



SUNPINETM

Annual report and sustainability report 2018

This is a translated version of the Swedish original annual report. In case of discrepancies between the Swedish version and the English translation, the Swedish original annual report shall prevail.

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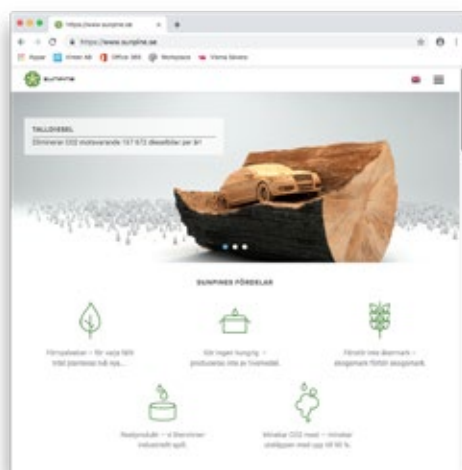
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2018 – SunPine in the media

The year is best summarised in three parts: investment, equal opportunities sponsorship and awards for a world-leading sustainable innovation.



15/02/2018
Launch of a newly designed, more informative website.

28/03/2018
SunPine steps in as a major sponsor for Luleå Hockey's women's initiative.
"SunPine works intensively with sustainability issues, not only as an industry with climate-friendly products, but also as a sponsor with a focus on equality. Something we're incredibly grateful for," says Stefan Enbom, CEO Luleå Hockey.

04/04/2018
SunPine investing in a new plant. An investment totalling around SEK 250 million.
"The market for our sustainable tall diesel is growing, and we want to shoulder our responsibility in Sweden's transition to renewable fuels," says Magnus Edin, SunPine CEO.

11/04/2018
Lars Stigsson, founder and SunPine partner, is this year's recipient of Jan Häckner's bioenergy award.
"I'm moved and proud to receive Jan Häckner's bioenergy award. I've enjoyed an exciting journey with SunPine. Ten years ago, our sales totalled SEK 100,000 and today they're 1.5 billion, and with good profitability," says Lars Stigsson.



03/05/2018
Ulrika Hagman has taken up the position of Project Manager for the expansion of SunPine. Her mission – to build a new plant and increase annual diesel production by 50,000 cubic meters.

25/05/2018
The office building is being extended by 560 sq m to make space for a bigger SunPine.
Piteå Näringslivsfastigheter is adding an entirely new floor and also extending toward the plant. The offices and laboratory will be larger.



Happy quartet presenting SunPine's investment in a new plant. Niklas Nordström, Municipal Councillor, Luleå; Mikael Damberg, Minister for Enterprise and Innovation; Helena Stenberg, Municipal Councillor, Piteå, and Magnus Edin, SunPine CEO.



15/08/2018
Consulting and engineering firm Pöry is entrusted with realising the investment in a new plant.

24/09/2018
SunPine sponsors Allis Nyström from Luleå Basketball. Yet another Swedish women's sports commitment.



03/10/2018
SunPine is investing SEK 17 million in increasing the capacity of its existing plant.
"We've identified bottlenecks, and removing them will increase capacity by around 10 per cent," says Magnus Edin, SunPine CEO.

28/10/2018
Victory can be Pyrrhic; the Champions League is a financial challenge for Piteå IF. Sponsor SunPine is matching the UEFA grant and giving the club SEK 250,000 in additional support.
"We're doing so because real life can be unfair," says Magnus Edin, SunPine CEO.
The initiative was picked up by the media nationwide and the appeal led to more than SEK 1 million in sponsorship money for the club.



06/11/2018
Two happy Climate Champions – David Lundman and Ulrika Hagman, both from SunPine, after the Climate Champion of the North prize-giving at the Clarion Hotel Sense in Luleå. The North Sweden Energy Agency awarded the prize for green transformation

07/11/2018
SunPine founder Lars Stigsson and Valeri Naydenov have been awarded this year's Polhem Prize by the Swedish Association of Graduate Engineers for their unique innovation for the production of tall diesel, which greatly reduces climate impact.
"I think one of the success factors is our collaboration. Lars and I complement each other well. While my focus was molecular, Lars concentrated on the target," says Valeri Naydenov.

09/11/2018
Lindbäcks Group wins SunPine's newly instituted Sustainability Award.
They will receive the award for their holistic approach to sustainability and their focus on gender equality in a traditionally male industry.
"Managing to go from 6 per cent to 20 per cent women is a giant stride," declares jury chairman and SunPine CEO Magnus Edin.
Linda Rosén, Lindbäcks Group CEO, received the SunPine Sustainability Award from Magnus Edin.

15/11/2018
SunPine's plant site has had recurrent problems with unpleasant odours.
Now SEK 2.2 million is being invested to improve the local environment.
"We will of course remedy the odours that not only disturb everyone who works here, but also our neighbours," says Magnus Edin, SunPine CEO.



2018 was a year of investments

Over the past year, SunPine invested in both our structure and culture and began a series of investments for continued expansion.

Internally, we completed a major undertaking involving workshops in which everyone from company management to employees was able to work and study our values. The workshops addressed how we behave toward each other and how we can create a SunPine culture together.

Work concerning our values comes under Sustainability, Commitment and Respect.

The project was begun in 2017 and continued throughout 2018. Work on implementing our code of conduct and values will carry on during 2019.

Continuing to build a strong team spirit and a distinctive company culture is essential for our success now that we're taking our next step and expanding as a company. We aim to safeguard the good values and attitude that have emerged in SunPine. We enjoy an amiable team spirit that fosters commitment and entrepreneurial flexibility – qualities that keeps us nimble in a time when most companies are challenged by a fast-moving world.

Looking further afield, we also see a number of challenges.

We note rising prices for our raw material, tall oil.

And clear signs of increasing competition for it.

If there were any one thing that could limit our future ability to grow, then it is precisely this factor – the availability of tall oil.

Over the next 18 months, our organisation will grow by 25 per cent. If we compare the SunPine organisation of 2013 with our current target for 2020, we will have expanded by 300 per cent. This level of growth means we have to develop our organisation and maintain a clear focus on quality and safety.

Just as in other industries, safety efforts present a challenge and our focus here is unwavering. At SunPine, safety first means just that – it's our top priority. If we liken safety work to perishable goods, then we must strive constantly to conserve it.

The year was also one where we made substantial investments in our PR work. We updated our website and took a completely new approach to the way we present ourselves; we appointed a Communications Manager and began to engage actively with PR and social media such as LinkedIn and Facebook. Our goal is to strengthen, both regionally and nationally, the positive image and awareness of SunPine as an innovative, sustainable company with excellent values.

One way for us to really put across our values externally is through the sponsorship of women's sports at the elite level. Our challenge to UEFA following Piteå IF's victory in Swedish Women's Premier League football by matching their Champions League grant, won national

acclaim. We took a clear stand for equal opportunities by presenting ourselves as a modern industrial company with a focus on diversity.

Looking back to the autumn of 2017, there was political anxiety within the EU linked to the Renewable Energy Directive, especially concerning how the decision would apply to a series of important demarcations in the definition of sustainable biofuels. So, at the beginning of 2018, when the decision turned out to be positive, we were able to go public in April with a major investment in a second tall diesel plant totalling SEK 250 million, that will increase our production volume by 50 per cent when it comes on stream in 2020.

We also invested SEK 17 million in the autumn of 2018 in the existing plant and solved a number of identified process bottlenecks, which has already increased production volume by 10 per cent.

The year also saw extensive ISO9001 certification work, efforts that were crowned with a certificate in January 2019. We were also able to institute and announce an annual Sustainability Award, which was presented for the first time to Lindbäcks Group for their conscious equal opportunities efforts in a traditionally male industry, which led to an increase from 6 to 20 per cent in the number of women in their new factory. This is an inspiring result that deserves to be recognised.

In general, our own operation in 2018 had an air of "excuse the mess, we're upgrading." We've moved to temporary office modules while we rebuild our office and laboratory in order to take care of a larger SunPine with

more employees and expanded operations. Our employees have patiently put up with all of this and dealt with it in an impressive manner without losing their positive, forward-looking focus.

At the same time, our day-to-day production proceeded extremely well. Thanks to fantastic work on preventive maintenance, we've achieved good stability throughout our process. Our deliveries of rosin, diesel and crude sulphate turpentine maintained excellent quality. We more than met the high expectations placed on us. It's often only production performance that gets the attention, but the committed work of our entire organisation naturally lies behind the

year's record levels and figures. Everyone plays a part in the work and has a part in the excellent performance.

I'm truly impressed by the work that everyone has jointly invested in our SunPine.



Magnus Edin, SunPine CEO.



Ulrika Hagman,
SunPine.

“Sustainability and innovation walking hand in hand.”

Growth, jobs and green transition.
Minister Mikael Damberg applauds SunPine’s expansion.
“This is incredibly important for Sweden,” he says.



Mikael Damberg.
Photo: Kristian Pohl, Government
Offices of Sweden

News of SunPine’s SEK 250 million investment in a new plant rang out right away. An investment which, according to then Minister for Enterprise and Innovation Mikael Damberg, is important for Sweden.

“SunPine’s plant is already unique in the world, and now they’re expanding on a large scale. It shows that it’s possible to make a difference. And it’s run from here in Piteå, so it means a great deal,” said Mikael Damberg.

What does this kind of investment mean?

“It creates jobs up here, both short term and permanent,” he said.

“However, the positive spin-offs from the investment are far bigger than that,” he explained. “A new plant also means growth in the municipality and the region, and is in line with government environmental objectives.”

“This – i.e. the green diesel SunPine makes – is essential if we’re to manage the green transition that the people of Sweden are determined to pursue. But in addition to fostering a climate-friendly society, it also creates innovation.”

When it comes to innovation, Damberg equates SunPine with giants like Spotify and LKAB.

“It’s awesome to see so much innovation coming out of northern Sweden. We’re sitting on a gold mine in the form of our Swedish forests, and using them and pine trees like this to meet transport needs is incredibly important for Sweden. Sustainability and innovation go hand in hand,” noted Damberg.

Ulrika Hagman is Project Manager in charge of SunPine’s expansion.

“It’s a gigantic project. We’re equipping for the future and building a second plant, and we must do it such that both can be run as separate lines. The new line will be energy optimised right from the start. Naturally, we’ll build the new line based on our experiences and lessons learned over the years from operating our first plant, so this time things will be even more technologically advanced.”

What will be the biggest challenge in your current assignment at SunPine?

“One of the biggest challenges in practical terms is building the new plant while production is under way in the existing one. This means we must plan and take logistics and safety into account so as not to disrupt production.”

“Another challenge will be to carefully follow the structure and form that all of SunPine is based on. We must make sure we create the same standards and procedures so that the company’s entire production plant fits together as a single unit. There are also investments under way in the existing plant and everything must match together,” declares Hagman.

As a result of the expansion, new offices and a new laboratory are also being built.

The new construction includes an entirely new floor of around 270 sq m of office space, a 100 sq m conference room, 80 sq m wet spaces and an extension of the research laboratory from 100 to 135 sq m. In all, the new construction adds up to 560 extra sq m.

Occupation of the new office and laboratory is planned for the summer of 2019.

The new plant is planned to begin operations in the spring of 2020.





World-leading bio refinery brings climate benefits

SunPine is a world leading bio refinery built around Swedish innovation and entrepreneurial achievement. Today, SunPine is an established billion-kronor industry that helps improve the world by contributing to the green transformation of society.

SunPine is a world leading bio-refinery whose operations are based on a Swedish innovation and entrepreneurial achievement. Today, SunPine is an established billion-kronor industry that helps improve the world by contributing to sustainable development and the green transformation of society.

SunPine's business idea is directly linked to sustainable forestry in Sweden: "SunPine's process and employees seek to be world leaders in the production of renewable products based on sustainable forestry."

SunPine delivers tall diesel from its bio-refinery on Haraholmen in Piteå to Preem, where it is refined into the world's only Nordic Swan eco-labelled diesel. SunPine delivers climate benefits in the true sense of the term. Its green diesel eliminates fossil-based carbon dioxide emissions from just over 173,000 diesel cars every year.

The goal is to increase production volumes further through continued expansion and become a strong driving force behind the transition toward a more sustainable society. In doing so, it will also help make the world a little better in the immediate future. SunPine's ambitious goals place great demands at every level of the operation. A fundamental part of this ambition involves building up and consolidating its world-leading position by applying

climate-smart processes to a raw material that is a residual product from the Swedish pulp industry.

SunPine's bio-refinery operations are largely fossil-free already. Its products help other industries make sustainable consumer products. SunPine also provides climate benefits by delivering green energy in the form of district heating to nearby industries.

SUNPINE BENEFITS



Uses renewable raw material from the forestry industry – for every tree felled, at least two new trees are planted in Sweden's sustainable forests...



Does not reduce global food supply; is not produced from foodstuffs.



Does not destroy arable land, and forests remain forested.



Refines a residual product from pulp mills – tall oil is extracted from a residual product from Kraft pulp mills.



Reduces CO₂ emissions by up to 90 per cent.

THE OPERATION IN FIGURES

SEK **1.5** billion in annual sales **56** employees More than **100** jobs created in the region
Every year, **110** million litres of tall diesel help reduce CO₂ emissions by **275,000** tonnes.





A sustainable industrial process

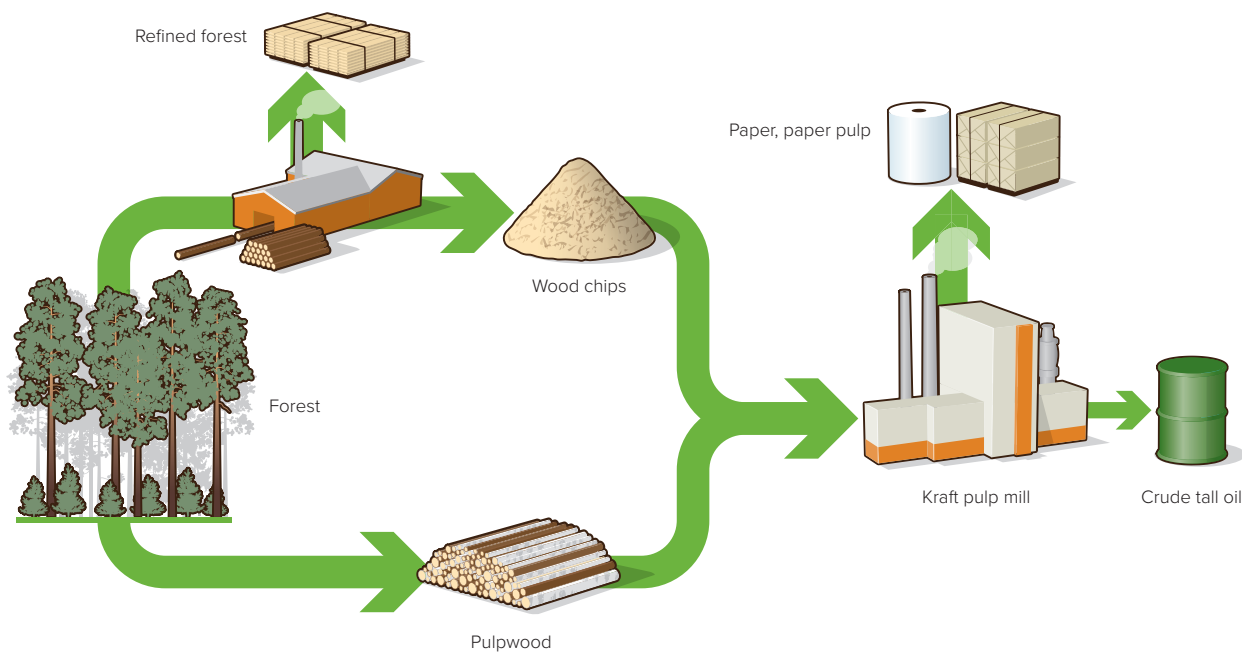
SunPine's production process is constantly developed to provide products for the green economy.

Over the years, SunPine's plant on Haraholmen in Piteå has been developed, modified and optimised as new technology was installed aimed at increasing both the efficiency and stability of the production process. Challenges that arose along the way were tackled using new technical solutions. By developing world-leading technological innovations, SunPine has been a forerunner not only in the creation of sustainable products, but also of a sustainable, forward-looking industry.

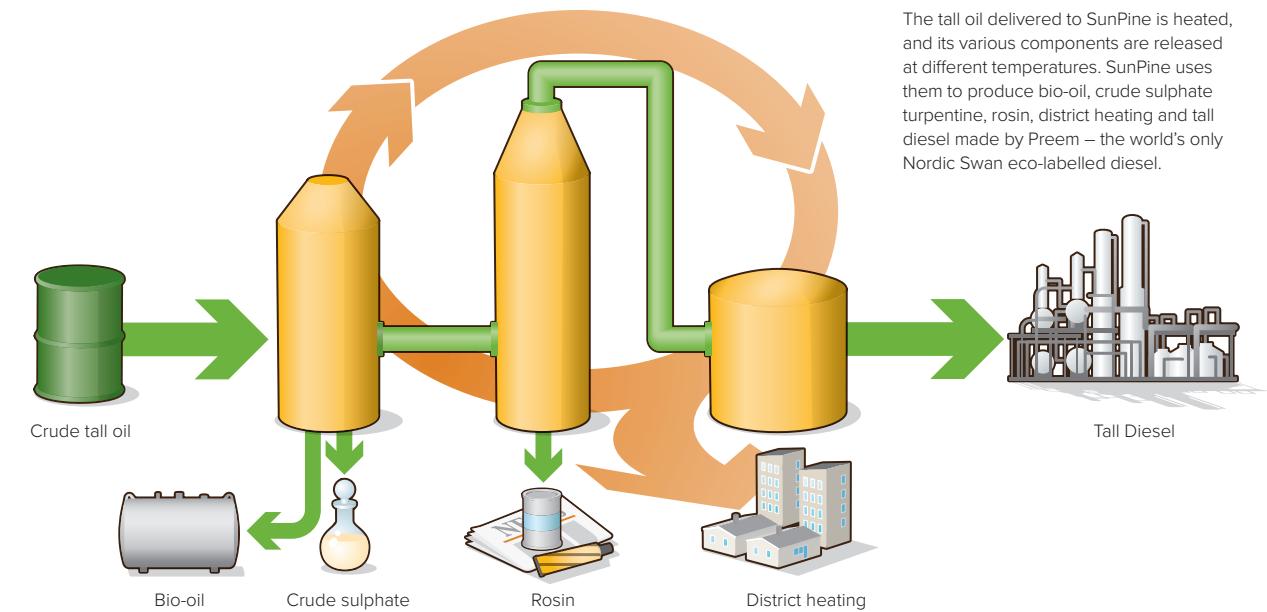
Today, the production process is already largely fossil-free, but the long-term goal of SunPine's sustainability efforts is to eliminate the use of fossil fuels entirely.

A quality management system was introduced in 2017, and SunPine has been certified under ISO 9001 since January 2019. Work on ISCC certification has also begun.

The forest raw material is renewable, biodegradable and recyclable. Tall oil, which is the raw material used by SunPine, is for the most part of Swedish origin and is



Sustainable Swedish forestry supplies timber to sawmills, which in turn supply building timber to the construction industry and wood chips to paper mills. Pulpwood also goes directly to the pulp mills, which extract the crude tall oil residual product during the production of sulfate pulp, and deliver it to SunPine.

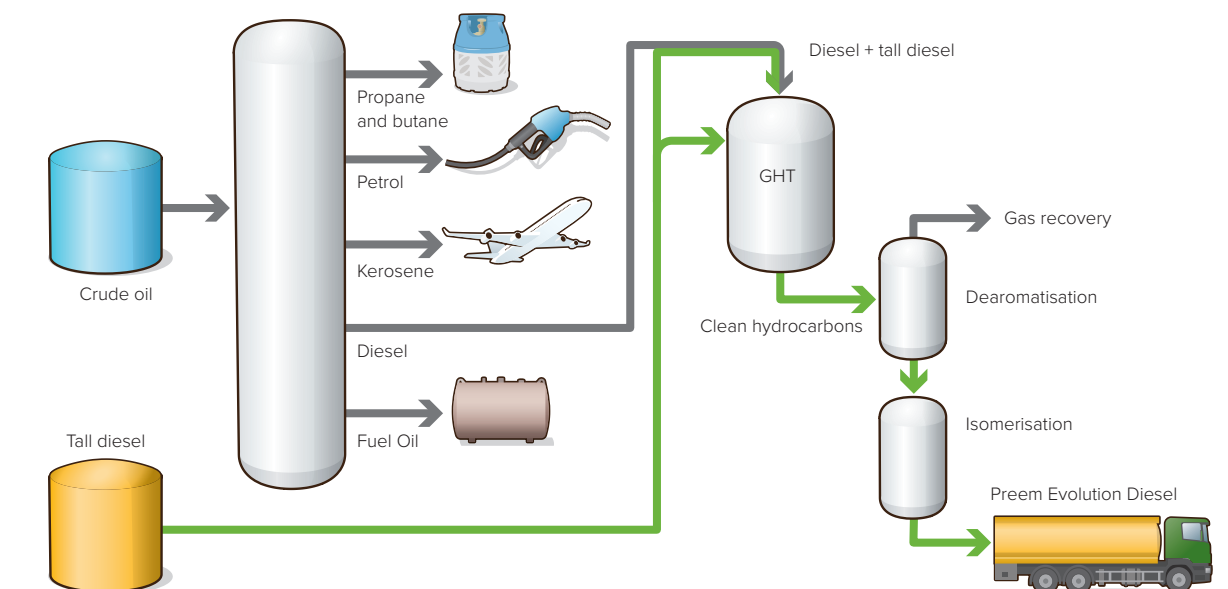


The tall oil delivered to SunPine is heated, and its various components are released at different temperatures. SunPine uses them to produce bio-oil, crude sulphate turpentine, rosin, district heating and tall diesel made by Preem – the world's only Nordic Swan eco-labelled diesel.

a residue from the Swedish pulp mills. Because of the requirements that apply to sustainable Swedish forestry, the raw material is traceable.

Because Swedish forestry legislation has had a replanting provision for more than 100 years, Sweden has today around twice as much forest as 100 years ago, even

though around four times the original standing volume of trees has been harvested since the early 1900s. No less than 70 per cent of Sweden's surface area consists of forest, which offers many values. At the same time, we can regard the forest as a substantial, green oil reserve.





Valeri Naydenov, utvecklingschef.

Sustainable products from the forest

SunPine delivers innovative, sustainable products made from tall oil, a residual product from pulp mills, whose production is based on renewable forest raw materials. Today, SunPine products can be found on the world market in everything from Nordic Swan eco-labelled diesel to fragrant perfumes.

Tall diesel

In Sweden, forestry is run sustainably with long-term objectives. We know that during its 70-year life cycle, the forest absorbs most carbon dioxide when it is 20–40 years old, and for every tree taken in regeneration felling, two or three new ones are planted.

Tall oil is a residual product from the pulp industry and SunPine's energy efficient process turns it into unique tall diesel – a product that is sold to Sweden's motorists via Preem as the world's only Nordic Swan eco-labelled diesel.

Today, SunPine produces 110 million litres of tall diesel and investments in expansion are being made to achieve

a production volume of 150 million litres. The volume delivered today provides a positive climate impact equivalent to an annual reduction of 275,000 tonnes of fossil-based carbon dioxide emissions. This corresponds to the emissions from around 173 439 diesel cars per year.

Rosin

Green, sustainable rosin produced from tall oil. SunPine's rosin is used as a raw material in the manufacture of a variety of products. For example, SunPine customer Lawter uses rosin in the production of printing ink.

Did you know that amber is fossilised rosin? Rosin, from the Latin *resina*, is a generic term for a secretion from



conifers. Rosin consists of resin, i.e. the various saps that flow out of a tree. People have used rosin for thousands of years for sealing boats and more recently in paint and the development of plastics.

Rosin has many applications, for example violinists rosin their bows with it. Rosin can also be used in printing ink, adhesive, paint, and white road markings.

SunPine has an annual rosin production capacity of 24,000 tonnes.

Crude sulphate turpentine

Another sustainable product extracted from sustainable Swedish forestry. Crude sulphate turpentine is an extremely malodorous chemical that curiously enough is used in the creation of perfumes, where it provides chemical properties that allow fragrant aromatic substances to attach to our skin.

Demand for crude sulphate turpentine is increasing on the international market. It should not be confused with the turpentine used as paint thinners; this chemical product is also used in heavy industry as well as in the manufacture of perfume.

SunPine produces around 2,100 tonnes of crude sulphate turpentine per year.

Bio-oil

SunPine's bio-oil is a green fuel oil and a good renewable alternative to fossil fuel oils for industry. Bio-oil has several development possibilities. There are plans to use it in the production of petrol or lubricating oils. Because it contains sterols, there are also possibilities for developing cholesterol-reducing foodstuffs or medications.

SunPine produces around 53,000 tonnes of bio-oil per year.

District heating

SunPine's entire operation is based on fundamental sustainable thinking from the raw material, which is a residual product from Kraft pulp mills to our own residual product, surplus heat which becomes district heating through Piteå Energi.

SunPine's industrial plant is fundamentally energy efficient, and the production process requires both heating and cooling. This cooling generates hot water, which in turn is used for district heating. The district heating is used partly in the company's own industrial plant, and partly in other major industrial premises in the region via the district heating network.

SunPine supplies around 1,800,000 kWh of district heating annually.



An entrepreneurial journey



Lars Stigsson.

SunPine was founded by entrepreneur Lars Stigsson, who sold the concept to Sveaskog, Preem and Södra Skogsägarna, who each put up SEK 100 million to allow construction of a full-scale plant.

The first personnel were employed in 2007, and in 2008 the environmental permit was granted.

Construction of the plant began in the autumn of 2009.

SunPine's industrial plant was inaugurated in May 2010 and the production of tall diesel began. The first deliveries to Preem were made in October that same year.

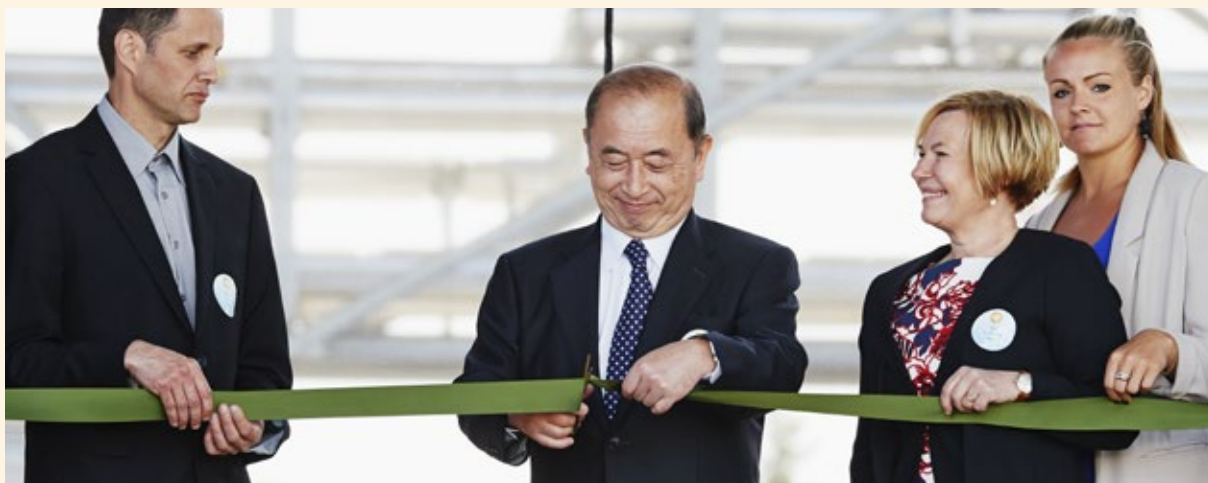
During the following years up until March 2013, the operation's principal focus concerned the removal of bottlenecks and achieving stable production. Planned production capacity was achieved in 2013, which was also

the first year during which the company made an operating profit. In all, the initial investment amounted to around SEK 350 million.

In the spring of 2014, SunPine decided to upgrade the plant for the manufacture of a new product, rosin. Rosin is an existing product on the global market that is not dependent on political decisions. The investment was used mainly to provide SunPine with another string to its bow while also increasing profitability. The company Lawter, owned by Harima Chemicals in Japan, became a new shareholder. The new production plant came on stream in December 2015. The investment totalled around SEK 210 million.

The following year can best be described as a start-up year with recurring production stoppages and a number of supplementary actions. Toward the end of 2016, the company's internal organisation had succeeded in creating stable production with good reliability. The strategies, direction and development work invested since May 2013 were crowned with success during 2017. Our goals were achieved and the entire plant and organisation exceeded expectations.

In 2018, SunPine took the decision to invest SEK 250 million in a new, second plant. During the year, construction on a new office and laboratory was also begun.



Inauguration 2016.



SUSTAINABILITY REPORT



Sustainable Business Development

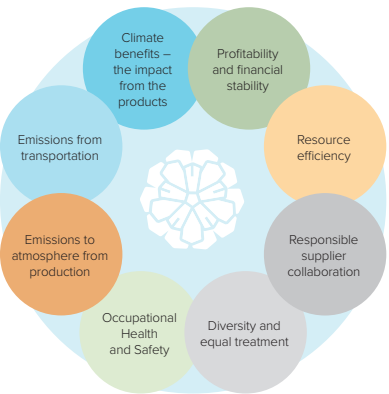
SunPine’s business idea is based on sustainability, and since its founding the company has developed operations with sustainability aspects in focus. SunPine implemented a quality management system under ISO 9001:2015 during 2017 and 2018 and carried out a materiality analysis all with the purpose of facilitating control, follow-up and communication concerning important matters when the business expands. During the year, SunPine increased production capacity by ten per cent and took a decision to expand through investment in a new production plant.

Stakeholder dialogues and the materiality analysis

Towards the end of 2017 and the beginning of 2018, SunPine conducted stakeholder dialogues and a materiality analysis as part of the ongoing development of sustainability, and as a basis for the company’s sustainability report. The purpose was to identify the most important sustainability areas to concentrate on. Customers, shareholders, suppliers, residents in the surrounding area, hauliers, industry organisations and non-profit, non-governmental organisations took part in the stakeholder dialogues.

In all, 10 telephone interviews were conducted where participants got to prioritise and discuss which sustainability areas they considered to be most material for SunPine. The dialogues were supplemented through the participation of some of SunPine’s employees and members of the management team in the same exercise. The results from the stakeholder dialogues were discussed and modulated in a workshop with key individuals in the company, and this led to a number of significant sustainability areas. These areas form the basis for the contents of the sustainability report.

SUNPINE’S SIGNIFICANT SUSTAINABILITY AREAS



ONGOING DIALOGUES



SunPine maintains a dialogue with important stakeholder groups such as shareholders, employees, customers, suppliers, the municipality, government agencies and local residents. SunPine’s ambition is always one of openness with relevant information. The development of the sustainability report is a further step in SunPine’s process of increasing transparency regarding the company’s business operations.

SunPine and the UN’s global goals for sustainable development.

The UN’s 17 global goals for sustainable development were adopted in 2015 by world leaders. The overall aim of the goals is to abolish extreme poverty, reduce inequalities and injustices in the world, to promote peace and justice and solve the climate crisis by the year 2030. Through its work, SunPine contributes in particular to goals 5, 7, 8, 9, 10, 11, 12, 13 and 15. Identifying the operation’s links to the global sustainability goals leaves no doubt that what SunPine does at the local level is important in a global context.



Certified quality management system

The focus of SunPine’s quality policy is on high-quality products, satisfied customers, ongoing operational improvements, good leadership and good supplier relations. During 2018, SunPine worked intensively on implementing a quality management system. The focus included clarifying internal roles and company processes and improving the company’s governance with the aid of key performance indicator (KPI) goals and goal analysis. In parallel with this work, the internal audit process proved to be an effective auditing tool for maintaining and constantly improving the quality management system. During the year, all employees also took part in an internal workshop to gain better knowledge of quality management and to discuss what working with the quality management system entails. A certification audit for ISO 9001 was carried out during the autumn, and SunPine has been certified according to ISO 9001 as of January 2019. The quality management system includes KPI for all of the company’s processes, and these are monitored on a monthly basis. Among the KPI are zero tolerance for accidents in respect of people and the environment, customer satisfaction targets and goals for stable, profitable production. Work on refining internal procedures and processes together with continuous improvements under the quality management system, will continue during 2019.

Investments for increased production

In January 2018, the EU parliament passed the Renewable Energy Directive, which gave the go-ahead for tall oil as one of the future sustainable fuels. For SunPine, this was fundamental for its decision to expand: SunPine is investing

SEK 250 million in a new production plant in Piteå to increase capacity by 50 per cent. The goal is to begin production in the new plant in 2020, which will create up to 20 new jobs within the operation and considerably more through all the services SunPine will procure. The new production line will be based on experiences and lessons learned from the existing plant; for example, it will be energy-optimised from the start. Building the plant while production continues and maintaining a focus on safety and logistics will present a major challenge. During the spring of 2018, SunPine applied for an environmental permit and began construction design. SunPine works pro actively to develop and grow its operation as part of its endeavour to help the green transformation of society as a whole.

SunPine’s Sustainability Award

During the year SunPine initiated Sustainability Award which was first presented on Piteå Busyness Day. The sustainability award enables SunPine to recognise companies in Piteå for their contribution to sustainable development in the region. In 2018, the award went to Lindbäcks Group for their holistic approach to sustainability and their focus on equal opportunities in a traditionally male dominated industry. The award consists of a specially designed glass bowl where SunPine products, tall diesel and rosin, are incorporated into the glass.

SunPine’s overall goals

The table below describes SunPine’s overall goals and provides examples of specific goals and the outcomes for 2018.

Principal sustainability areas	Overall goals	Examples of specific goals and outcomes, 2018	Goal 2019	Further reading
Profitability and long-term stability	Profitability	✓ ISO 9001 certification	Preparation for ISCC certification	Page 19
Occupational Health and Safety	Safety First	✓ Zero industrial accidents leading to absence ✓ Zero environmental accidents leading to authority contact	Zero industrial accidents leading to absence Zero environmental accidents leading to authority contact	Page 26-27 Page 24
Resource efficiency	Stable, profitable production	✓ ISO 9001 certification		Page 22
Responsible supplier collaboration	Responsible suppliers	✓ Begin work on supplier code of conduct	Implement supplier code of conduct	Page 23



Products with climate benefit

Climate benefit is at the heart of SunPine’s business idea. By processing a residual product from the forestry industry, SunPine puts resources to good use in an efficient manner. SunPine’s renewable diesel product replaces fossil-based diesel and thus has a positive climate impact by reducing CO₂ emissions in the transport sector.

Increased production and demand

In 2018, SunPine invested SEK 17 million to increase the capacity of the existing plant. By improving the flow within the plant, SunPine was able to increase raw material input, which led to a 10 per cent increase in tall diesel production.

Piteå municipality is developing a new industrial area on Haraholmen. Piteå Energi, which purchases surplus energy from SunPine’s production in the form of district heating, is investing in this expansion, which will create opportunities for SunPine to increase district heating sales as of 2020. Preparations were made during 2018 to increase district heating deliveries. See also page 21.

Energy and resource efficiency

SunPine is a world leader in the production of second-generation fuels made from renewable sources. This is possible thanks to the use of a residual product from the forestry industry as raw material in a production process that is energy and resource efficient.

SunPine uses crude tall oil as its raw material; it is a residual product from Kraft pulp mills. SunPine was the first in the world to extract renewable diesel from crude tall oil in its unique production plant in Piteå. Today, SunPine produces tall diesel, rosin, crude sulphate turpentine and bio-oil from the crude tall oil. Combining a raw material with manufactured products in a process with a relatively low energy requirement is what makes SunPine’s production unique.

The bio-oil by-product is a renewable replacement for fossil-based fuel oil; it is sold back to the pulp industry, among others. SunPine is actively engaged in increasing the use of self-produced bio-oil for its own energy requirements. Further valuable constituents may be extracted from the remaining by-products in the future. Learn more about SunPine’s resource efficiency work on page 22.

Helping to reduce carbon dioxide emissions

SunPine’s products help to reduce society’s greenhouse gas emissions. The products are classified as carbon neutral as they are derived from a residual product from forestry. The climate impact that does occur results from the company’s transports and the amount of light fuel oil used in the boiler.

The raw material comes mainly from Swedish forests, and SunPine requires the crude tall oil to come from sustainable, responsibly managed forestry in compliance with the Swedish Energy Agency’s requirement for sustainability declarations. The sustainability criteria that must be met in regard to biofuels and liquid biofuels include reducing emissions of greenhouse gases and special requirements for land use. There are also requirements for the physical traceability of fuel, which means that operators throughout the production chain must comply with sustainability criteria and provide information to the next operator in the production chain on how this is done. The CO₂ released from burning SunPine’s renewable diesel has very little climate impact in a long-term perspective, since it is part of a cycle where CO₂ is once again sequestered in biomass.

A well-to-tank analysis of SunPine’s tall diesel that also included the company’s transportation was conducted during 2016–2017. The analysis assumed that 100 per cent of the fuel oil burned was the company’s self-produced bio-oil. In the analysis, fossil CO₂ emissions from SunPine’s process totalled 2.16 g CO₂e/MJ; see graphic on page 21. It is SunPine’s intention to carry out new climate calculations in 2019.

During 2018, SunPine produced 110 million litres of tall diesel, which in its processed form is used as a fuel by various means of transport. If fossil-based fuel (fossil diesel) had been used instead, this transportation would have released 275,000 tonnes of carbon dioxide. Since

the start of production, SunPine has helped reduce CO₂ emissions from fossil fuels by more than 1.78 million tonnes.

Self-sufficient in biofuel

Since the renovation in 2015, the company has gradually been able to increase the use of self-produced bio-oil in production, among other ways by installing new equipment that enables the reliable combustion of bio-oil. These efforts have had a positive effect, and during 2018

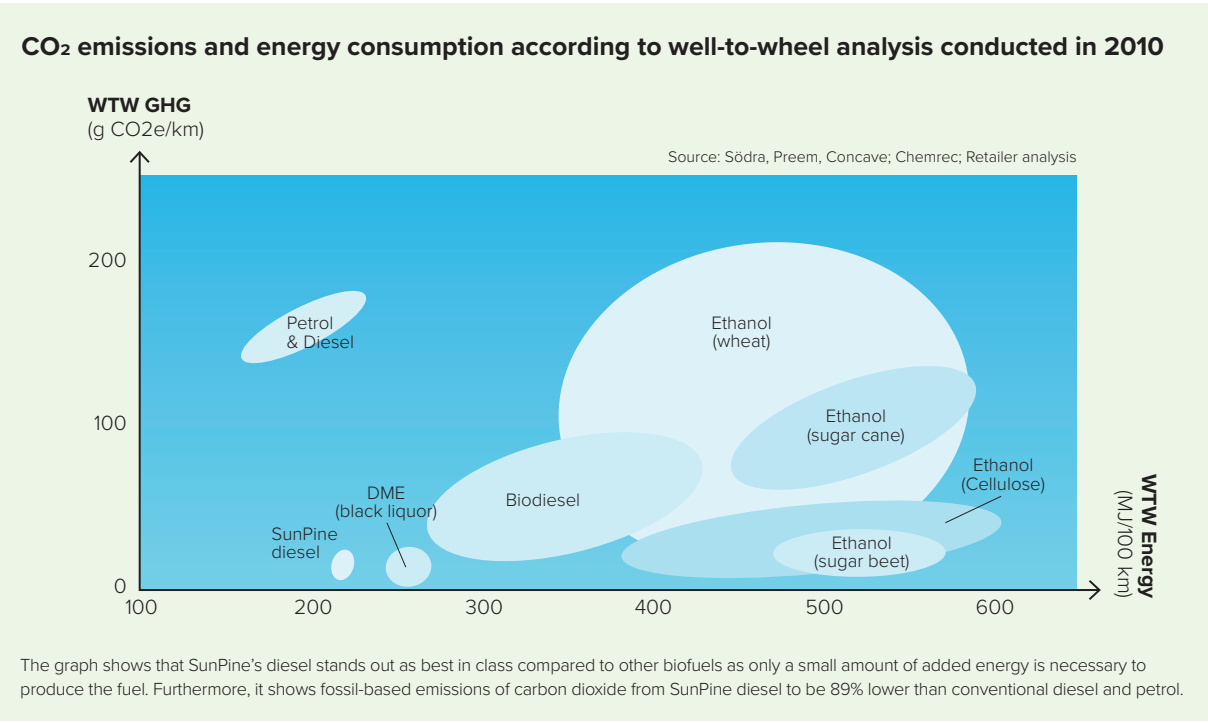
SunPine reduced its fuel oil requirement from 2,325 tonnes in 2017 to 871 tonnes. The boiler fuel comprises 80 per cent in-house bio-oil, which is a renewable product. In 2017, in-house bio-oil accounted for 40 per cent of the energy requirement.

All of the company’s spaces are heated with surplus heat from the production process. The surplus is sold as district heating to Piteå Energi, which also supplies electricity to SunPine from another renewable source, hydroelectric power.

Fossil CO₂ emissions from the production of tall diesel calculated on the basis of 164,000 tonnes of tall oil according to the well-to-tank analysis completed in 2017*

In respect of	Fossil CO ₂ emissions (tonnes CO ₂ e)	Fossil CO ₂ emissions (tonnes CO ₂ e/MJ)
Raw material	0	0
+ Transport and electricity consumption	1 840	0,56
+ SunPine process	7 094	2,16
= Accumulated burden	8 934	2,72

* Assuming 100% use of in-house bio-oil production.





Resource-efficient processes

SunPine uses a unique production process which is both energy and resource efficient. In its ambition to continuously improve energy efficiency, SunPine continued its systematic development work with preventive maintenance during 2018.

Preventive maintenance

Preventive maintenance is an important aspect in the further improvement of resource efficiency at SunPine. A production stoppage not only entails a risk for delayed deliveries and loss of revenue, but also increased energy consumption, increased water consumption and especially increased waste caused by e.g. material replace-



ments. The use of preventive maintenance initiatives reduces the risk of unnecessary production stops, and contributes to a more resource-efficient and highly reliable production. At the end of 2018, SunPine invested in system support for the further systematisation of maintenance operations and thus the ability to monitor important KPI trends with even greater precision. This system support will be implemented during 2019. The energy efficiency measures implemented in 2018 included installing a frequency converter for energy-efficient pump operation.

Minimising waste and the use of residual products

Reducing the volume of residual products and waste is a priority SunPine objective. Production waste arises from e.g. investment projects and maintenance work and may include sheet metal, steel scrap, wood and hazardous waste. One residual product that SunPine seeks to reduce is the water mixture remaining after crude tall oil pre-treatment. Instead of discharging the water as waste, another company extracts metals and other substances from the water for use in its own industrial process.

“The personnel at SunPine are a strong, highly skilled team who service the plant in the run-up to another year of production like they were at a Formula 1 pit stop, and they make our high expectations and objectives possible to achieve.”

Fredrik Lernstål, Project Engineer, SunPine



Efficient haulage

SunPine works to reduce fossil emissions from the hauliers it engages. It can involve e.g. maximising the proportion of return haulage and increasing volumes per truck load.

Efficient logistics

The raw material – crude tall oil – arrives either by truck or ship from several different suppliers around Sweden. The majority of the crude tall oil purchased is transported from Swedish Kraft pulp mills, while a certain amount of raw material is purchased from the United States and shipped to the Port of Piteå. Because SunPine will be increasing production during 2019, the purchase of raw materials will also increase. In order to reduce the negative environmental impact from transport, SunPine endeavours to ship large volumes of crude tall oil by sea rather than increase road haulage. The finished product – tall diesel – is shipped by sea from Piteå to Preem’s refinery in Gothenburg. Rosin is shipped in liquid form in heated containers by sea to Belgium. By preventing the rosin from cooling in the normal manner, the energy otherwise required to heat it up again at the point of delivery is saved.

Return haulage, greater volumes and groupage

An important focus area in respect of transport is maximising return loads to avoid empty trucks. For example, SunPine works to ensure that trucks delivering crude tall oil to production haul bio-oil on their return trips. During 2018, the proportion of return haulage was around 50 per cent. SunPine is also working actively to increase volumes per road tanker. During 2018, certain haulage companies were granted special permission to carry 75 tonnes per road tanker instead of the previous 50 tonnes. This allowed SunPine to reduce the number of deliveries. Shipments by sea are also optimised, with groupage taking place in collaboration with other operators. For example, SunPine’s rosin is shipped together with paper products from Piteå paper mill.



“We hold regular talks with hauliers to reduce environmental impact, and we stand up for decent working conditions for the drivers”

Markel Jonsson, Supply Chain Manager, SunPine



Emissions from production

SunPine reports its emissions from production in an annual environmental report, in compliance with the environmental permit from 2014. SunPine’s emission values fall below the allocated annual level by a good margin.

Activities subject to Permit

SunPine’s production, which takes place on Haraholmen in the Port of Piteå, results in emissions to atmosphere of very small amounts of carbon dioxide (CO2), sulphur dioxide (SO2), oxides of nitrogen (NOx), dust and particles. SunPine pursues operations licensable under the Swedish Environmental Code. The current environmental permit, which came into force on 18 June 2014, includes the operation of a bio-diesel plant and its physical processes. The permit is valid for the annual production of up to 250,000 tonnes of chemical products in the form of tall diesel, bio-oil, rosin acids, crude sulphate turpentine and other similar products. No environmental accidents leading to authority contact took place in 2018.

Oxides of nitrogen and sulphur gases

To minimise NOx emissions and also to indirectly reduce the fuel used in the production plant’s boiler, the boiler was upgraded in 2017. In 2018, NOx emissions totalled 7.1 tonnes, substantially less than the allocated annual level



of 100 tonnes. Crude tall oil – SunPine’s raw material – contains sulphur compounds that originate in the Kraft manufacturing process in pulp mills; the sulphur compounds are released when heated. The sulphur dioxide gas generated has a strong odour but is not a health risk in small amounts. Most particles from the boiler and 99.9 per cent of all sulphur compounds are captured from the combustion smoke when it is scrubbed before release through the plant’s chimney. During 2018, 0.3 tonnes of sulphur compounds were released, which was far below the allocated annual level of 25 tonnes.

Odour

The emission of small quantities of sulphur dioxide is not hazardous to health* but gives off an odour that is disturbing for employees and local residents alike. The source of the leaks can be difficult to identify, and even small quantities cause strong odours. During the year, SunPine completed an investigation to find the sources and established an action plan. The investigation resulted in approved investments of just over SEK 2 million for 2019, for uses that include increasing purification plant capacity and efficiency. SunPine maintains close dialogues with local residents and continues working to identify and remove any sources of leaks.

Emissions to atmosphere from production (tonnes/year)

Parameter environmental permits	2016	2017	2018	Allocated annual level
SO2	0.09	0.07	0.3	25
Dust	1.2	1.9	2.3	10
NOx	6.9	9.0	7.1	100

* Sulphur dioxide is classified as hazardous to health according to CLP, but its impact on health depends on the concentration, and in SunPine’s case, emissions concern extremely small quantities.



Diversity and equal treatment

SunPine strives to ensure equal opportunities, rights and responsibilities for every employee. Diversity and equal treatment are fundamental for attracting and retaining skilled, committed employees.

Anti-discrimination procedures

SunPine has clear procedures for combating discrimination, victimisation and harassment. All employees are expected to be aware of and well acquainted with these procedures, which are accessible through SunPine’s document management system. The line manager or health and safety representative must be notified of any deviations. If an employee is in need of external counselling for harassment, it is possible to approach occupational health services anonymously.

Conscious equal opportunities efforts

SunPine follows a clear equal opportunities plan that is constantly followed up with the aim of improving the gender balance in all departments. SunPine carries out gender and age distribution analyses and uses recruitment groups comprising both men and women who actively seek candidates from the under-represented sex. Discussions and information to employees and contractors to raise awareness about equality and what the lack of it can mean for SunPine, also form part of equal opportunities efforts.

Gender and age distribution as of 31/12/2018

	Women	Men	<30 years	30-50 years	>50 years	Total
Board	4	4	0	4	4	8
Management	3	5	0	6	2	8
Administration (Economy, logistics, HSSE)	6	1	0	5	2	7
Technology, maintenance and electricity	2	13	1	10	4	15
Production	7	14	3	17	1	21
Development	3	2	1	3	1	5
Total	25	39	5	45	14	64



Occupational Health and Safety

SunPine conducts systematic health and safety work to ensure a safe, healthy workplace. This includes maintaining close dialogues with employees and contractors as a prerequisite for preventive safety work.

Preventive safety measures

The most serious risks in SunPine's production concern incidents that involve fire, explosions and leaks of e.g. hot liquids or chemicals. SunPine's systematic health and safety work seeks to minimise risks and prevent accidents and ill health; the work includes strict procedures, training, risk assessments and inspections. All observations, incidents and accidents are registered by employees and contractors in a deviation management system. The registration also includes environmental incidents. All deviations are analysed to determine their causes. During the year, SunPine was actively engaged in providing training and information to ensure proper reporting. This is apparent by the outcome for the year where the number of reported occurrences increased while the number of incidents fell.

Contractors are also included in SunPine's safety work. Established health and safety procedures must be

followed, and risk assessments are carried out together with SunPine in respect of work that must be performed. During 2018, SunPine drew up contractor instructions. These instructions seek to ensure the quality of the relationship between SunPine and its contractors and to reduce the risk of injuries and harm to the environment. For example, the permit stipulates that contractors must carry out a risk analysis before they are allowed to perform the work at the SunPine plant. The analysis is signed by both parties. The purpose is to make an initial assessment of

“Contractors are also included in SunPine’s ambitious occupational health and safety work, which will enjoy increased focus during 2019.”

Eva Wuopio, Occupational Health & Safety Manager, SunPine



potential risks associated with the work and to take the necessary measures to minimize those risks.

No serious injury leading to absence from work has occurred since the start of the operation, but during 2018 three accidents were reported that led to absence, all of which concerned contractors. Safety for contractors will be a focus area in 2019. SunPine's goal for 2019 is to continue ensuring that no accidents resulting in absence from work occur.

There were a total of nine environmental incidents during the year. The incidents concerned minor spillages and leaks and were remedied immediately according to applicable procedures.

	2016	2017	2018
ObsObservations	95	98	122
Incidents	122	74	64
Accidents without absence	5	8	5
Accidents with absence	0	0	3

Proactive employee dialogues

Healthy, committed employees and open dialogues are essential for SunPine's continued strong development. SunPine conducts annual health checks in order to capture any risks related to employee well-being and the psychosocial work environment. Work environment assessments and training are also important preventive initiatives.

Rehabilitation initiatives are implemented for employees in need of additional support. Also, SunPine offers all employees the opportunity for training at a number of training facilities, and during 2018 46 per cent of employees took advantage of this. During 2019, the wellness initiative will be augmented by a wellness subsidy.

In order to focus on each individual employee's situation, follow up and set individual goals, managers hold regular employee performance reviews. The goal for 2018 was for all employees to have taken part in two performance reviews during the year. All employees completed at least one performance review during 2018, while 78 per cent of them had completed both.

Skills supply and development

SunPine's ambition is to have a low personnel turnover rate while also attracting new, qualified personnel in such fields as process and chemical engineering. Because



SunPine is currently in an expansion phase, we established a new recruiting procedure during the year to facilitate recruitment moving forward.

Initiatives targeted at ongoing skills development form an important part of SunPine's HR work. During the year, SunPine implemented ongoing training activities in respect of leadership and occupational health and safety in e.g. production, finance, HR and logistics. Workplace meetings during 2018 focused on goals, results and safety. Furthermore, an external party worked with job satisfaction at the departmental level with a focus on meeting culture and gaining support for SunPine's core values under the watchwords sustainability, commitment and respect. The entire company also took part in a workshop that focused on values and the rules of the game.

Executives and managers bear responsibility for the development of the company culture in the relatively newly established and growing organisation that SunPine is building. The company will continue developing internal leadership in 2019.



Responsible supplier collaboration

Responsible supplier collaboration is an important part of SunPine's vision of a green transformation based on products from sustainable forestry. The company focuses on sustainability through long-term relations and joint development with its suppliers.

Traceable raw materials

SunPine's production of tall diesel is based on crude tall oil, a residual product from Kraft pulp mills. The major part of the raw material comes from Scandinavian Kraft-process pulp mills, while a limited amount is imported, mainly from the United States. The origin of the raw material is an important parameter, and the liquid biofuels and biofuels processed by SunPine meet the sustainability criteria under the Swedish Renewables Act (HBL), 2010:598. SunPine requires sustainability declarations from its suppliers to assure the origin of the raw material and its intermediate processes; learn more about the requirements on page 20.

ISCC is an international certification standard that ensures both full traceability in supply chains and that a raw material does not entail a risk of deforestation. The ISCC standard is internationally recognised and is often a requirement from biofuel customers. The Swedish Renewables Act and ISCC also both require the calculation of greenhouse gas emissions from production and the supply chain to demonstrate that they are less than their fossil-based equivalents. During 2018, SunPine began work towards ISCC certification, and this will continue in 2019.

Collaboration and follow-up

SunPine constantly strives to develop long-term, sustainable relationships with its suppliers. Around 90 per cent of all purchases concern raw materials and transportation, and we hold annual debriefings with these suppliers. When SunPine purchases shipping, it holds discussions with hauliers concerning efforts to reduce the environmental impact of shipments. For example, SunPine would like the proportion of biofuels to increase over time. The

dialogues also focus on issues concerning driver health and safety, so that compliance with working hours and statutory rest periods are ensured.

In addition to raw materials and haulage suppliers, SunPine also engages contractors to carry out maintenance work at the production plant in Piteå. Contractors are also subject to SunPine's regulations concerning occupational health and safety; read more on page 26.

SunPine also purchases industrial goods in connection with investments in the plant. As a result of the coordination that now takes place through the purchasing department, the control and follow-up of SunPine supplier collaborations have both improved.

Code of Conduct with elaborated requirements

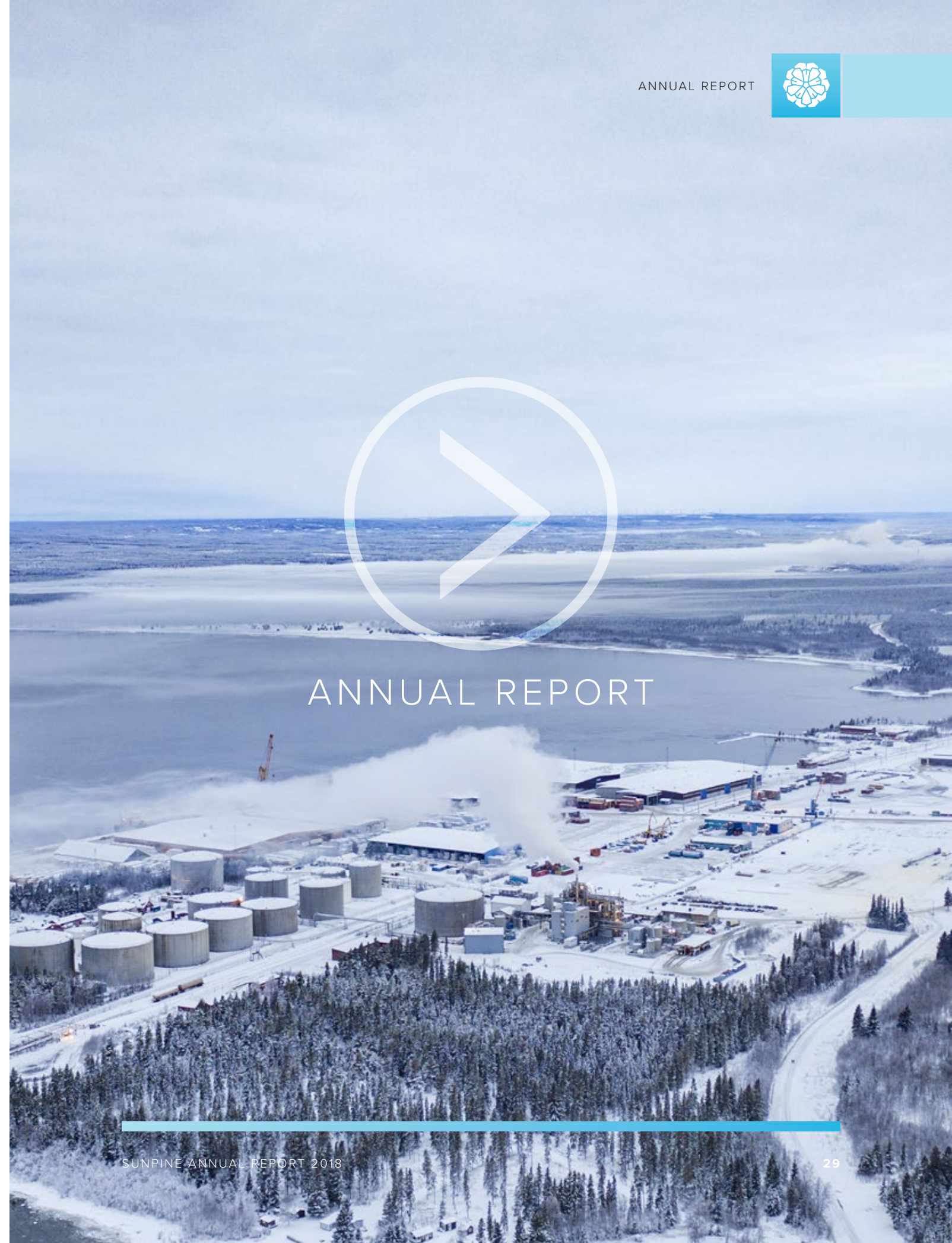
Over the past two years, extensive work has been carried out to draw up a supplier code of conduct. The code covers the areas environment, health and safety, social responsibility, human rights and business ethics. The code of conduct will be implemented in supplier agreements as of 2019.

Procedures for countering undue influence

In recent years, all purchases have been brought under a joint purchasing department. SunPine's purchasing procedures for the approval of suppliers and the conclusion of agreements reduce the risk of undue influence in supplier collaborations. SunPine also has a fully digitalised invoicing system with a two-stage invoice review and approval procedure for every invoice. There is potential for improvement regarding policies and other governing documents concerning business ethics and anti corruption, and SunPine will continue working in this respect in 2019.



ANNUAL REPORT





DIRECTORS REPORT

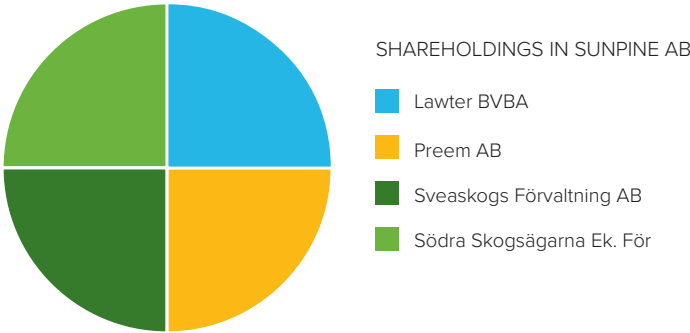
The Board of Directors for SunPine AB, 556682-9122, hereby presents its annual report for 2018.

General activity

The company's operations are the production of raw material for second generation renewable fuels based on forest resources. SunPine has two main products, tall diesel, used as feed stock in producing HVO (hydrogenated vegetable oil) to be blended as diesel, and rosin, a raw material for products such as printing inks, paints and adhesives. The company also has two bi-products: bio-oil, used as an energy raw material in the paper industry and crude sulphate turpentine, a raw material used in e.g. the perfume industry. Operations are conducted in Piteå.

Ownership structure

During the year, Lawter BVBA acquired 100% of Kiram AB's shares. Shares in the company are now distributed such that Lawter BVBA owns 24.7% with the remaining shares divided equally among Preem AB, Sveaskogs Förvaltnings AB and Södra Skogsägarna ekonomisk förening with 25.1% each. The ownership consortium in SunPine AB represents the entire value chain from forest raw materials to processing, marketing and distribution of renewable diesel fuels and rosin.



Events during the financial year

Net sales increased compared to 2017 and the company reported strong earnings for 2018. Prices of the raw ingredients crude tall oil (CTO) and tall diesel (RTD) follow the index for oil on the global market. The oil price was stable and slightly rising during the first ten months. In November and December, the oil index began to fall.

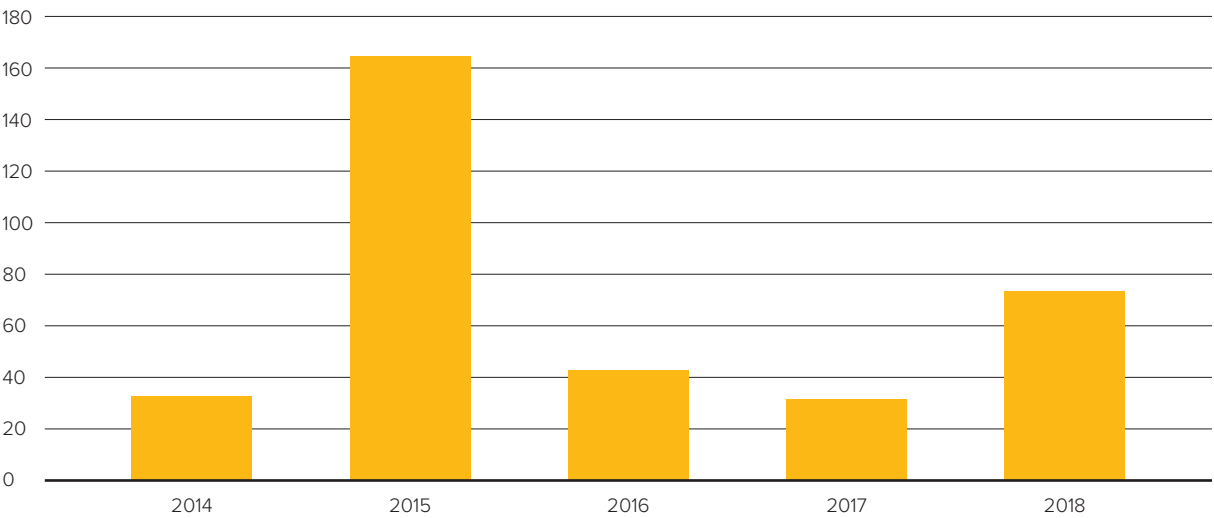
Production was stable and availability exceeded expectations.

Around 80 percent of the total fuel volume used in the boiler during 2018 comprised bio-oil (TOP).



Investments during the year totalled SEK 72 million (SEK 32 million). Investment levels the last five years are shown in the chart below.

Investments, MSEK



The company's key indicator trends are shown in the table below.

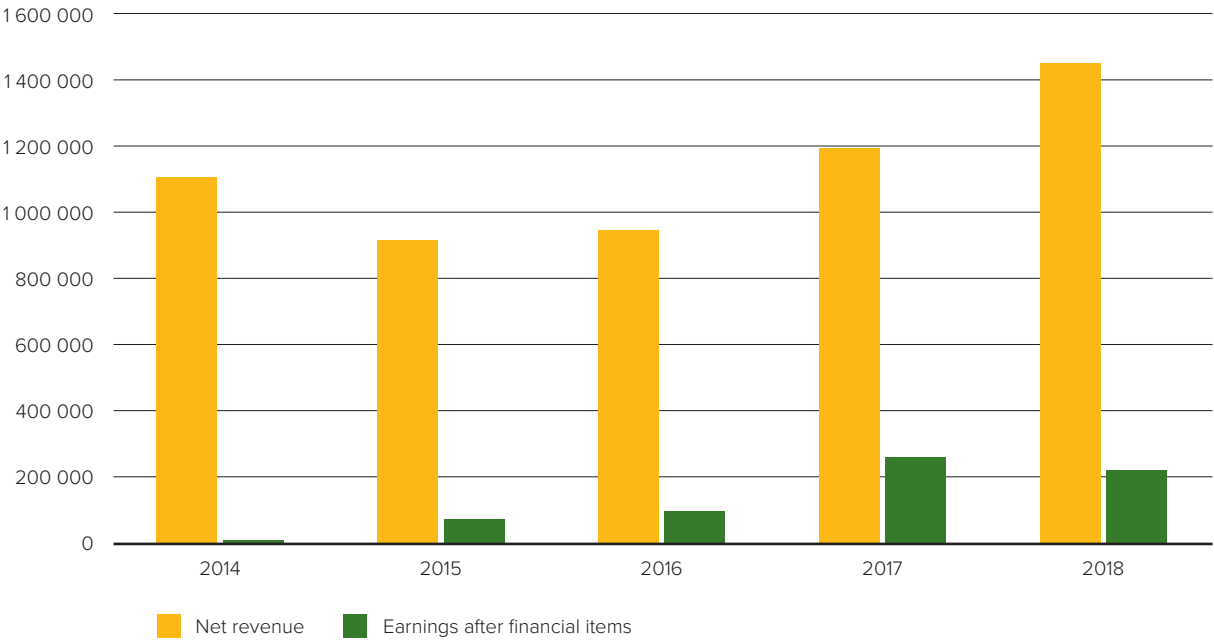
Development of the company's operations, profit and position

SEK thousands	2018	2017	2016	2015	2014
Net revenue	1,451,145	1,192,727	943,027	913,116	1,105,586
Operating margin %	15	22	10	8	1
Earnings after financial items	217,611	255,677	91,026	68,141	7,321
Total assets	1,012,355	768,070	630,269	611,304	487,626
Return on capital employed %	33	46	21	14	3
Equity/assets ratio %	47	71	71	61	62

Definitions: see Note 24



Development of net revenue and earnings, SEK thousands



Expectations for future developments

An investment in the production line aimed at increasing the plant’s capacity was successfully carried out in connection with the autumn’s maintenance stop. The higher capacity is anticipated to increase the company’s profitability. On 22 February, a decision was made to invest in a new production line located next to the existing one on Hara-holmen in Piteå. Engineering activities on the project have begun and the plan is for the new line to come on stream in 2020.

Sustainability Report

SunPine is governed by the provisions of the Swedish Annual Accounts Act concerning sustainability reporting. The sustainability report can be found on pages 17-28. The company conducts activities requiring permits pursuant to the Swedish Environmental Code.



Changes in Equity

SEK thousandsr	RESTRICTED EQUITY			NON-RESTRICTED EQUITY		
	Share capital	Fund for deve-lopment expen-ditures	New share issues in progress	Share premium reserve	Other non-res-tricted equity	Total equity
At the beginning of 2018	6,636	186	0	380,809	85,838	473,469
Dissolution due to depreciation for the year		-67			67	0
Profit for the year					100,394	100,394
Divident as decided by the AGM					-100,000	-100,000
At year-end 2018	6,636	119	0	380,809	86,299	473,863

Proposed allocation of the company’s profit or loss

The Board proposes that unappropriated earnings be allocated as follows:

SEK thousands	
Share premium reserve	380,809
Retained earnings	-14,095
Earnings for the year	100,394
Total	467,108
be appropriated such that SEK 1,506.95 per entitled share is distributed to the shareholders, totalling	100,000
As surplus carried forward	367,108



INCOME STATEMENT

SEK thousands	Note	1/1/2018- 31/12/2018	1/1/2017- 31/12/2017
Net sales		1,451,145	1,192,727
Other operating income	3	6,389	9,861
		1,457,534	1,202,587
Operating expenses			
Raw materials and consumables		-998,584	-718,437
Other external costs	5,7	-136,592	-120,728
Employee benefit expenses	4	-42,623	-40,579
Depreciation and amortisation of tangible and intangible assets	12, 13, 14, 15	-57,164	-54,396
Other operating expenses	6	-9,965	-7,106
Operating profit		212,606	261,341
Profit from financial items			
Interest income and similar profit items	8	6,216	268
Interest expenses and similar expenses	9	-1,211	-5,932
Profit after financial items		217,611	255,677
Appropriations	10	-88,500	-90,000
Profit before tax		129,111	165,677
Tax on profit for the year	11	-28,717	-36,588
Net profit for the year		100,394	129,090



BALANCE SHEET

SEK thousands	Note	31/12/2018	31/12/2017
ASSETS			
FIXED ASSETS			
Intangible assets			
Other intangible assets	12	119	186
		119	186
Tangible assets			
Land and buildings	13	35,072	27,246
Plant and machinery	14	226,810	254,247
Equipment, tools, fixtures and fittings	15	19,688	22,770
Construction in progress and advance payments for tangible assets	16	72,362	34,749
		353,932	339,012
Financial assets			
Other long-term receivables		1	1
		1	1
Total fixed assets		354,052	339,199
CURRENT ASSETS			
Inventories, etc.			
Raw materials and consumables		146,959	76,829
Finished products and goods for resale		32,349	16,193
		179,308	93,022
Current receivables			
Accounts receivable, trade		203,322	159,743
Other receivables		2,323	511
Prepaid expenses and accrued income		6,654	12,251
		212,299	172,505
Cash and bank balances		266,696	163,344
Total current assets		658,303	428,871
TOTAL ASSETS		1,012,355	768,070



SEK thousands	Note	31/12/2018	31/12/2017
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	17	6,636	6,636
Fund for development expenditures		119	186
		6,755	6,822
<i>Non-restricted equity</i>			
Share premium reserve		380,809	
380,809			Profit or loss brought forward
-43,252			
Profit for the year		100,394	129,090
		467,108	466,647
Total equity		473,863	473,469
Untaxed reserves			
Accumulated excess depreciation		135,000	90,000
Tax allocation reserve		43,500	-
Total untaxed reserves		178,500	90,000
Provisions			
Other provisions	18	12,922	-
Current liabilities			
Bank overdrafts	19	-	-
Accounts payable, trade		281,976	128,473
Tax liabilities		14,097	36,793
Other current liabilities		7,507	17,503
Accrued expenses and deferred income		43,491	21,832
		347,071	204,601
TOTAL EQUITY AND LIABILITIES		1,012,355	768,070



CASH FLOW STATEMENT

SEK thousands	Note	1/1/2018- 31/12/2018	1/1/2017- 31/12/2017
Operating activities			
Profit before financial items		212,606	261,341
Adjustments for non-cash items	22	70,086	56,923
		282,692	318,264
Interest received		592	268
Interest paid		-1,211	-1,523
Paid income tax		-51,413	-14,756
Cash flow from operating activities before changes in working capital		230,660	302,253
<i>Cash flow from changes in working capital</i>			
Increase(-)/decrease(+) in inventories		-86,286	-4,043
Increase(-)/decrease(+) in operating receivables		-39,797	-21,992
Increase(+)/decrease(-) in operating liabilities		165,166	14,974
Cash flow from operating activities		269,743	291,193
Investing activities			
Acquisition of tangible assets		-72,015	-32,253
Cash flow from investing activities		-72,015	-32,253
Financing activities			
Currency change		5,624	-4,409
Change in current liabilities/bank overdraft facilities		-	-18,092
Shareholder dividends paid		-100,000	-100,003
Cash flow from financing activities		-94,376	-122,504
Cash flow for the year		103,352	136,436
Cash and cash equivalents at beginning of the year		163,344	26,908
Cash and cash equivalents at the end of the year		266,696	163,344

Note 1 Accounting principles

Amounts are in SEK thousands unless otherwise specified.
Amounts in parentheses refer to the previous year.

General accounting principles

The annual accounts have been prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board BFNAR 2012:1 Annual report and consolidated financial statements (K3).

Valuation principles

Assets, provisions and liabilities have been valued at cost unless otherwise stated below.

Intangible assets

Other intangible assets acquired by the company are recognised at cost less accumulated amortisation and impairment losses. Expenses for internally generated goodwill and brands are expensed in the income statement as they arise.

Amortisation

Amortisation is applied on a straight-line basis over the asset's estimated useful life. Amortisation is recognised as an expense in the income statement.

Intangible assets	% per year
Acquired intangible assets	20

Tangible assets

Tangible assets are recognised at cost less accumulated depreciation. Cost includes, in addition to the purchase price, expenses directly attributable to the acquisition.

Additional expenses

Additional expenses that meet the asset criteria are included in the asset's carrying amount. Expenditures for maintenance and repairs are expensed as they arise.

Depreciation

Depreciation is applied on a straight-line basis over the asset's estimated useful life, as it reflects the expected consumption of the asset's future economic benefits. Depreciation is recognised as an expense in the income statement.

The following depreciation rates have been applied, taking into account the holding period of the year's acquired and divested assets.

Tangible assets	% per year
Buildings	5
Expenditures made on other's property	25
Land improvements	5
Plant and machinery	10–20
Equipment, tools, fixtures and fittings	10–20

The buildings consist of a number of components with different useful lives. The main division is land and buildings. No depreciation is applied to the land component, the useful life of which is deemed to be unlimited. The buildings comprise several components, the useful life of which is the same.

Foreign currency

Monetary items (assets and liabilities) in foreign currency are translated at the closing rate. Exchange rate differences for operating receivables and liabilities are included in the operating profit, while differences for financial receivables and liabilities are reported among financial items. Non-monetary items are recognised on the date of the business event.

Inventories

Inventories are carried at the lower of cost and net realisable value and the risk of obsolescence is thus taken into account. Cost is determined using weighted average prices. The acquisition value includes, in addition to purchase costs, expenses incurred in bringing the inventories to their present location and condition.

For in-house semi-finished and finished goods, costs consist of direct manufacturing costs and those indirect costs that constitute more than an insignificant portion of the total cost of production. The valuation takes into consideration normal capacity utilisation.

Net realisable value is the estimated selling price in operating activities, less estimated costs of completion and selling expenses.



Tax

Reported income taxes include taxes payable or refundable for the current year and adjustments for previous years' taxes.

Tax liabilities/assets are valued at that which is payable to, or receivable from, the Swedish tax agency according to the company's assessment. The assessment is made according to the tax regulations and tax rates decided or announced and which will in all likelihood be adopted.

Deferred tax assets are recognised for all deductible temporary differences and unused tax loss carryforward, to the extent that it is probable that future taxable profits will be available against which the temporary differences or the unused tax loss carry forwards can be utilized.

Deferred tax assets have been valued at no more than the amount likely to be recovered, based on current and future taxable profit. Estimates are reviewed each balance sheet date.

Revenue

The inflow of financial benefits the company has received or will receive for its own account is reported as revenue. Revenue is measured at the fair value of the consideration received or receivable, net of discounts.

Sale of goods

- At the sale of goods, revenue is recognised when the following criteria are met:
- The financial benefits associated with the transaction will likely accrue to the company,
 - The revenue can be reliably calculated,
 - The company has transferred the significant risks and benefits associated with ownership to the buyer,
 - The company no longer has such an involvement in the operational management usually associated with ownership and also does not exercise any real control over the goods sold, and
 - The expenses that have arisen or are expected to arise as a result of the transaction can be reliably calculated.

Leases

All leases in which the Company is the lessee are recorded as operational leasing (rental agreements), irrespective of their being financial or operational leases. Leasing fees are recognised at cost on a straight-line basis over the lease term.

The Company's letting of offices is classified as operational leasing. Leasing income is recognised on a straight-line basis during the term of the lease.

Employee benefits

Short-term benefits

Short-term benefits in the Group comprise salaries, social security contributions, holiday pay, paid sickness absence, health care and bonus payments. Short-term benefits are carried at cost, and as a liability when there is a legal or constructive obligation to pay benefits.

Post-employment benefits

The Company has only defined contribution plans.

For defined contribution plans, the Company pays set fees to another company, and has no legal or constructive obligation to pay anything further, even if the other company can no longer meet its obligation to pay. These expenses are charged to the company's income statement as the pensionable services of the employees are performed.

Termination benefits

Termination benefits are paid when a company decides to terminate an employment before the normal retirement date or when an employee accepts an offer of a voluntary resignation in exchange for such remuneration. If the remuneration will not give the company a future economic benefit, it is recognised as a liability and a cost when there is a legal or constructive obligation to pay benefits. The benefit is measured to the best estimation of the remuneration required to settle the obligation on the balance sheet date.

Financial instruments

Financial instruments are recognised in accordance with the provisions of Chapter 11 of the K3 regulations, which means that they are measured at cost.

Financial instruments recognised in the balance sheet include securities, trade and other receivables, investments in securities, trade payables, borrowings and derivative instruments. The instruments are recorded in the balance sheet when the Company becomes party to the contractual conditions of the instrument.

Financial assets are derecognised when the right to receive cash flows from the instrument has expired or been transferred, and the Group has, in all significant aspects, transferred all risk and benefits associated with the ownership.

Financial liabilities are derecognised when the liabilities are settled or expire in any other way.

Trade and other receivables

Receivables are carried as current assets, except for items with a maturity more than 12 months from the balance sheet date. These are classified as non-current assets. Receivables are carried in the amounts in which they are expected to be paid, after adjustment for individually assessed doubtful debts. Receivables that are interest-free or run with an interest that deviates from the market rate and with a maturity that exceeds 12 months are recognised at discounted present value, with the change in the time value of money recognised in the income statement.

Investments in securities, etc.

Securities acquired as short-term holdings are initially recognised at cost, and in subsequent valuations according to the lowest value principal at cost or market value, whichever is the lower. The item investments in securities, etc. includes shares held for the short-term investment of cash surpluses.

Trade payables

Short-term trade payables are recognised at cost.

Offsetting of financial receivables and financial liabilities

A financial asset and a financial liability are offset and carried at a net amount in the balance sheet only when there is a legal right for the offsetting and when a net amount is to be settled, or when a simultaneous disposal of the asset and a settlement of the liability is to occur.

Provisions

The Company makes a provision when there is a legal or constructive obligation to pay and a reliable estimation of the amount can be made. The Company makes a present value calculation of obligations expected to be settled more than 12 months hence. The increase in the provision due to the passing of time is recognised as interest costs.

Public grants

Government support is recognised at fair value when there is reasonable assurance that the support will be received and that the company will meet all the conditions associated therewith.

Government support relating to expected costs is recognised as deferred income. The support is recognised in the period when the cost arises for which the government support is intended to compensate.

Government support for the acquisition of tangible assets reduces the asset's carrying amount.

Cash flow statement

Cash flow statements are prepared in accordance with the indirect method. The cash flow recognized comprises only transactions that have given rise to payments to or from the Company. Cash and cash equivalents are classified by the Company as, in addition to cash and bank, highly solvent balances with banks and other credit institutions.



**Note 2 Estimates and judgements**

Inventories are a substantial asset for the company where assessment is made regarding obsolescence. An assessment of the amount is also made in the item provisions.

Note 3 Other operating income

	1/1/2018- 31/12/2018	1/1/2017- 31/12/2017
Insurance compensation	15	-
Other grants received	37	-
Exchange rate gains on receivables/liabilities	6,096	7,943
Other	241	1,918
Total	6,389	9,861

Note 4 Employees and employee benefit expenses

	1/1/2018- 31/12/2018	1/1/2017- 31/12/2017
Average number of employees		
Men	32	29
Women	19	17
Total	51	46

Presentation of gender distribution in company management

	31/12/2018	31/12/2017
<i>Proportion of women</i>		
Board of Directors	50 %	40 %
Other senior executives	37 %	37 %

Salaries, other benefits and social security expenses, including pension costs

	1/1/2018- 31/12/2018	1/1/2017- 31/12/2017
Board and CEO	1,492	1,542
Other employees	26,869	24,626
Total	28,361	26,167

Social security expenses (of which pension costs) ¹⁾	12,809	11,792
	2,812	2,615

¹⁾ Of the company's pension costs, SEK 356 thousand (SEK 365 thousand) pertains to the Board and CEO. The company's outstanding pension obligations for these, amount to SEK 0 (0).

In addition to the above salary costs, the company has been invoiced for Board fees in the amount of SEK 0 (0).

An agreement with the CEO has been reached on severance pay amounting to 12 monthly salaries. The agreement applies only if termination is initiated by the company.

Note 5 Remuneration and expense reimbursement for auditors

	1/1/2018- 31/12/2018	1/1/2017- 31/12/2017
Auditing assignment	239	221
Other assignments	-	20
Total	239	241

Note 6 Other operating expenses

	1/1/2018- 31/12/2018	1/1/2017- 31/12/2017
Exchange-rate losses on operating receivables/liabilities	9,965	4,579
Disposal of fixed assets	-	2,527
Total	9,965	7,106

Note 7 Operating leases – lessee

	1/1/2018- 31/12/2018	1/1/2017- 31/12/2017
<i>Future minimum leasing fees for non-cancellable operating leases:</i>		
Within one year	15,006	14,309
Between one and five years	12,405	23,087
Later than five years	11,706	13,699
	39,116	51,095
Expensed leasing fees for the financial year in respect of premises, tanks, containers and cars	17,116	13,352

Note 8 Interest income and similar profit items

	1/1/2018- 31/12/2018	1/1/2017- 31/12/2017
Interest income, other	592	268
Exchange rate differences, financial	5,624	-
Total	6,216	268

Note 9 Interest expenses and similar profit items

	1/1/2018- 31/12/2018	1/1/2017- 31/12/2017
Interest expenses, other	610	931
Credit expenses, other	601	592
Exchange rate differences, financial	-	4,409
Total	1,211	5,932

Note 10 Appropriations

	1/1/2018- 31/12/2018	1/1/2017- 31/12/2017
Difference between depreciation for tax and reporting purposes:		
Machinery and other technical facilities	45,000	90,000
Provision for tax allocation reserve	43,500	-
Total	-88,500	90,000

Note 11 Tax on the year's earnings

	1/1/2018- 31/12/2018	1/1/2017- 31/12/2017
Current tax	28,717	36,588
Tax on the year's earnings	28,717	36,588

Reconciliation of effective tax

	1/1/2018- 31/12/2018	%	1/1/2017- 31/12/2017
Profit before tax	129,111		165,677
Tax as per applicable tax rate	-28,404	22,0	-36,449
Non-deductible expenses	-316		-84
Non-taxable income	-		1
Adjustment of taxable depreciation	3		3
Adjustment, tax attributable to previous years	-		-58
Reported effective tax	-28,717	22,0	-36,588

Note 12 Concessions, patents, licences, brands and similar rights

	31/12/2018	31/12/2017
<i>Accumulated costs</i>		
- At beginning of the year	337	337
- Acquisitions for the year	0	0
- Reclassifications	-	-
At year-end	337	337

Accumulated depreciation

- At beginning of the year	-151	-84
- Depreciation for the year	-67	-67
At year-end	-218	-151

Carrying amount at year-end	119	186
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Note 13 Land and buildings

	31/12/2018	31/12/2017
<i>Accumulated costs</i>		
- At beginning of the year	38,668	37,068
- New acquisitions	743	162
- Divestments and disposals	-	-
- Reclassifications	9,243	1,438
At year-end	48,654	38,668

Accumulated depreciation

- At beginning of the year	-11,423	-9,536
- Reversed depreciation on divestments and disposals	-	-
- Depreciation for the year	-2,159	-1,887
At year-end	-13,582	-11,423

Carrying amount at year-end	35,072	27,246
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Of which land

Accumulated costs	200	200
Carrying amount at year-end	200	200



**Note 14 Plant and machinery**

	31/12/2018	31/12/2017
<i>Accumulated costs</i>		
- At beginning of the year	473,511	459,669
- New acquisitions	3,301	759
- Divestments and disposals	-	-4,905
- Reclassifications	16,401	17,987
At year-end	493,214	473,511
<i>Accumulated depreciation</i>		
- At beginning of the year	-219,263	-176,457
- Reversed depreciation on divestments and disposals	2	2,378
- Depreciation for the year	-47,144	-45,184
At year-end	-266,405	-219,263
Carrying amount at year-end	226,810	254,247

Note 15 Equipment, tools, fixtures and fittings

	31/12/2018	31/12/2017
<i>Accumulated costs</i>		
- At beginning of the year	68,489	66,417
- New acquisitions	979	1,041
- Reclassifications	3,736	1,030
	73,204	68,489
<i>Accumulated depreciation</i>		
- At beginning of the year	-45,720	-38,462
- Depreciation for the year	-7,796	-7,258
	-53,516	-45,720
Carrying amount at year-end	19,688	22,769

Note 16 Construction in progress and advance payments for tangible assets

	31/12/2018	31/12/2017
At beginning of the year	34,749	24,914
Reclassifications	-28,890	-20,455
Reclassification to expenses	-490	-
Investments	66,992	30,290
Carrying amount at year-end	72,362	34,749

Note 17 Equity**Share capital**

The share capital consists of 66,359 A-shares and 0 B-shares (66,359 A-shares and 0 B-shares).

Note 18 Provisions

	31/12/2018	31/12/2017
At beginning of the year	-	-
Reclassification	-10,882	-
Investments	-2,040	-
Carrying amount at year-end	12,922	-

Note 19 Bank overdraft facilities

	31/12/2018	31/12/2017
Granted credit limit	200 000	200 000
Unutilised portion	-200 000	-200 000
Utilised credit amount	-	-

Note 20 Pledged assets and contingent liabilities

	1/1/2018- 1/1/2017-	31/12/2018 31/12/2017
For own provisions and liabilities		
In respect of liabilities to credit institutions	150,000	150,000
Letter of credit	-	24 624
Pledged assets, total	150,000	174,624

Note 21 Contingent liabilities

	31/12/2018	31/12/2017
Other guarantees, Länsstyrelsen	1,200	1,200
Contingent liabilities in total	1,200	1,200

Note 22 Adjustments for items not included in cash flow, etc.

	31/12/2018	31/12/2017
Depreciation	57,164	54,396
Disposals	-	2,527
Reclassification of fixed assets under construction to cost	2,040	-
Reclassification of fixed assets under construction to stock	10,882	-
Adjustments in total	70,086	56,923

Note 23 Proposed allocation of the company's profit

The AGM has the following unappropriated earnings:

Share premium reserve	380,809
Retained earnings	-14,095
Earnings for the year	100,394
In total	467,108

The Board proposes that the unappropriated earnings be allocated such that

SEK 1,506.95 per share is distributed to shareholders	100,000
As surplus carried forward	367,108
In total	467,108

Note 24 Key ratio definitions

Operating margin:
Operating profit / Net sales.

Return on capital employed:
(Operating profit + financial income) / capital employed.

Financial income:
Items in net financial items attributable to assets (included in capital employed).

Capital employed:
Total assets - non-interest-bearing liabilities.

Non-interest-bearing liabilities:
Liabilities that are not interest-bearing. Pension liabilities are considered to be interest-bearing.

Return on equity:
Profit after financial items / Adjusted equity.

Equity/assets ratio:
Total equity / Total assets.





SIGNATURES

Piteå 2019

Viveka Beckeman
Chairman of the Board

Magnus Edin
CEO

Mikio Katayama

Gustav Tibblin

Ingrid Bodin

Our audit report was submitted on 2019
Öhrlings PricewaterhouseCoopers AB

Lars Nordenö
Authorised Public Accountant



Auditor's report

To the general meeting of the shareholders of SunPine AB, corporate identity number 556682-9122
Translated copy of Swedish auditors report

Report on the annual accounts

Opinions

We have audited the annual accounts of SunPine AB for the year 2018. The annual accounts of the company are included on pages 30-46 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of SunPine AB as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. Our opinion does not include the sustainability report on pages 18-28. The statutory administration report is consistent with the other parts of the annual accounts.

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of SunPine AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Other Information than the annual accounts

This document consists of other information than the annual report and can be found on pages 18-28. This other information comprises the sustainability report but does not include the annual accounts and our auditor's report thereon. The Board of Directors and the Managing Director are responsible for the other information.

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

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

Responsibilities of the Board of Directors and the Managing Director

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

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to



going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or mistakes, 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 mistakes 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.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: 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, we have also audited the administration of the Board of Directors and the Managing Director of SunPine AB for the year 2018 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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



Auditor's responsibility

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

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

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

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

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Auditor's opinion regarding statutory sustainability report

The Board of Directors and the Managing Director are responsible for the sustainability report on pages 18-28 and that they gives a fair presentation in accordance with the Annual Accounts Act.

We have conducted our audit according to FARs recommendation RevR 12 Auditors opinion on statutory sustainability reports. This means that our audit of the sustainability report has another scope and is substantially less extensive compared with an audit performed according to International Standards of Auditing and generally accepted auditing standards in Sweden. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

A sustainability report has been prepared

Sundsvall May 29 th 2019
Öhrlings PricewaterhouseCoopers AB

Lars Nordenö
Authorized Public Accountant



BOARD OF DIRECTORS APRIL 2019



Viveka Beckeman
CHAIRMAN OF THE BOARD
(SVEASKOG FÖRVALTNINGS AB)



Ingrid Bodin
DEPUTY CHAIRMAN
(PREEM AB)



Gustav Tibblin
BOARD MEMBER
(SÖDRA SKOGSÅGARNA EK. FÖR.)



Mikio Katayama
BOARD MEMBER
(LAWTER BVBA)



Anders Jakobsson
DEPUTY
(SVEASKOG FÖRVALTNINGS AB)



Sofia Sundström
DEPUTY
(PREEM AB)



Catrin Gustavsson
DEPUTY
(SÖDRA SKOGSÅGARNA EK. FÖR.)



Peter Biesheuvel
DEPUTY
(LAWTER BVBA)



EXECUTIVE MANAGEMENT GROUP 2019



Magnus Edin
CEO



Eva Wuopio
HSE MANAGER



Peter Drugge
TECHNICAL MANAGER



Markel Jonsson
SUPPLY CHAIN MANAGER



Valeri Naydenov
DEVELOPMENT MANAGER



Jonas Vinblad von Walter
PRODUCTION MANAGER



Åsa Nordmark
CFO



SUNPINETM

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