE COMMITMENTS**

Lease expenses for operating leases for the year amounted to SEK 12,264 (12,948) thousand.

| **Future aggregate minimum lease payments** | **2018** | **2017** |
|---|---|---|
| Within 1 year | 7,887 | 8,593 |
| Between 1 and 5 years | 8,212 | 14,330 |
| More than 5 years | – | – |
| **Total** | **16,099** | **22,923** |

## *NOTE 37* Transactions with related parties

Studsvik, Inc. owns 50 per cent of THOR Treatment Technologies, LLC (TTT). In accordance with a Joint Venture Operating Agreement the owners are to provide management, technical and marketing services to TTT. The Studsvik Group owns 15 per cent of UK Nuclear Waste Management Ltd (NWM), where Studsvik, in a consortium together with other partners, will manage and operate a repository for low level radioactive waste in the United Kingdom. Studsvik AB owns 49 % of KOBELCO STUDSVIK Co,. Ltd, a joint venture in Japan, focusing on design of facilities for treatment of Japanese waste.

## *NOTE 37* (cont.)

| **Transactions with related parties** | **2018** | **2017** |
|---|---|---|
| *Sale of services* | | |
| – THOR Treatment Technologies, LLC | – | – |
| – UK Nuclear Waste Management Ltd | 8,388 | 10,116 |
| – KOBELCO STUDSVIK Co., Ltd | 8,199 | 3,952 |
| *Reported receivables from related parties* | | |
| – THOR Treatment Technologies, LLC | – | – |
| – UK Nuclear Waste Management Ltd | 5,962 | 3,121 |
| – KOBELCO STUDSVIK Co., Ltd | 2,230 | 1,895 |
| Provision for doubtful trade receivables | – | – |
| Impairment loss on trade receivables | – | – |
| **Total costs referring to provisions and impairment losses recognized in the income statement** | **24,779** | **19,084** |
| *Loans receivable from related parties* | | |
| – UK Nuclear Waste Management Ltd | 1,691 | 1,654 |

Under an agreement with the owners the services are supplied on a commercial basis.

There have been no transactions with other related parties, besides remuneration to the Board of Directors, President and senior management. Remuneration to the Board of Directors, President and senior management is described in Note 9.

Studsvik holds 79 per cent of Studsvik Scandpower, Inc. The remaining 21 per cent is held by a private individual previously employed by the company. Studsvik owns 91 per cent of Studsvik Scandpower AB and its subsidiary Studsvik Scandpower GmbH. The remaining 9 per cent is held by the minority shareholder of Studsvik Scandpower, Inc.

The owners have agreed on how share transfers are to take place in the event of one of the parties wishing to relinquish or increase their holdings in the two companies. Studsvik can only increase its ownership through acquisition of the entire minority holding. The acquisition must be at market price. An acquisition must cover both companies. If the minority wishes to relinquish its ownership, the shares must be offered to Studsvik at market price. The market price will be determined by an independent valuation institute. In a situation where Studsvik AB wishes to relinquish its holding the minority has an option to acquire 12 per cent of the shares in Studsvik Scandpower AB at book value of equity.

## *NOTE 38* Information on the board of directors and senior management

| **Salaries and other benefits, 2018** | **Basic salary/ Board fee** | **Committee fee** | **Variable remuneration** | **Other benefits** | **Pension cost** | **Other remuneration** | **Total** |
|---|---|---|---|---|---|---|---|
| Chairman of the Board | | | | | | | |
| – Anders Ullberg | 650 | 75 | – | – | – | – | 725 |
| Members of the board (6) | | | | | | | |
| – Jan Barchan | 225 | – | – | – | – | – | 225 |
| – Anna Karinen | 225 | – | – | – | – | – | 225 |
| – Alf Lindfors | 113 | – | – | – | – | – | 113 |
| – Peter Gossas | 225 | 150 | – | – | – | – | 375 |
| – Agneta Nestenborg | 225 | 75 | – | – | – | – | 300 |
| Employee representatives* (4) | – | – | – | – | – | – | – |
| President | 2,675 | – | – | 79 | 444 | – | 3,198 |
| Other senior management (6) | 7,562 | 0 | 337 | 315 | 1,760 | 3,499 | 13,473 |
| **Total** | **11,899** | **300** | **337** | **394** | **2,204** | **3,499** | **18,633** |

| **Salaries and other benefits, 2017** | **Basic salary/ Board fee** | **Committee fee** | **Variable remuneration** | **Other benefits** | **Pension cost** | **Other remuneration** | **Total** |
|---|---|---|---|---|---|---|---|
| Chairman of the Board | | | | | | | |
| – Anders Ullberg | 650 | 75 | – | – | – | – | 725 |
| Members of the board (6) | | | | | | | |
| – Jan Barchan | 225 | – | – | – | – | – | 225 |
| – Anna Karinen | 225 | – | – | – | – | – | 225 |
| – Alf Lindfors | 225 | – | – | – | – | – | 225 |
| – Peter Gossas | 225 | 150 | – | – | – | – | 375 |
| – Agneta Nestenborg | 225 | 75 | – | – | – | – | 300 |
| Employee representatives* (4) | – | – | – | – | – | – | – |
| President | 3,829 | – | – | 160 | 2,713 | 4,862 | 11,564 |
| Other senior management (6) | 8,894 | – | 55 | 550 | 2,728 | 3,020 | 15,247 |
| **Total** | **14,498** | **300** | **55** | **710** | **5,441** | **7,882** | **28,886** |

* Two ordinary members and two alternates.

## *NOTE 38* (cont.)

| Remuneration to the board of directors and other senior management | 2018 | 2017 |
|---|---|---|
| *Parent company* | | |
| Salaries, benefits and other remuneration | 8,099 | 15,206 |
| – Of which variable remuneration | – | – |
| Pensions | 963 | 3,777 |
| Number of persons | 7 | 9 |
| *Subsidiaries* | | |
| Salaries, benefits and other remuneration | 8,226 | 8,239 |
| – Of which variable remuneration | 337 | 55 |
| Pensions | 1,011 | 1,664 |
| Number of persons | 3 | 4 |
| *Group* | | |
| Salaries, benefits and other remuneration | 16,325 | 23,445 |
| – Of which variable remuneration | 337 | 55 |
| Pensions | 1,973 | 5,441 |
| Number of persons | 10 | 13 |

**Principles**
In 2018 the members of the Board of Directors did not receive any remuneration in addition to the Board and Committee fees.

**Variable remuneration**
The President has the right to variable remuneration. The forms of the variable salary component are established annually. No variable remuneration was paid for 2018. The variable salary component for other senior management for 2018 is based on outcomes related to individually specified targets at both Group and unit level. For 100 per cent target fulfillment in all parameters a maximum variable salary component is payable of 10–30 per cent of the basic salary.

**Other benefits and remuneration**
Other benefits reported are company car, meal subsidies and other benefits such as health care. Other remuneration consists of severance pay.

**Financial instruments**
Under current employment contracts there are no share-based payments.

**Pension**
The pensionable age of the President is 65 years. Apart from statutory national pension, the President/CEO has a defined contribution pension plan to which the company pays in a monthly pension premium equivalent to 35 per cent of fixed monthly salary. For other members of the Executive Group Management a pension is payable as a rule from the age of 65. The members of the Swedish Executive Group Management follow the ITP plan. In one case there is a defined contribution pension plan to which the company pays a premium equivalent to 25 per cent of fixed salary. Defined contribution plans apply to Executive Group Management members outside Sweden.

**Termination and severance pay**
The President's period of notice is 6 months for her own termination of employment and 12 months for termination by the company. In the case of termination of employment by the company, salary is payable during the period of notice as well as an additional monthly severance payment for 9 months after termination of employment, though no longer than until retirement age. The monthly severance payment will be equivalent to the fixed monthly salary received during the period of notice. Deduction is made for any salary from a new employer. For other members of the group executive management, the main rule is that the period of notice is 6 months when employment is terminated by the employee and 6 months when terminated by the company. In the case of termination of employment by the company, salary is payable during the period of notice as well as an additional severance payment of up to 6 months' salary

## *NOTE 39* Events after the close of the reporting period

After the year-end close Studsvik signed an agreement with Danske Bank for new bank financing totaling SEK 150 million. Of this, SEK 50 million is a corporate loan with a maturity of five years and the remaining SEK 100 million is an overdraft facility. Together with our own cash, the financing will be used to redeem an outstanding bond of SEK 200 million that falls due for payment on February 22, 2019.

## *NOTE 40* Reconciliations of key figures and ratios

**Amounts in SEK million**

| Return on capital employed | 2018 | 2017 |
|---|---|---|
| Profit/loss after financial items | 18.7 | –58.7 |
| Financial costs according to the income statement | 18.3 | 15.3 |
| Fair value- foreign exchange losses | 0.3 | 2.8 |
| **Total** | **37.3** | **–40.6** |
| Balance sheet total | 824.9 | 901.0 |
| Provisions and other long-term liabilities | –164.8 | –161.7 |
| Trade and other payables | –171.8 | –192.6 |
| **Opening capital employed** | **488.3** | **546.7** |
| Balance sheet total | 900.6 | 824.9 |
| Provisions and other long-term liabilities | –166.6 | –164.8 |
| Trade and other payables | –217.9 | –171.8 |
| **Closing capital employed** | **516.1** | **488.3** |
| **Average capital employed** | **502.2** | **517.5** |
| **Return on capital employed** | **7.4** | **–7.8** |

| Return on equity | 2018 | 2017 |
|---|---|---|
| Net profit/loss for the year | 8.7 | –45.0 |
| **Total** | **8.7** | **–45.0** |
| Opening equity | 288.5 | 348.5 |
| Closing equity | 316.2 | 288.4 |
| **Return on equity** | **2.9** | **–14.1** |

| Net debt | 2018 | 2017 |
|---|---|---|
| Current borrowing | 199.9 | – |
| Non-current borrowing | – | 199.9 |
| **Total debt** | **199.9** | **199.9** |
| Cash and cash equivalents | 155.5 | 98.7 |
| **Net debt** | **44.4** | **101.2** |

Definitions of key figures and ratios are presented on page 80.

# NOTES TO THE PARENT COMPANY ACCOUNTS

For the parent company's accounting policies, see note 1.24.

## *NOTE 41* Sales revenue

| Sales revenue by geographical market | 2018 | 2017 |
|---|---|---|
| Sweden | 4,658 | 7,826 |
| Europe, excluding Sweden | 5,575 | 8,776 |
| Asia | – | 7 |
| North America | 2,541 | 3,059 |
| **Total** | **12,774** | **19,668** |

## *NOTE 42* Employee benefits

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Salaries and other remuneration (of which variable remuneration) | Social security expenses (of which pension costs) | Salaries and other remuneration (of which variable remuneration) | Social security expenses (of which pension costs) |
| Board of Directors and President | 4,716<br>(–) | 2,034<br>(552) | 10,925<br>(–) | 6,324<br>(2,713) |
| Other employees | 5,535<br>(–) | 2,089<br>(1,388) | 6,000<br>(–) | 4,803<br>(2,546) |
| **Total** | **10,251<br>(–)** | **4,123<br>(1,940)** | **16,925<br>(–)** | **11,127<br>(5,259)** |

See note 38.

*****Salaries and other remuneration includes severance payments. See note 38.

## *NOTE 43* Costs by nature of expense

| | 2018 | 2017 |
|---|---|---|
| Purchases of material and services | 10,928 | 20,847 |
| Personnel costs | 9,054 | 18,675 |
| Depreciation/amortization | 701 | 702 |
| **Total** | **20,683** | **40,224** |

Services include fees and remuneration to accounting firms as follows:

| | 2018 | 2017 |
|---|---|---|
| *PricewaterhouseCoopers* | | |
| Audit assignments | 629 | 450 |
| Other services | 82 | 325 |
| **Total** | **711** | **775** |

Audit assignments refer to the examination of the annual accounts, the accounting records and the administration by the Board of Directors and the President. It also includes other duties that are incumbent on the company's auditors as well as advisory services and other types of support as a result of observations made through such an examination or the performance of such duties.

## *NOTE 44* Depreciation

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | According to plan | Book | According to plan | Book |
| Equipment and tools | 701 | 701 | 702 | 702 |
| **Total** | **701** | **701** | **702** | **702** |

## *NOTE 45* Other operating income and expense

| Other operating income | 2018 | 2017 |
|---|---|---|
| Financial assets at fair value through profit or loss | | |
| – Fair value gains | 912 | 781 |
| Foreign exchange gains | 84 | 48 |
| **Total** | **996** | **829** |

| Other operating expense | 2018 | 2017 |
|---|---|---|
| Provision for severance payment | –1,317 | –9,255 |
| Foreign exchange losses | –59 | –204 |
| **Total** | **–1,376** | **–9,459** |

## *NOTE 46* Operating leases

| | 2018 | 2017 |
|---|---|---|
| Maturity within one year | 60 | 60 |
| Maturity after one year but within five years | 25 | – |
| Maturity after five years | – | – |
| **Total** | **85** | **60** |

The parent company’s leases mainly refer to vehicles and premises with traditional terms and conditions.

## *NOTE 47* Result from participation in group companies

| | 2018 | 2017 |
|---|---|---|
| Result of recognition of impairment loss on shares in subsidiary | –65,687 | – |
| **Total** | **–65,687** | **–** |

## *NOTE 48* Interest income and similar income items

| | 2018 | 2017 |
|---|---|---|
| Interest | 10,900 | 10,150 |
| Exchange rate differences | 10,441 | – |
| **Total** | **21,341** | **10,150** |
| *Of which in respect of Group companies* | | |
| Interest | 10,881 | 10,150 |
| **Total** | **10,881** | **10,150** |

## *NOTE 49* Interest expense and similar income items

| | 2018 | 2017 |
|---|---|---|
| Interest | 15,573 | 14,624 |
| Exchange rate differences | 1,989 | 8,601 |
| **Total** | **17,562** | **23,225** |
| *Of which Group companies* | | |
| Interest | 758 | 1,178 |
| **Total** | **758** | **1,178** |

## *NOTE 50* Appropriations

| | 2018 | 2017 |
|---|---|---|
| Dissolution of tax allocation reserve | – | – |
| Group contributions received | 7,390 | – |
| **Total** | **7,390** | **–** |

## *NOTE 51* Income tax

| | 2018 | 2017 |
|---|---|---|
| *Current tax* | | |
| Current tax on profit for the year | 149 | – |
| Adjustment for previous years | – | – |
| **Total** | **149** | **–** |
| | | |
| *Deferred tax* | | |
| Origination and reversal of temporary differences | –1,985 | 9,348 |
| **Total** | **–1,985** | **9,348** |
| **Total income tax** | **–1,836** | **9,348** |

The Swedish income tax rate is 22.0 (22.0) per cent. The income tax on the parent company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate for profits as follows:

| | 2018 | 2017 |
|---|---|---|
| Profit/loss before tax | –67,174 | –42,157 |
| Tax according to applicable tax rate | 14,778 | 9,275 |
| Non-taxable revenue | 200 | 490 |
| Expenses not deductible for tax purposes | –14,829 | –394 |
| Revaluation to new tax rate | –932 | – |
| Tax referring to temporary differences | –395 | –23 |
| Adjustment of deferred tax assets | –658 | – |
| **Total** | **–1,836** | **9,348** |

The weighted average tax rate was 123.5 (–22.2) per cent.

## *NOTE 52* Non-current intangible assets

| | 2018 | 2017 |
|---|---|---|
| *Equipment and tools* | | |
| Opening cost of acquisition | 3,505 | 3,505 |
| Investments for the year | – | – |
| **Closing accumulated cost of acquisition** | **3,505** | **3,505** |
| Opening depreciation | –1,636 | –934 |
| Depreciation for the year | –701 | –702 |
| **Closing accumulated depreciation** | **–2,337** | **–1,636** |
| **Closing residual value according to plan** | **1,168** | **1,869** |

## *NOTE 53* Non-current financial assets

| | 2018 | 2017 |
|---|---|---|
| *Shares in subsidiaries* | | |
| Opening cost of acquisition | 1,035,994 | 1,035,994 |
| New issue | – | – |
| Investment in subsidiaries | – | – |
| **Closing cost of acquisition** | **1,035,994** | **1,035,994** |
| Opening impairment losses | –652,254 | –652,254 |
| Impairment losses for the year | –65,687 | – |
| **Closing impairment losses** | **–717,941** | **–652,254** |
| **Closing value** | **318,053** | **383,740** |

| | 2018 | 2017 |
|---|---|---|
| *Interests in joint ventures* | | |
| Opening cost of acquisition | 12,073 | 12,073 |
| Investments for the year | –1 | – |
| Closing cost of acquisition | 12,072 | 12,073 |

| | Number | Nominal value | Interest | Book value 31/12/18 | Book value 31/12/17 |
|---|---|---|---|---|---|
| KOBELCO STUDSVIK Co., Ltd | 3,000 | 98,000 YEN | 49 % | 12,072 | 12,073 |

| | 2018 | 2017 |
|---|---|---|
| *Receivables from subsidiaries* | | |
| Loans to Studsvik Holding, Inc. Group | | |
| – Opening cost of acquisition | 82,797 | 115,441 |
| – Repayment received | –9,222 | –23,661 |
| – New loans | 4,367 | – |
| – Change in accrued interest | 3,033 | 1,159 |
| – Conversion to shareholders' contribution | – | – |
| – Foreign exchange differences | 6,841 | –10,142 |
| **Closing value** | **87,816** | **82,797** |

| | 2018 | 2017 |
|---|---|---|
| Loan to Studsvik Ltd | | |
| – Opening cost of acquisition | 15,022 | 15,403 |
| – Repayment received | – | –1,634 |
| – New loans | 10,503 | 1,700 |
| – Change in accrued interest | 1 | –287 |
| – Foreign exchange differences | –34 | –160 |
| **Closing value** | **25,492** | **15,022** |

## *NOTE 53* (cont.)

| | 2018 | 2017 |
|---|---|---|
| Loan to Studsvik France SAS | | |
| – Opening cost of acquisition | 979 | 951 |
| – Repayment received | –381 | – |
| – New loans | 1,243 | – |
| – Change in accrued interest | 41 | –1 |
| – Impairment loss | –1,989 | – |
| - Foreign exchange differences | 107 | 29 |
| **Closing value** | **–** | **979** |
| Loan to Studsvik GmbH | | |
| – Opening cost of acquisition | 104,866 | 90,916 |
| – New loans | – | 6,868 |
| – Change in accrued interest | 4,805 | 4,321 |
| - Foreign exchange differences | 4,598 | 2,761 |
| **Closing value** | **114,269** | **104,866** |
| *Financial assets at fair value through profit or loss* | | |
| Unlisted shareholdings | | |
| – Opening cost of acquisition | 13,039 | 12,258 |
| – Acquisition of new shares | – | – |
| – Revaluation to fair value | 910 | 781 |
| **Closing value** | **13,949** | **13,039** |
| Capital insurance | | |
| – Opening cost of acquisition | 14,028 | 14,191 |
| – Items added | 340 | – |
| – Reposting to current asset | – | – |
| – Items deducted | –687 | – |
| – Revaluation to fair value | –1,448 | –163 |
| **Closing value** | **12,233** | **14,028** |

## *NOTE 54* Prepaid expenses and accrued income

| | 2018 | 2017 |
|---|---|---|
| Prepaid rent | – | – |
| Prepaid credit charges and fees | – | – |
| Prepaid pension premiums | 78 | 180 |
| Prepaid software licenses | 131 | 153 |
| Prepaid service charges | – | – |
| Accrued income | – | 435 |
| Other | 116 | 175 |
| **Total** | **325** | **943** |

## *NOTE 55* Shares and participations in subsidiaries

| | Share of equity, % | Share of voting rights, % | Number of parti-cipations/ shares | Nominal value | | Book value |
|---|---|---|---|---|---|---|
| *Parent company's holdings* | | | | | | |
| Studsvik Holding, Inc. | 100 | 100 | 2,000 | kUSD | 25,372 | 24,042 |
| Studsvik Nuclear AB | 100 | 100 | 5,000 | kSEK | 50,000 | 223,400 |
| Studsvik Scandpower, Inc. | 79 | 79 | 1,503 | kUSD | 149 | 984 |
| Studsvik Scandpower AB | 91 | 91 | 910 | kSEK | 91 | 603 |
| Studsvik Japan Ltd | 100 | 100 | 10,000 | kJPY | 10,000 | 373 |
| Studsvik Germany GmbH | 100 | 100 | | kEUR | 26 | 241 |
| Studsvik Verwaltungs GmbH | 100 | 100 | | kEUR | 26 | 261 |
| Studsvik Instrument Systems AB | 100 | 100 | 17,000 | kSEK | 17,000 | 18,106 |
| Studsvik France SAS | 100 | 100 | 4,950 | kEUR | 5 | 43 |
| Studsvik Limited | 100 | 100 | 1,000,000 | kGBP | 1,000 | 50,000 |
| **Total** | | | | | | **318,053** |

**Information on subsidiaries' corporate identity numbers and registered offices**

| | Corporate identity number | Registered office |
|---|---|---|
| Studsvik Nuclear AB | 556051-6212 | Nyköping, Sweden |
| Studsvik Scandpower, Inc. | 36-3088916 | Boston, USA |
| Studsvik Scandpower AB | 556137-8190 | Nyköping, Sweden |
| Studsvik Scandpower GmbH | HRB 4839 | Norderstedt, Germany |
| Studsvik Suisse AG | CH400.3.036.599-0 | Fischbach-Göslikon, Switzerland |
| Studsvik Japan Ltd | | Osaka, Japan |
| Studsvik Holding, Inc. | 35-3481732 | Atlanta, USA |
| Studsvik, Inc. | 36-2999957 | Atlanta, USA |
| RACE Holding, LLC | 20-2472653 | Atlanta, USA |
| Studsvik Germany GmbH | HRB 504467 | Mannheim, Germany |
| Studsvik Verwaltungs GmbH | HRB 504468 | Mannheim, Germany |
| Studsvik GmbH & Co. KG | HRA 503411 | Mannheim, Germany |
| Studsvik Instrument Systems AB | 556197-1481 | Nyköping, Sweden |
| Studsvik France SAS | 791 048 200 000 12 | Paris, France |
| Studsvik Consulting AB | 559019-2448 | Nyköping, Sweden |
| Studsvik Limited | 09660060 | Gateshead, England |

## *NOTE 56* Liabilities to credit institutions

| | 2018 | 2017 |
|---|---|---|
| *Bank loans* | | |
| Long term portion | – | 199,850 |
| Current portion | 199,850 | – |
| **Total** | **199,850** | **199,850** |

## *NOTE 57* Accrued expenses and deferred income

| | 2018 | 2017 |
|---|---|---|
| Holiday pay liability | 1,491 | 1,408 |
| Accrued wages and salaries | – | – |
| Accrued social security contributions | 1,552 | 5,294 |
| Accrued interest expense | 1,409 | 1,409 |
| Provision for severance payment | 2,914 | 9,253 |
| Other | 434 | 1,884 |
| **Total** | **7,800** | **19,248** |

## *NOTE 58* Pledged assets

| | 2018 | 2017 |
|---|---|---|
| Shares in subsidiaries | 223,400 | 223,400 |
| **Total** | **223,400** | **223,400** |

Shares in Studsvik Nuclear AB have been put up as collateral for bank loans.

## *NOTE 59* Contingent liabilities

| | 2018 | 2017 |
|---|---|---|
| Guarantees | – | – |
| Contingent liabilities referring to insurance | 4,146 | 3,578 |
| **Total** | **4,146** | **3,578** |

In addition, the parent company has made a guarantee commitment for a subsidiary as for its own debt.

## *NOTE 60* Cash flow from operating activities

| **Non-cash items** | 2018 | 2017 |
|---|---|---|
| Depreciation/amortization | 701 | 702 |
| Fair value gains | – | – |
| Other items | –910 | – |
| **Total** | **–209** | **702** |

## *NOTE 61* Transactions with related parties

**Intra-Group purchases and sales**

The percentage of the year's purchases and sales referring to other companies within the Studsvik Group is presented below.

| | 2018 | 2017 |
|---|---|---|
| Purchases | 38 % | 23 % |
| Sales | 100 % | 100 % |

The same pricing principles are applied to purchases and sales between group companies as apply to transactions with external parties.

## *NOTE 62* Number of employees

| | 2018 | 2017 |
|---|---|---|
| Women | 3 | 3 |
| Men | 2 | 3 |
| **Total** | **5** | **6** |

| | 2018 | | 2017 | |
|---|---|---|---|---|
| **Board members and senior management executives** | **Number on balance sheet date** | **Of which men** | **Number on balance sheet date** | **Of which men** |
| Board members | 7* | 4 | 8* | 5 |
| President and other senior management executives | 2 | 1 | 3 | 2 |

* The number of board members only refers to ordinary members

**Agreements on severance payments and other commitments to Board members and the President/CEO**

The President's period of notice is 6 months for her own termination of employment and 12 months for termination by the company. In the case of termination of employment by the company, salary is payable during the period of notice as well as an additional severance payment equivalent to 9 months' salary. See note 38.

The consolidated income statement and balance sheet will be presented at the Annual General Meeting on April 29, 2019 for adoption.

The Board of Directors and the CEO certify that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The annual accounts have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the parent company's financial position and results of operations.

The administration report for the Group and parent company provides a fair review of the development of the Group's and the parent company's business, financial position and performance and describes significant risks and uncertainties faced by the parent company and the companies that are part of the Group

Nyköping, February 26, 2019

Anders Ullberg
Chairman

Anna Karinen
Vice Chairman

Jan Barchan
Member of the Board

Peter Gossas
Member of the Board

Agneta Nestenborg
Member of the Board

Linda Ekstrand
Employee representative

Per Ekberg
Employee representative

Camilla Hoflund
President and CEO

Our audit report was submitted on March 6, 2019
PricewaterhouseCoopers AB

Martin Johansson
Authorized Public Accountant

# AUDITOR'S REPORT

To the General Meeting of Shareholders of Studsvik AB (publ), corporate identity number 556501-0997

## Report on the annual accounts and consolidated accounts

**Opinions**

We have audited the annual accounts and consolidated accounts of Studsvik AB (publ) for 2018 with the exception of the sustainability report on pages 23-29. The company's annual accounts and consolidated accounts are included on pages 10-22 and 30-66 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as at December 31, 2018 and of its financial performance and its cash flows 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 at December 31, 2018 and of its 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. Our opinions do not include the sustainability report on pages 23-29. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the General Meeting adopt the income statement and balance sheet for the parent company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the contents of the additional report submitted to the parent company's and the Group's Audit Committee in accordance with Article 11 of the Audit Regulation (537/2014).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and we have fulfilled our other ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to Article 5 of the Audit Regulation (537/2014), 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 audit opinion.

**Our audit approach**

OVERVIEW

AUDIT FOCUS AND SCOPE

We designed our audit by determining materiality and assessing the risk of material misstatement In the financial statements. In particular, we considered areas where the President and Board of Directors made subjective assessments, 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 systematic bias that represented a risk of material misstatement due to fraud.

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

The Studsvik Group consists of several companies. Of these, operations in Sweden, Germany and the UK constitute significant units and are therefore included in our audit of the Group. The audit of these units and the parent company includes testing of details supplemented by analytical review of income statement and balance sheet items material to the Group. A majority of the subsidiaries in the Group are also subject to statutory audit under local requirements.

MATERIALITY

The scope and focus of our audit was influenced by our application of materiality. An audit is designed to achieve reasonable assurance that 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 for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the focus and 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.

**Key audit matters**

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

| Key audit matters | How our audit addressed the key audit matter |
|---|---|
| **Provisions for decommissioning, waste treatment and restoration of land (see the Group's accounting policies in note 1.20, material assumptions in note 3 and note 33)** | |
| The operations at Studsvik's facilities in Sweden and the now sold facility in the UK are subject to local licensing requirements and Studsvik is liable to decommission facilities, manage waste and restore land. The Group makes provision in the balance sheet for these future decommissioning costs, as well as costs for handling waste.<br><br>At the close of 2018, provision of SEK 112 (113) million was made in the balance sheet for future waste costs and decommissioning and restoration.<br><br>The Group has a process for monitoring and measuring provisions for waste treatment, decommissioning and restoration. Determination of provisions has a significant influence on the audit of the Group as the assessment of the value of the size of provisions is influenced by the management's estimates and assumptions. | We have audited the Group's process for identifying future waste and the process for valuation of the provision for treatment of waste, decommissioning and restoration of land.<br><br>Our audit procedures include evaluating whether the provisions comply with the Group's accounting policies.<br><br>Moreover, based on risk and materiality, we have cross-checked and assessed material parameters, such as volume and price, for calculating the provision against documentation in the form of agreements with external parties, where these exist, and internal calculations on which these are based.<br><br>In addition, we have tested the mathematical correctness of the provision calculations. |
| **Valuation of deferred tax assets (see the Group's accounting policies in note 1.18, material assumptions in note 3 and note 31)** | |
| The Group reports deferred tax assets referring to tax loss carry forwards of SEK 89 (103) million.<br><br>As valuation of tax loss carry forwards reported in the balance sheet depend on the management's estimates in the form of forecasts of future taxable profit, the determination of the value of the deferred tax assets has a significant influence on the audit. | We have examined whether the management's estimate of the carrying amount of deferred tax assets referring to tax loss carry forwards is based on the Group's budgets and forecasts regularly prepared by the management.<br><br>We have checked that the assumptions used in these budgets and forecasts of future taxable profits are in accordance with the management's strategic plans and intentions and that they are realistic on the basis of our experience of the business. This was done by analyzing how well previous years' assumptions were met, any adjustments made of assumptions from previous years as a consequence of developments in the operations, as well as external factors.<br><br>In addition, we have tested the mathematical correctness of the calculations for material deferred tax assets. |

### Information in the annual report additional to the annual accounts and consolidated accounts

This document also includes other information than the annual accounts and consolidated accounts and can be found on pages 1-9 and 70-80, as well as the sustainability report on pages 23-29. The Board of Directors and the President 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 in other respects 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 President

The Board of Directors and President 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 President are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

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

The Board of Director's Audit Committee shall, among other things and without impacting the Board's responsibilities and duties in general, monitor the company's financial reporting.

**Auditor's responsibility**

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts can be found on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

## Report on other legal and regulatory requirements

**Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have examined the administration of the Board of Directors and the President of Studsvik AB (publ) for 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the General Meeting of Shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

**Basis for opinion**

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 we have fulfilled our other 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 audit opinion.

**Responsibilities of the Board of Directors and President**

The Board of Directors is responsible for the proposed appropriations of the company's profit or loss. When proposing 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 organization of the company and the administration of its 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 in other respects are controlled in a satisfactory manner. The President shall conduct the day-to-day management in accordance with the Board of Director's guidelines and instructions and take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a satisfactory manner.

**Auditor's responsibility**

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

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

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

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

A further description of our responsibility for the audit of the administration can be found on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

**Auditor's opinion regarding the statutory sustainability report**

The Board of Directors is responsible for the sustainability report on pages 23–29 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

Our examination was conducted in accordance with FAR's recommendation RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the sustainability report 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 opinion.

A sustainability report has been prepared.

PricewaterhouseCoopers AB, Torsgatan 21, Stockholm, was appointed as auditor of Studsvik AB (publ) by the General Meeting held on April 25, 2018 and has been the company's auditor since its listing on May 4, 2001.

Stockholm, March 6, 2019
PricewaterhouseCoopers AB

Martin Johansson
Authorized Public Accountant

# CORPORATE GOVERNANCE

**CORPORATE GOVERNANCE**

Studsvik AB is a Swedish public company with its registered office in Nyköping and is listed on Nasdaq Stockholm. The company is the parent of a Group that carries on business in nuclear technology in an international arena. Corporate governance is based on the Articles of Association and the Swedish Companies Act, a number of Swedish and foreign laws and ordinances and the Swedish Code of Corporate Governance (the Code). Studsvik has no deviations from the Code to report.

**General Meeting of Shareholders**

The General Meeting is the company's highest decision-making body, where the shareholders exercise their influence through discussions and decisions. An Annual General Meeting shall be held once a year to adopt the income statement and balance sheet, decide on dividend, elect a Board of Directors and auditors and decide on their remuneration.

The number of shareholders on December 31, 2018 was 2,881. The total number of shares was 8,218,611. All shares have an equal right to participate in the company's assets and profits. Information on shareholders, voting rights and the Articles of Association is presented in the annual report on pages 70–73.

At the Annual General Meeting in April 2018, 31 shareholders participated, representing a total of 51.2 per cent of all votes in the company. The Annual General Meeting adopted the consolidated income statement and balance sheet, adopted the Board of Directors proposal concerning dividend, discharged the Board of Directors and President from liability and appointed PricewaterhouseCoopers AB as auditor. All members of the Board of Directors were re-elected and Anders Ullberg was appointed as Chairman. The Meeting also established principles for benefits to senior management and appointed the Nomination Committee. The minutes of the Annual General Meeting can be found on the company's website.

**Nomination Committee**

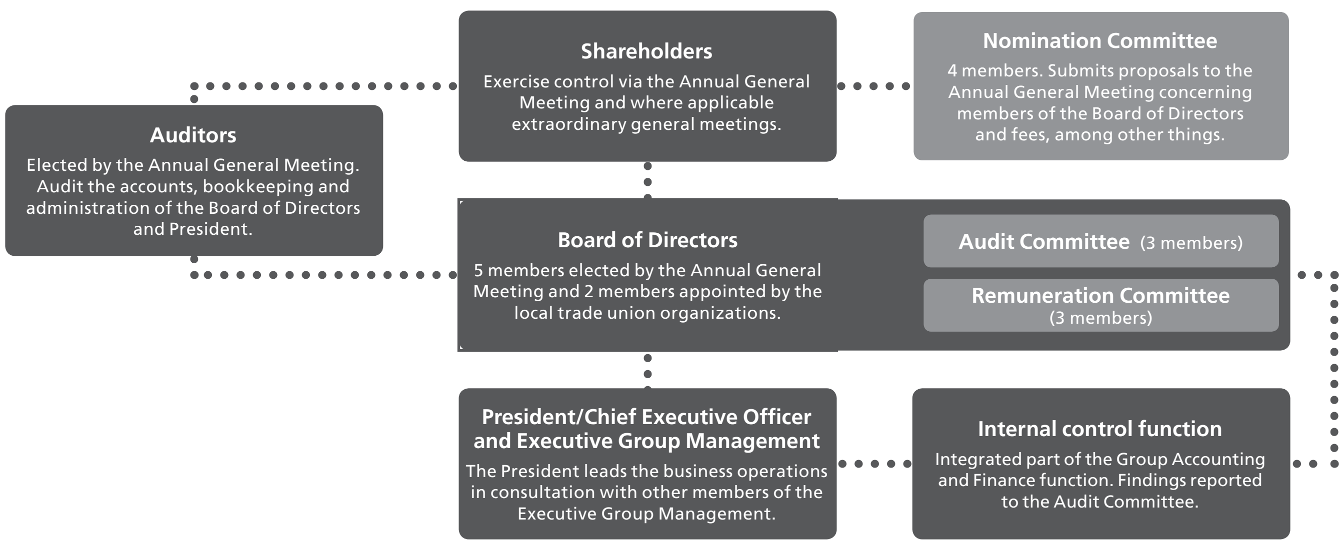
The main task of the Nomination Committee is to propose candidates for the Board of Directors, Chairman of the Board and auditors and their fees to the Annual General Meeting. The Nomination Committee is also to propose a new Nomination Committee.

As resolved by the Annual General Meeting, the Nomination Committee is to consist of the Chairman of the Board and representatives of each of the three largest shareholders. The Annual General Meeting appointed Stina Barchan (Briban Invest AB), Sven Ericsson (representative of the Karinen family), Carina Heilborn (Peter Gyllenhammar AB) and Anders Ullberg (Chairman of the Board) as members of the Nomination Committee. The Nomination Committee's term of office is until a new Nomination Committee is appointed. The composition of the Nomination Committee was announced on April 25, 2018 in a press release and on Studsvik's website.

Information on how shareholders can submit proposals to the Nomination Committee has been published on Studsvik's website. The work of the Nomination Committee focuses on ensuring that the Board of Directors is composed of members that together have the knowledge and experience that meets the requirements of the owners concerning Studsvik's highest governing body. In the process of preparing proposals for candidate members of the Board, the Chairman of the Board therefore presents to the Nomination Committee the evaluation made of the work of the Board of Directors in the past year.

**Composition of the Board of Directors**

The Board of Directors consists of five board members elected by the General Meeting of Shareholders, as well as two members and two alternates appointed by the staff organizations Unionen and the Swedish Association of Graduate Engineers. The members of the Board of Directors are presented on pages 74–75 of the annual report and under Board of Directors and auditors on the website.



The members elected by the Annual General Meeting are to be regarded as independent in relation to the company and the company management. All, apart from Jan Barchan and Anna Karinen, are independent of major shareholders.

**Chairman**

Anders Ullberg is the Chairman of the Board and leads the work of the Board. He has a particular responsibility to follow the company's development between Board meetings and ensure that the Board Members regularly receive the information necessary for performing a satisfactory job. The Chairman is to maintain regular contact with the President on various matters as needed.

**Work of the Board of Directors**

The task of the Board of Directors is to administer the company's business in the best way possible and safeguard the interests of the shareholders in its work. The Board's work follows rules of procedure adopted annually at the inaugural board meeting. The rules of procedure specify the division of duties between the Board and the President, the responsibilities of the Chairman and President respectively, and the forms of financial reporting. The President takes part in the work of the Board of Directors and other employees take part when this is called for. The Group's Chief Financial Officer acts as secretary to the Board.

In 2018 the Board of Directors held eight meetings, including the inaugural meeting immediately following the Annual General Meeting. The attendance of the members is shown in the table below.

The Board of Directors receives information on the company's economic and financial situation through monthly reports and at board meetings. Operations in the various business areas are monitored and discussed in accordance with a rolling plan, which means that the Board of Directors makes a detailed analysis of each business area at least once a year. Moreover, the Board of Directors agrees each year on a number of issues that are to be examined at a board meeting during the year. In 2018 the Group's strategy and further development of operations in Consultancy Services, Germany and Scandpower were discussed.

Ahead of each board meeting the Chairman and President go through the business to be dealt with at the meeting and supporting documentation for the Board's processing of the business is sent to the members about a week before each board meeting.

In 2018 the Board devoted particular attention to the Group's financing, strategic alternatives for the operations in Germany, increased customer focus in the software operations and cost savings in consultancy operations and administration.

At one meeting the company's auditors reported on their findings from the audit of the annual accounts and the company's administration. The Board of Directors was also given the opportunity of discussions with the auditors without the company management being present. The Chairman ensures that the work of the Board of Directors is evaluated annually and that the Nomination Committee receives the information necessary concerning the results of the evaluation. The evaluation is discussed by the Board of Directors as a basis for planning the Board's work for the coming year.

**Policies, guidelines and instructions**

The Board reviews and adopts Group policies and guidelines and the Group's Code of Conduct. The Code of Conduct aims to provide guidance to employees and business partners, minimize risks, strengthen the corporate culture and convey Studsvik's core values.

The President adopts guidelines and operative instructions based on policies and guidelines established by the Board. Guidelines and operative instructions issued by the President/CEO primarily cover financial reporting, treatment of personal data (GDPR) and information technology. All policies and guidelines are available to the Group's employees on Studsvik's intranet.

**Audit Committee**

The Board of Directors has set up an Audit Committee. The Committee monitors the effectiveness of the company's internal controls, management of the company's risks and assures the quality of the company's financial reporting. The Audit Committee consists of Peter Gossas (chair), Agneta Nestenborg and Anders Ullberg. The presenter in the Committee is the Chief Financial Officer. Apart from the Group's quarterly reports, during the year the Committee has taken note of and dealt with reports from the follow-up of internal controls. In addition, the Committee has been updated on the development of major current fixed price contracts, dealt with accounting matters, with particular focus on impairment testing, as well as continually following the progress of the Group's legal disputes. The company's auditors reported to the Committee on their findings from the six-monthly accounts, the hard-close and internal control,

| Board members | Elected | Attendance | Remuneration committee | Audit committee | Independent from company | Independent from major shareholders | Fee kSEK |
|---|---|---|---|---|---|---|---|
| Anders Ullberg, Chairman | 2007 | 8/8 | 1/1 | 4/4 | Yes | Yes | 725 |
| Anna Karinen, Vice Chairman | 2003 | 8/8 | 1/1 | | Yes | No | 225 |
| Jan Barchan | 2004 | 8/8 | 1/1 | | Yes | No | 225 |
| Peter Gossas | 2013 | 8/8 | | 4/4 | Yes | Yes | 375 |
| Agneta Nestenborg | 2010 | 8/8 | | 4/4 | Yes | Yes | 300 |
| Per Ekberg (Employee Rep) | 2005 | 7/8 | | | | | |
| Roger Lundström (Employee Rep) | 2006 | 3/8 | | | | | |
| Linda Ekstrand (Employee Rep) | 2016 | 7/8 | | | | | |
| Jennifer Arnesson (Employee Rep) | 2017 | 8/8 | | | | | |

conducted at the time of the second and third quarter closings, and the audit of the annual accounts. The Committee meets before each reporting date and on more occasions if necessary. The Committee held four meetings during the year. The Audit Committee works in accordance with the instructions adopted annually by the Board of Directors and reports on its work to the Board of Directors.

**Compensation Committee**

The Board has appointed a Remuneration Committee from among its number. The Remuneration Committee submits proposals to the Board for the President's salary and other conditions of employment and approves salaries and other conditions of employment for the Executive Group Management proposed by the President. The Committee also draws up the Board of Directors' proposals to the General Meeting concerning principles of remuneration and other conditions of employment for the Executive Group Management. The Committee held one meeting during the year. The Remuneration Committee works in accordance with the instructions adopted annually by the Board of Directors and reports on its work to the Board of Directors The Remuneration Committee consists of Anders Ullberg (chair), Jan Barchan and Anna Karinen.

A description of benefits to senior management is given in note 38 on pages 60–61.

**Board fees**

The total board fee paid by Studsvik AB for 2018 amounted to SEK 1,850,000 (2,075,000). In accordance with a resolution passed by the Annual General Meeting, the Chairman of the Board receives SEK 650,000 per year and ordinary members SEK 225,000 per year. No fee is paid to Board members appointed by the employee organizations. The chair of the Audit Committee receives a fee of SEK 150,000 per year and the members SEK 75,000 per year. No fee is paid to the Remuneration Committee. Board fees paid are presented in note 38 on page 60.

**Auditors**

At the 2018 Annual General Meeting the registered public accounting firm PricewaterhouseCoopers AB was elected as auditor for the period up to and including the 2019 Annual General Meeting. The auditor in charge is authorized public accountant Martin Johansson. PricewaterhouseCoopers conducts the audit of all the Group's material companies. The audit is based on an audit plan and during the year the auditor regularly reports observations made to the Audit Committee and on at least one occasion to the Board of Directors. The auditor obtains views from the Audit Committee concerning Studsvik's risks, which are thereafter given particular consideration in the audit plan. The auditor also participates in the Annual General Meeting to present the audit report and describe the audit work and observations made.

In addition to the audit assignment Studsvik has consulted PricewaterhouseCoopers in the area of taxation and on various accounting and financial issues. PricewaterhouseCoopers is obliged to test its independence prior to every decision to provide advice to Studsvik unrelated to the audit assignment. Advisory services in excess of SEK 50,000 are to be approved in advance by the chairman of the Audit Committee. Remuneration to the company's auditors is paid in accordance with an approved invoice on agreed terms. For information concerning remuneration in 2018 please refer to notes 8 and 43.

**President and Executive Group Management**

The President is responsible for the day-to-day management of the company. The President leads the operative business and prepares information and data for decision-making for the Board of Directors and is the presenter at Board meetings. In 2018 the Executive Group Management consisted of the President, the Chief Financial Officer and the heads of the business areas; Fuel and Materials Technology, Consultancy Services and Scandpower. The Executive Group Management is presented on pages 76–77 in the annual report and on the website under Executive Group Management.

The Executive Group Management meets monthly to follow up the operative and financial developments in the segments. On two to three occasions during the financial year the Executive Group Management meets to deal in more detail with matters of an operative, strategic or long-term nature.

The President and Group functions are located in Studsvik. In accordance with the policies and guidelines established by the Board, the Group functions are responsible for business development, allocation of financial resources among the Group's operations, capital structure and risk management as well as human resources. The tasks also include questions of Group wide acquisitions and disposals, certain major projects, the Group's financial reporting, communication with the stock market and other internal and external communication.

**Operative management**

The Group's operative business was conducted in 2018 in subsidiaries of Studsvik AB, which are included in the four business areas. Business in the subsidiaries was followed up partly through business area reviews, partly through active board work in the subsidiaries. The business area reviews, which take place quarterly, not only analyze and discuss financial developments, but also market developments, risks and sustainability issues, among other things. The management groups for the business areas follow the business areas' day to day activities on a monthly basis. Business plans and budgets are prepared by each business area in consultation with the Executive Group Management. The business is carried on in accordance with the rules, guidelines and policies established by the parent company, and local rules established by the respective local board. The heads of business areas have budget responsibility and are to ensure growth in their operations as well as being responsible for utilizing the synergies between the Group's various units.

**Internal control**

Internal control aims to ensure:

- that company goals and strategies are followed up,
- that shareholders' interests are protected,
- that external financial reporting reflects the actual situation with reasonable assurance,
- that financial reports are prepared in accordance with generally accepted accounting principles, laws and ordinances and other requirements of listed companies.

The Board of Directors has the overall responsibility for ensuring the Group has effective internal controls. The President is responsible for ensuring that processes and organization that guarantee internal control and the quality of financial reporting are in place. Studsvik has no special internal audit function. The audit and internal control is conducted by an external consultant on the instructions of the Chief Financial Officer, which the Board has found to be appropriate.

The review is based on an overall risk analysis at group level, and on checklists and question lists in material for self-assessment that is subsequently verified from the point of view of materiality through direct audit. The audit is conducted via interviews and spot checks and is summarized in a report to the Audit Committee, where it is dealt with. A detailed description of the Group's risks and how they are managed is presented in the Administration Report on pages 24–29. An account of the Group's financial risks can be found in note 2 on pages 44–46.

The outcome of the examination is reported to the Audit Committee and the Board. The company's financial situation is discussed at every board meeting and the management makes a monthly analysis of the financial reporting at a detailed level. At its meetings the Audit Committee follows up the financial reporting and receives a report from the auditors.

---

**Statement by the auditor on the corporate governance report**
To the General Meeting of Shareholders of Studsvik AB (publ), corporate identity number 556501-0997

**Assignment and division of responsibilities**
The Board of Directors is responsible for the corporate governance report for 2018 on pages 70–73 and for its preparation in accordance with the Annual Accounts Act.

**Focus and scope of the examination**
Our examination was conducted in accordance with FAR's statement RevU 16 The auditor's examination of the corporate governance report. This means that our examination of the corporate governance report 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.

**Opinion**
A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, Section 6, second paragraph, points 2–6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph of the same Act are consistent with the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, March 6, 2019
PricewaterhouseCoopers AB

Martin Johansson
Authorized Public Accountant

# BOARD OF DIRECTORS AND AUDITORS

**Anders Ullberg**
Danderyd, born in 1946
Chairman since 2007
Former President and CEO of SSAB Svenskt Stål. Chairman of the board of Boliden and Eneqvist Consulting and member of the board of Atlas Copco, Beijer Alma, Epiroc and Valedo Partners. Chair of the Swedish Financial Reporting Board and board member of the European Financial Reporting Advisory Group
Education: M.Sc. (Business and Economics)
Holding: 60,000 shares

**Anna Karinen**
Sparreholm, born in 1963
Member since 2003, Vice Chairman since 2007
Self-employed, in commercial real estate management, member of the board of the Flen local branch of Handelsbanken.
Education: Bachelor of laws
Holding: 1,327,492 shares

**Jan Barchan**
Malmö, born in 1946
Member since 2004
President of Briban Invest AB, member of the board of Audiodev AB and member of the board of Net Insight AB, Trianon AB and Trialbee AB
Education: M.Sc. (Business and Economics)
Holding: 1,285,492 shares

**Peter Gossas**
Mora, born in 1949
Member since 2013
Previously President of the Sandvik Materials Technology business area
Chairman of the board of Maintpartner Group OY and Motor Group AB. Member of the board of Höganäs AB. Industrial Advisor at Peter Gossas AB and KIGO Business Development.
Education: M.Sc. Engineering physics
Holding: 2,000 shares

**Agneta Nestenborg**
Kävlinge, born in 1961
Member since 2010
Director, Project Support & Administration, European Spallation Source ERIC
Education: Ph.D. and MBA
Holding: 2,000 shares

EMPLOYEE REPRESENTATIVES

**Linda Ekstrand**
Nyköping, born in 1982
Member since 2017, alternate 2016
Employee representative appointed by the Swedish Association of Graduate Engineers. Works in the Consultancy Operations at Studsvik Consulting AB
Education: M.Sc.
Holding: 65 shares

**Per Ekberg**
Nyköping, born in 1959
Member since 2018, alternate 2017-2006
Employee representative appointed by Unionen. Works in the materials research department at Studsvik Nuclear AB
Education: Power generation technology
Holding: 100 shares

**Roger Lundström**
Nyköping, born in 1966
Alternate since 2018, member 2017-2005, alternate 2003–2005
Employee representative appointed by Unionen. Works in microscopy and damage analysis at Studsvik Nuclear AB
Education: Mechanical engineer
Holding: 0 shares

**Jennifer Arnesson**
Huddinge, born in 1989
Alternate since 2017.
Employee representative appointed by the Swedish Association of Graduate Engineers. Works in the Consultancy Operations at Studsvik Consulting AB.
Education: Higher education qualification in nuclear power engineering
Holding: 0 shares

REVISOR
**PricewaterhouseCoopers AB**
Auditor in charge: Martin Johansson
Born in 1967
Auditor of Studsvik since 2016
Other assignments: Melker Schörling AB, Endomines AB, Orio AB and Toyota Industries Europe AB

ANDERS ULLBERG

PETER GOSSAS

LINDA EKSTRAND

ANNA KARINEN

AGNETA NESTENBORG

PER EKBERG

JAN BARCHAN

ROGER LUNDSTRÖM

JENNIFER ARNESSON

# *EXECUTIVE GROUP MANAGEMENT*

**Camilla Hoflund**
President and Chief Executive Officer
Education: Mining engineer, Materials technology
Born: 1969
Year of employment: 1994–2000, 2003
Background: Consultant and business developer at Det Norske Veritas and other leading positions in the group
Holding: 0 shares

**Pål Jarness**
Chief Financial Officer
Education: M.Sc. (Business and Economics)
Born: 1964
Year of employment: 2013
Background: Chief Financial Officer at Actic, Goodyear Dunlop Nordic and Kraft Foods Nordic and various positions in treasury and human resources at Philip Morris.
Holding: 53,000 shares

**Joakim Lundström**
Head of Fuel and Materials technology business area
Education: M.Sc. Engineering physics
Born: 1978
Year of employment: 2002
Background: Various leading positions at Studsvik Nuclear AB
Holding: 0 shares

**Mikael Karlsson**
Head of the Consultancy Services business area
Education: M.Sc. Engineering physics
Born: 1962
Year of employment: 1989
Background: Various leading positions in the Group
Holding: 0 shares

**Steven Freel**
Head of the Studsvik Scandpower business area
Education: BSc Mechanical Engineering and MBA
Born: 1964
Year of employment: 2016
Background: Administrative and technical manager at GSE Systems Inc. and other leading positions in SAIC and Raytheon
Holding: 0 shares

CAMILLA HOFLUND

PÅL JARNESS

JOAKIM LUNDSTRÖM

MIKAEL KARLSSON

STEVEN FREEL

# *FIVE YEAR REVIEW*

## INCOME STATEMENTS IN SUMMARY

| Amounts in SEK million | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Sales revenues | 909.6 | 721.2 | 758.8 | 704.8 | 726.1 |
| Cost of services sold | –660.5 | –538.2 | –535.3 | –539.1 | –529.5 |
| **Gross profit** | **249.1** | **183.0** | **223.5** | **165.7** | **196.6** |
| Selling and marketing costs | –47.6 | –36.4 | –44.4 | –44.2 | –39.9 |
| Administrative expenses | –146.9 | –93.1 | –112.8 | –116.9 | –107.9 |
| Research and development costs | –25.8 | –25.1 | –27.5 | –28.2 | –30.7 |
| Participation in associated company's profit before tax | 11.5 | 11.6 | 4.1 | 8.7 | 10.6 |
| Other, net | –9.8 | –3.4 | –18.2 | –26.7 | 4.9 |
| **Operating profit/loss** | **30.5** | **36.6** | **24.7** | **–41.6** | **33.5** |
| Net financial items | –18.9 | –17.7 | –16.4 | –17.1 | –14.9 |
| **Profit/loss after financial items** | **11.6** | **18.9** | **8.3** | **–58.6** | **18.7** |
| Income tax | –6.4 | –4.3 | 8.7 | 13.7 | –10.0 |
| **Profit/loss for the year from continuing operations** | **5.2** | **14.6** | **17.0** | **–45.0** | **8.7** |
| **Operations held for sale** | | | | | |
| Profit/loss for the year from operations held for sale | –17.2 | –12.2 | 46.0 | – | – |
| **NET PROFIT/LOSS FOR THE YEAR** | **–12.0** | **2.4** | **63.0** | **–45.0** | **8.7** |

## BALANCE SHEETS IN SUMMARY

| Amounts in SEK million | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| *Assets* | | | | | |
| Goodwill | 173.9 | 172.0 | 173.7 | 173.4 | 182.1 |
| Other non-current assets | 481.7 | 481.9 | 273.4 | 283.2 | 301.4 |
| Trade receivables | 183.3 | 196.6 | 150.8 | 158.9 | 145.7 |
| Other non-interest-bearing current assets | 73.0 | 68.1 | 107.7 | 110.7 | 115.9 |
| Cash and cash equivalents and short-term investments | 129.4 | 74.9 | 195.4 | 98.7 | 155.9 |
| Assets in operations held for sale | – | – | – | – | – |
| **Total assets** | **1,041.3** | **993.5** | **901.0** | **824.9** | **900.6** |
| *Equity and liabilities* | | | | | |
| Equity | 292.6 | 297.9 | 348.1 | 288.1 | 315.8 |
| Non-controlling interests | 0.3 | 0.3 | 0.4 | 0.3 | 0.4 |
| Long-term interest-bearing liabilities | 203.0 | 1.0 | 198.2 | 199.9 | 0.0 |
| Long-term non-interest-bearing liabilities | 242.3 | 238.0 | 161.7 | 164.8 | 166.6 |
| Short-term interest-bearing liabilities | 22.8 | 208.2 | – | – | 199.9 |
| Short-term non-interest-bearing liabilities | 280.3 | 248.1 | 192.6 | 171.8 | 217.9 |
| Liabilities in operations held for sale | – | – | – | – | – |
| **Total equity and liabilities** | **1,041.3** | **993.5** | **901.0** | **824.9** | **900.6** |

**CASH FLOW STATEMENTS IN SUMMARY**

**Refers to total operations**

| Amounts in SEK million | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Operating profit/loss | 17.9 | 24.4 | 70.0 | –41.6 | 33.5 |
| Reversal of depreciation/amortization | 33.5 | 33.5 | 20.8 | 16.1 | 19.4 |
| Other non-cash items | –16.2 | –4.8 | –64.4 | – | –3.1 |
| **Cash flow from operating activities** | **35.2** | **53.1** | **26.4** | **–25.5** | **49.8** |
| Net financial items | –17.6 | –11.5 | –25.5 | –9.0 | –14.4 |
| Taxes | 1.1 | –6.9 | –8.3 | –6.5 | –6.4 |
| **Cash flow before changes in working capital** | **18.7** | **34.7** | **–7.4** | **–41.0** | **29.1** |
| Changes in working capital | –39.5 | –41.3 | –48.7 | –32.1 | 51.2 |
| **Cash flow before investments** | **–20.8** | **–6.6** | **–56.1** | **–73.1** | **80.3** |
| Investments | 70.7 | –23.2 | 185.6 | –11.0 | –26.1 |
| **Cash flow after investments** | **49.9** | **–29.8** | **129.5** | **–84.1** | **54.2** |

| DATA PER SHARE | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Number of shares at close of period | 8,218,611 | 8,218,611 | 8,218,611 | 8,218,611 | 8,218,611 |
| Average number of shares | 8,218,611 | 8,218,611 | 8,218,611 | 8,218,611 | 8,218,611 |
| Earnings per share from continuing operations before and after dilution, SEK | 0.63 | 1.78 | 2.07 | –5.47 | 1.06 |
| Earnings per share from operations held for sale before and after dilution, SEK | –2.09 | –1.49 | 5.6 | – | – |
| Earnings per share before and after dilution, SEK | –1.46 | 0.29 | 7.67 | –5.47 | 1.06 |
| Equity per share, SEK | 35.64 | 36.30 | 42.41 | 35.09 | 38.47 |

| KEY FINANCIAL FIGURES AND RATIOS | 2014 | 2015 | 2016* | 2017 | 2018 |
|---|---|---|---|---|---|
| *Margins* | | | | | |
| Operating margin, % | 3.3 | 5.1 | 3.2 | –5.9 | 4.6 |
| Profit margin, % | 1.3 | 2.6 | –0.1 | –8.3 | 2.6 |
| *Return on investment** | | | | | |
| Return on operating capital, % | 7.7 | 8.9 | 6.3 | –11.2 | 9.9 |
| Return on capital employed, % | 5.5 | 12.0 | 7.3 | –7.8 | 7.4 |
| Return on equity, % | 1.8 | 0.8 | 2.5 | –14.1 | 2.9 |
| *Capital structure* | | | | | |
| Operating capital, SEK million | 398.6 | 432.6 | 351.3 | 389.6 | 360.6 |
| Capital employed, SEK million | 518.7 | 507.5 | 546.7 | 488.3 | 516.1 |
| Equity, SEK million | 292.9 | 298.3 | 348.5 | 288.4 | 316.2 |
| Net interest-bearing debt, SEK million | 105.7 | 134.3 | 2.9 | 101.2 | 44.4 |
| Net debt-equity ratio, % | 36.1 | 45.0 | 0.8 | 35.1 | 14.0 |
| Interest coverage ratio, multiple | 1.8 | 1.8 | 1.3 | –2.6 | 2.0 |
| Equity/assets ratio, % | 28.1 | 30.0 | 38.7 | 35.0 | 35.1 |
| *Cash flow* | | | | | |
| Self-financing ratio, multiple | – | – | – | – | – |
| Investments, SEK million | 32.8 | 14.6 | 15.3 | 22.1 | 32.1 |
| EBITDA | 50.7 | 51.2 | 40.0 | –25.0 | 53.0 |
| EBITDA/Net financial items | 3.2 | 2.9 | 2.4 | –1.5 | –3.6 |
| *Employees* | | | | | |
| Average number of employees | 895 | 708 | 687 | 662 | 624 |
| Net sales per employee, SEK million | 1.0 | 1.1 | 1.1 | 1.1 | 1.2 |

* Calculation based on continuing operations.

# DEFINITIONS OF KEY FIGURES AND RATIOS

**EBITDA**
Operating result before amortization and impairment.

**EBITDA/Net financial items**
Operating result before amortization and impairment divided by net financial items.

**Equity**
The total of non-restricted and restricted equity at the end of the year. Average equity has been calculated as opening balance plus closing balance of equity, divided by two.

**Equity per share**
Equity divided by the number of shares at the end of the period.

**Sales revenue per employee**
The year's net sales divided by the average number of employees.

**Investments**
Total of the acquisition of businesses/subsidiaries and acquisition of intangible assets and property, plant and equipment

**Average number of employees**
Average number of employees at the end of each month.

**Net debt**
Total long-term and short-term borrowing less cash and cash equivalents.

**Net debt-equity ratio**
Interest-bearing net debt divided by equity including non-controlling interests.

**Operating capital**
The balance sheet total less non-interest-bearing liabilities, current investments, cash and bank balances. Average operating capital has been calculated as opening balance plus closing balance of operating capital, divided by two.

**P/E ratio**
Share price divided by earnings per share.

**Earnings per share**
Profit for the year divided by the average number of shares. The average number of shares has been calculated as a weighted average of all shares in issue for the year.

**Return on equity**
Profit for the year as a percentage of average equity.

**Return on operating capital**
Operating profit as a percentage of average operating capital.

**Return on capital employed**
Profit/loss after financial items with financial expenses added back, as a percentage of average capital employed.

**Net interest-bearing debt**
Total of current and non-current interest-bearing liabilities, less current investments and cash and bank balances.

**Interest coverage ratio**
Profit after financial income divided by financial expense.

**Operating margin**
Operating profit after amortization as a percentage of net sales.

**Self-financing ratio**
Cash flow before investments divided by investments.

**Equity ratio**
Equity including non-controlling interests as a percentage of the balance sheet total.

**Capital employed**
Balance sheet total less non-interest-bearing liabilities. Average capital employed has been calculated as opening balance plus closing balance of capital employed, divided by two.

**Profit margin**
Profit/loss after financial items as a percentage of net sales.

## **Studsvik** Worldwide

**SWEDEN**
**Studsvik AB**
SE-611 82 Nyköping
Visiting address: Studsvik
Tel: + 46 155 22 10 00
Fax: + 46 155 26 30 70

**Studsvik Nuclear AB**
SE-611 82 Nyköping
Visiting address: Studsvik
Tel: + 46 155 22 10 00
Fax: + 46 155 26 30 70

**Studsvik Consulting AB**
SE-611 82 Nyköping
Tel: +46 155 22 10 00
Fax: +46 155 26 30 70

**Studsvik Nuclear AB / ALARA Engineering**
Stensborgsgatan 4
SE-721 32 Västerås
Tel: +46 155 22 10 00

**Studsvik Scandpower AB**
Stensborgsgatan 4
SE-721 32 Västerås
Tel: + 46 21 41 57 83

**UNITED ARAB EMIRATES**
**Studsvik Ltd. Middle East**
c/o UMG, Sky Tower, #604,
Reem Island
Abu Dhabi, United Arab Emirates
Tel: +971 2 6777102
Fax: +971 2 6777108

**JAPAN**
**Studsvik Japan, Ltd**
Rinku Gate Tower Building 1409,
1 Rinku Oraikita,
Izumisano-city,
Osaka, 598-0048 Japan
Tel / Fax: +81 (0)72 493 7418

**CHINA**
**Studsvik Scandpower Inc.,**
Room 2501, Tower 3
888 Yu Yuan Road
Chang Ning District,
Shanghai, 200050, China
Tel +86 13524572096

**SWITZERLAND**
**Studsvik Suisse AG**
Schlösslistrasse 12,
CH-5408 Ennetbaden,
Schweiz
Tel: + 41 79 501 42 08

**UNITED KINGDOM**
**Studsvik Ltd**
Ribble House
Meany Gate
Bamber Bridge, Preston,
PR5 6UP, United Kingdom
Tel: +44 (0) 1772 646880
Fax: +44 (0) 1772646899

**GERMANY**
**Studsvik Scandpower GmbH**
Rathausallee 28
DE-22846 Norderstedt
Germany
Tel: +49 40 3098 088 10
Fax: +49 40 3098 088 88

**Studsvik GmbH & Co. KG**
Walter-Krause-Str. 11
DE-68163 Mannheim
Germany
Tel: + 49 (0) 621 950 403 01
Fax: + 49 (0) 621 950 403 02

**USA**
**Studsvik Scandpower, Inc.**
101 North Third Street, Suite 202
Wilmington, NC 28401 USA
Tel: +1 910 777 2553
Fax: + 1 910 769 3249

**Studsvik, Inc.**
5605 Glenridge Dr
Suite 670
Atlanta, GA 30342
USA
Tel: +1 404 497 4900
Fax: +1 404 497 4901

Studsvik AB (publ) Annual Report 2018 Corporate identity number 556501-0997

Studsvik Annual Report 2018

Studsvik

**Studsvik AB (publ)**
**SE-611 82 Nyköping**
**Telephone +46 155 221000**
www.studsvik.com