Annual Report Troax Group AB

2016

TROAX®

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For business description, market overview and responsibilities please see www.troax.com.

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Year-end report 2017, februari 2018

The year in brief.

2016 IN EUR M	2016	CHANGE DURING THE YEAR
Orders received	119.6	+15%
Net sales	115.8	+12%
Operating profit	25.3	+13%
Operating margin	21.8%	+1%
Earnings per share (EUR)	0.81	+19%
Proposed dividend per share (SEK)	3.75	+25%

36 countries

For more than 60 years, Troax has been developing metal-based mesh panel solutions for different applications. We currently have 600 employees (incl. Folding Guard) in 36 countries who share the Troax vision of making the world a safer place by contributing to the protection of people, property and processes.

Folding Guard

At the end of the year, the company acquired Folding Guard, a leading US manufacturer of wire partitions and security solutions, from the listed company Leggett & Platt. The acquisition is in line with the company's aim to increase it's market share in North America. Folding Guard has 115 employees and head office and manufacturing facilities are based in the Chicago area of the USA. The company's products are sold via its own sales executives, representatives and distributors throughout the USA. The company's net sales in 2016 amounted to just under USD 19 million.

Troax on Nasdaq

Troax's shares are listed on Nasdaq Stockholm. In 2016, the share price rose by 55.2 per cent and Troax had a total of 2,724 shareholders at year-end. In 2015, bonds issued by the company were also listed on Nasdaq Stockholm. A tap issue of approximately EUR 19.4 million was carried out within the framework of this outstanding bond issue in 2016. This takes the total value of outstanding bonds to EUR 77 million.

New coating and finishing facility

The company's new coating and finishing facility in Hillerstorp, adapted to meet environmental requirements, came on stream. The new plant will boost production capacity at the main production plant by nearly 100 per cent. It will also increase flexibility in terms of colour switching, and will improve overall efficiency. A total of SEK 60 million has been invested in 2015 and 2016 in the coating and finishing facility. Construction of the plant was completed in the first quarter and after an initial running-in period, the plant began full-scale operations in the second quarter.

Troax Group in numbers, EUR m	2016	2015	2014 1)
Orders received	119.6	104.4	96.5
Net sales	115.8	103.7	91.2
Gross profit	48.7	44.6	38.3
Gross margin, %	42.1	43.0	42.0
Operating profit	25.3	22.4	14.9
Operating margin, %	21.8	21.6	16.3
Operating profit, adjusted	25.3	22.4	16.3
Adjusted operating margin, %	21.8	21.6	17.9
Profit after tax	16.3	13.7	8.7
Adjusted EBITDA	28.0	24.6	18.6
Adjusted EBITDA margin, %	24.2	23.7	20.4
Diluted earnings per share, EUR	0.81	0.69	0.44
Closing rate at the balance sheet date, SEK/EUR	9.57	9.14	9.52
Diluted earnings per share, SEK, 2)	7.80	6.26	–

1) Satech has been included under the 2014 column as if the acquisition took place as at 1 January 2014.
2) Earnings per share in SEK are calculated on profits in EUR x the SEK/EUR closing rate on the balance sheet date.

This is Troax.

Troax is working to make your world safer, developing innovative security solutions that protect people, property and processes. For more than 60 years, Troax has been developing high-quality, metal-based mesh panel solutions, aiming to meet demand for safe and secure storage, machine guarding and partitions for warehouses. Today, Troax is the market leader in this field with products protecting people, property and processes all over the world.

Troax has a broad and diverse customer base of around 8,000 customers, which include several global corporations. Troax' key customers include retailers, system integrators, OEMs and end-customers.

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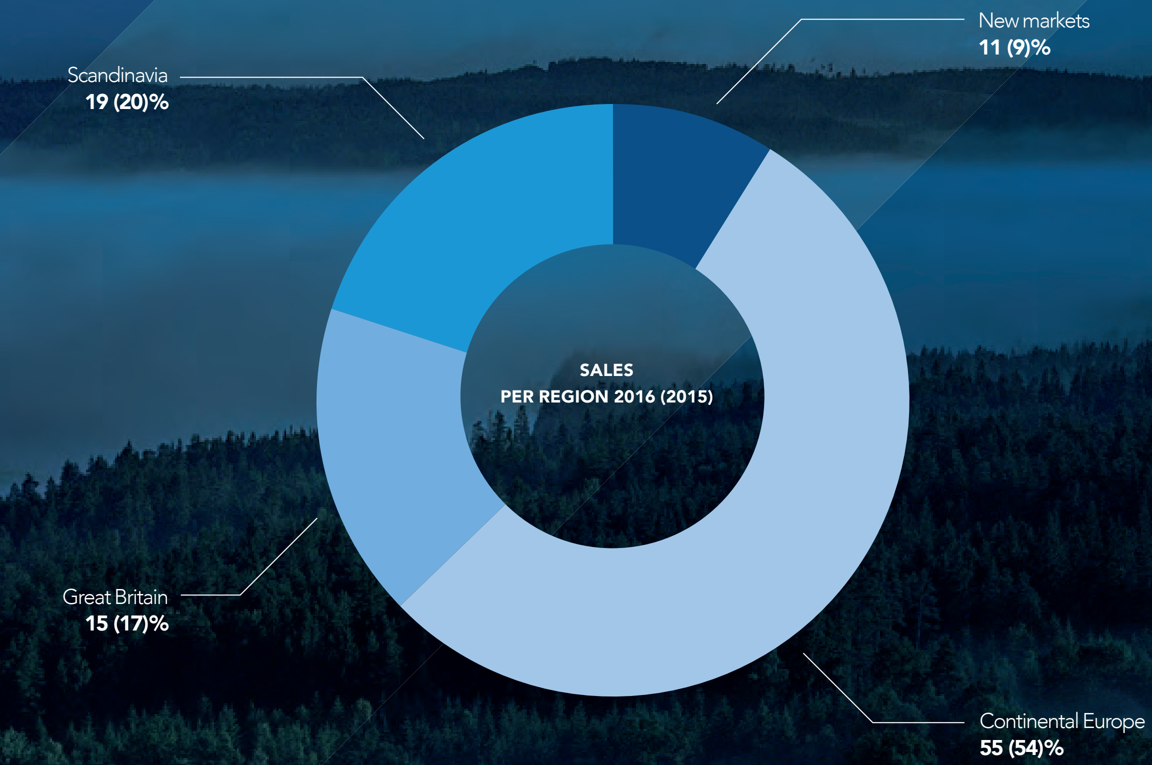
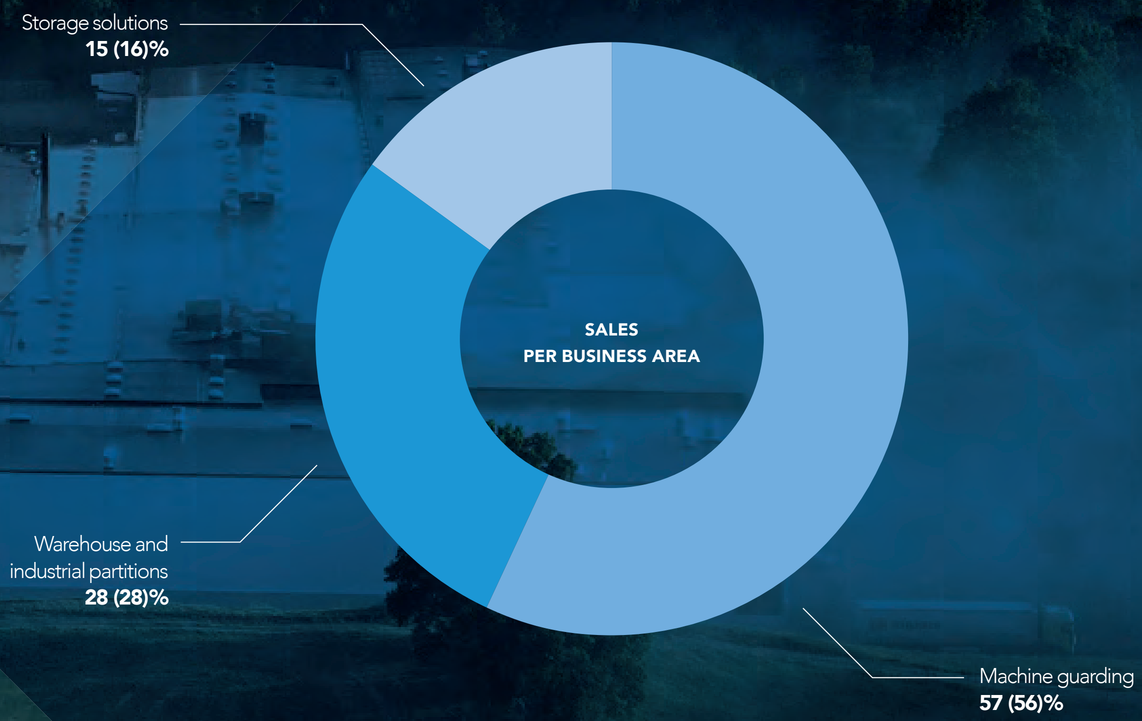
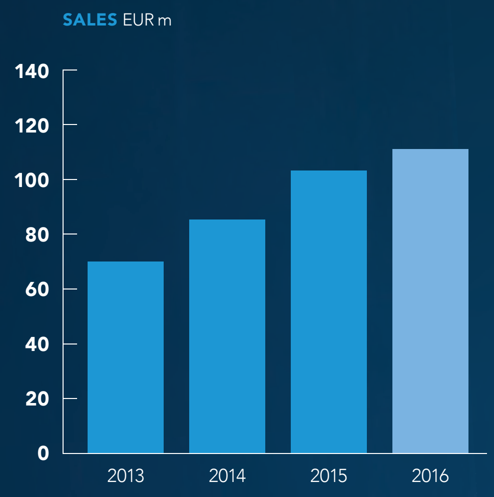
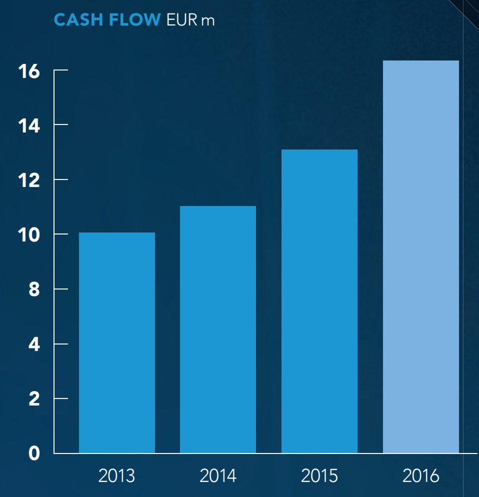
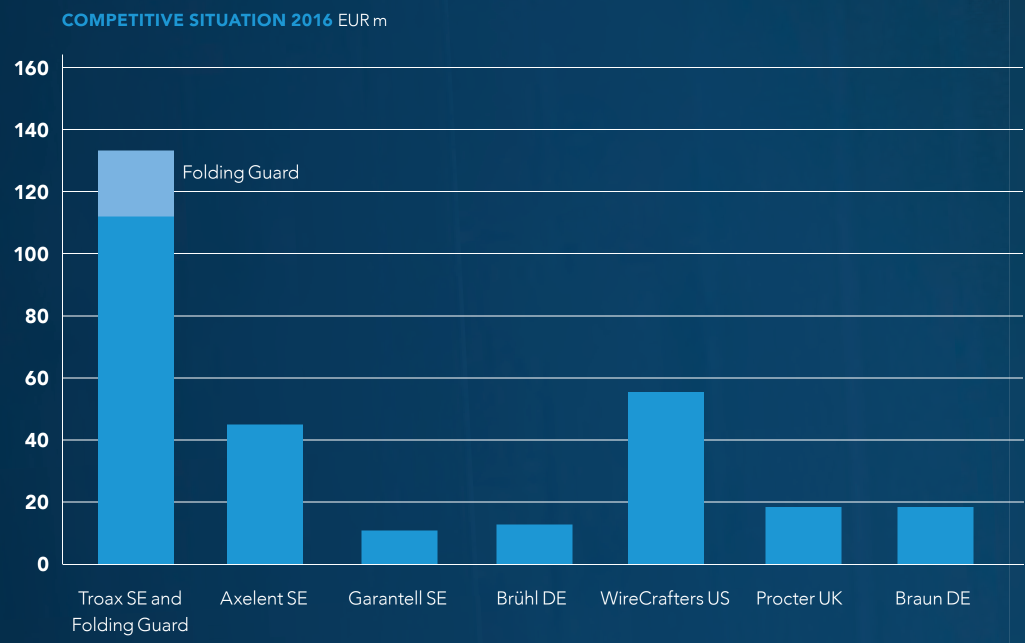
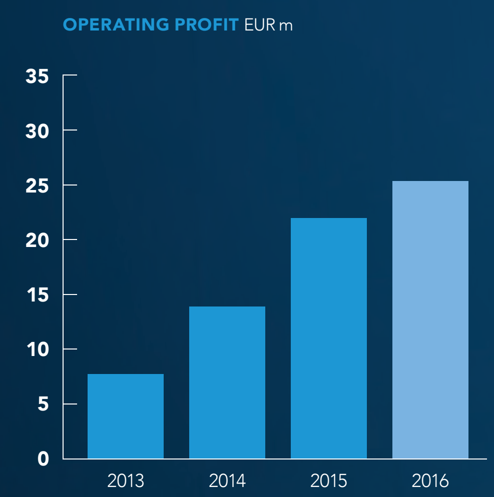

SALES
PER REGION 2016 (2015)
New markets
11 (9)%
Scandinavia
19 (20)%
Great Britain
15 (17)%
Continental Europe
55 (54)%


SALES
PER BUSINESS AREA
Storage solutions
15 (16)%
Warehouse and
industrial partitions
28 (28)%
Machine guarding
57 (56)%


SALES EUR m
140
120
100
80
60
40
20
0
2013
2014
2015
2016


CASH FLOW EUR m
16
14
12
10
8
4
2
0
2013
2014
2015
2016


COMPETITIVE SITUATION 2016 EUR m
160
140
120
100
80
60
40
20
0
Folding Guard
Troax SE and Folding Guard
Axelent SE
Garantell SE
Brühl DE
WireCrafters US
Procter UK
Braun DE


OPERATING PROFIT EUR m
35
30
25
20
15
10
5
0
2013
2014
2015
2016

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STORAGE SOLUTIONS

This application is for basement and attic domestic storage primarily for multi-tenanted residential buildings.

This market segment is dependent on housing construction and thus to some extent on political decisions. Growth is expected to amount to around 2-3 per cent.

Customers

- Municipal and private housing companies and housing cooperatives
- The construction industry

WAREHOUSE AND INDUSTRIAL PARTITIONS

Warehouse solutions include partitions, storage boxes and anti-collapse systems for pallet racks. Automated solutions, where products in warehouses are picked more or less automatically, are also showing strong growth.

This market segment is expected to grow by 3-4 per cent, with industries, retailers and in particular E-Commerce companies requiring highly efficient logistic operations.

Customers

- E- commerce and Retail companies
- Automated Warehouse integrators
- Third party logistics companies
- Pallet racking and storage equipment companies

MACHINE GUARDING

Modern industries are highly automated and require a high degree of safety. This is usually achieved by creating a barrier between potentially dangerous machines and humans. Metal-based mesh panel solutions are used for the barriers.

The market for machinery guards is expected to grow by around 7-8 per cent. Growth is primarily forecast for industries that are increasingly using large industrial robots, such as the vehicle industry, the mining and steel industries, pharmaceuticals, foodstuffs and the general engineering sector.

Customers

- Production System Integrators who install complete manufacturing line solutions
- Car and general vehicle manufacturers
- Original equipment manufacturers of machinery and robots for packing, welding, assembly and processes of all types

Global presence and history

GLOBAL PRESENCE

Representation in 36 countries

600 employees globally

7 distribution centres

5 production facilities

1955
Troax is founded by the four Axels-son brothers

1972
International expansion begins

1991
Acquisition of C. Lee Manufacturing Ltd. of the UK

1995
Certified accor 9001. Troax's ov gruppen AB, b wholly-owned s of Gunnebo AB company listec Stockholm

HISTORY

ding to ISO
wner, Gnosjö-
ecomes a
subsidiary
B, a public
l on Nasdaq

1998
Certified according to ISO 14001

2003
Shift in focus from diversified to more homogenous product portfolio

2008
New market-oriented management appointed and increased focus on the growing market for machine guarding. Company implements organisational changes

2010
The company is acquired by Accent Equity and Troax's management

2012
Accelerating international expansion. Sales: EUR 72 million Adjusted EBITDA margin: 18%

2013
The company is acquired by FSN Capital III and Troax's management

2014
Acquisition of Satech. #1 in Italy

2015
Listing on Nasdaq Stockholm Acquisition of Lagermix. The company celebrates its 60th Anniversary

2016
Acquisition of Folding Guard #2 in the USA


2016

An eventful year, bringing new opportunities.

Hardly anyone can have failed to notice that the past year was an eventful one. 2016 was a year of many major events both in Sweden and globally, in the areas of economy, culture, sport and, not least, politics. In our world of mesh panels for machine guarding, storage and warehouses, 2016 was a year that was both interesting and positive.

OUR WORK has to a large extent revolved around achieving our growth targets. With orders received growing by 15%, we achieved our ambitious targets. We also carried out a large acquisition in the USA, which is our most important growth market, buying the company Folding Guard Inc. This will give us new opportunities to continue to grow and capture market share and further strengthen the Troax brand.

The combination of an increase in orders received (up by 15%) and market growth of approximately 6% means we have increased our market shares. This is the case for most markets, and our aim is for this development to continue.

The year also saw us receive several important orders from both existing and new customers, in both mature and new markets. As a result, we expect to see continued growth in the coming year, despite increased competition.

Growth will come from several geographical areas. The trend has been especially positive in North America and some parts of Continental Europe. In the UK, too, we have seen a positive development in the last few quarters. One exception to this is the Nordic region, which for us is a mature market, which has not shown as strong growth as other areas. We still have a lot of work ahead of us on expanding our customer base, and on strengthening and establishing a presence in new markets.

Our company Satech, which we acquired in 2014, has continued to perform well. We will now be working on making sure that the integration into the group of our latest acquisition, Folding Guard Inc. of the USA, is equally successful. The conditions for this exist, but it is our view that both time and resources will be required within the organisation to incorporate them into our strategic and operational thinking. The company has 115 employees, has turnover of just over USD 19 million and its profitability is good. Folding Guard

CONTINUES >>

MILESTONES

Acquisition of Folding Guard Inc., in second place in the US market

Significant increase in growth in important markets such as the USA

Investment in new coating and finishing facility in Hillerstorp completed

Organic growth 15 per cent, higher than market growth

Organic growth in all business areas

New markets starting up

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Inc. is a strong player in the central parts of the USA, but has less good coverage in other parts of North America. We also concluded agreements with retailers in Chile and Colombia in the financial year, and we have begun to receive orders from these markets.

Market developments have been difficult to predict, as usual. However, the competitive situation is deemed to be similar to the prevailing situation a year ago. We have seen increased activity in a couple of markets, primarily thanks to low-cost products. These do not meet the requirements that we feel a safe solution should be expected to meet. We are therefore continuing to develop and improve our products from an industrial safety perspective. This is something that we believe in and feel is the right way forward, because we want to supply high-quality protection solutions that meet high safety standards. We are convinced that our customers appreciate this. That our efforts have borne fruit is evident from the fact that our testing procedure has been approved by the German certification company TÜV. To the best of our knowledge, this is the only testing procedure on the market to have been approved by an external player.

The updated standard ISO 14120 also helps to increase awareness about the fact that industry needs more advanced safety solutions. We are therefore pleased that all our previous solutions already meet this standard. However, our standpoint is that the standard needs to be supplemented with further measures. Nonetheless, we note that things are developing in the right direction.

During the financial year, a couple of suppliers launched robot solutions that are able to cooperate with human operators, so-called cobots. From a safety point of view, this is interesting and we will be following this development very closely. Since our main market is large industrial robots and protection for reasons to do with safety or processes, this development does not as yet affect us. We also do not believe it is likely that our market sector will be adversely affected, since our products already primarily protect non-manual robots. There is a growing trend, however, of investing in solutions that also protect the manufacturing process, despite other safety requirements already being met.

In order to increase our capacity and improve our competitiveness, we are continuing to invest. One example of this is the coating and finishing plant that came on stream at our main production facility in Hillerstorp in Sweden in 2016. Thanks to faster colour switching, our lead times have improved, which is good for customers. The plant involved an investment of SEK 60 million, and in the first half of the year we incurred some running-in costs. Since the holiday period, the plant has been operating to plan. In 2017, we will be evaluating how we can increase total capacity at the production facility in Sweden as well as other plants.

The small acquisition we carried out in 2015, Lagermix Rullportar AB, has performed well, and in 2017 we will be committing resources to expanding this product area and our offering in the self-storage segment.

The full-year results were good, despite the increase in costs in the first two quarters due to the new coating and finishing facility. We also achieved our target margin for the group, largely thanks to increased capacity utilisation and positive volume development. If the current positive trend continues, investments in increased capacity will become necessary towards the end of 2017 and in 2018.

EXPECTATIONS FOR 2017

Our objective for the year is to continue to grow. This applies to both existing markets and to the USA, via our newly acquired company Folding Guard Inc. Whether we succeed in our objective obviously depends on our customers' investment plans and general economic conditions. In the long term, we believe the sector will continue to grow, even though the number of so-called mature markets is increasing.

Finally, I would like to extend my sincere thanks to all our employees around the world for their fantastic work in helping our customers improve safety. New opportunities await us in 2017.

THOMAS WIDSTRAND
CEO and Group Chief Executive,
Troax Group AB (publ)

Directors’ Report

INFORMATION ABOUT THE BUSINESS

The Board of Directors and the CEO of Troax Group AB (publ) hereby submit the Annual Report and consolidated financial statements for the financial year 2016. Troax is an international producer of mesh panels for internal areas for the protection of people, property and processes. The business focuses on three market segments: Machine Guarding, Warehouse and Industrial Partitioning and Storage Solutions.

Machine Guarding comprises Troax’s protection solutions for robot cells and automation solutions. The solutions conform to safety standards and comprise everything from individual mesh panels to safety doors and locks equipped with circuit breakers.

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

Storage Solutions comprises Troax’s mesh panel solutions for residential storage and garages. Sales and installation mainly take place via own companies in Europe, the USA and China, and via a smaller number of agents in Asia and South America. Troax is the market leader in terms of both volume, customer accessibility and product development, not least of which is reflected in Troax’s cooperation with a number of car manufacturers and automation suppliers within the market segment Machine Guarding.

Troax’s head office is located in Hillerstorp in Sweden, and the company has production facilities in Hillerstorp, Birmingham (the UK), Shanghai (China), Calco (Italy) and Chicago (the USA). Troax saw volumes increase and its performance improve in 2016.

GROUP STRUCTURE

Troax Group AB (publ) is the parent company of the group with 22 direct and indirect wholly-owned subsidiaries, as shown in Note 28. Operationally, the Group is based on one operating segment, but sales and order intake are managed on the basis of geographical regions (Continental Europe, the Nordic region, the UK and New Markets) and market segments (Machine Guarding, Warehouse and Industrial Partitioning and Storage Solutions).

SIGNIFICANT EVENTS IN THE FINANCIAL YEAR

The US company Folding Guard was acquired in December 2016. Since the acquisition took place at the end of December, neither sales figures nor results for Folding Guard are included in the Group’s figures for 2016. The investment in a new coating and finishing facility that began in 2014 was completed during the financial year.

ORDERS RECEIVED AND NET SALES

The Group’s order intake in 2016 amounted to EUR 119.6 million, corresponding to an increase of 15 per cent compared with the previous year. Adjusted for the effect of acquisitions and currency, the increase was 16 per cent. Net sales in 2016 amounted to EUR 115.8 million, up by 12 per cent compared with reported net sales in 2015. Adjusted for the effect of acquisitions and currency, the increase was 13 per cent. All markets reported increased sales in the period. Satech, which was acquired in 2014, continued to perform well.

PERFORMANCE

The operating profit (EBIT) in 2016 totalled EUR 25.3 million, which was an improvement on the previous year. No one-time adjustment items were recorded during the year. The improvement in operating profit compared with the previous year was due to increased volumes together with good cost management. Troax continued to invest in developing New Markets in 2016, and this area is expected to contribute to Troax’s long-term growth. The New Markets business area (primarily the USA and China) showed high growth figures and had a positive effect whilst remaining a minor contribution to the consolidated result. Net financial items amounted to EUR -3,9 million, which was attributable to interest expense for long-term, interest-bearing financing. Profit after tax in 2016 rose to EUR 16.3 million from EUR 13.7 million in the previous year.

INVESTMENTS

Troax is continually investing in maintenance of production facilities and production equipment.

In addition to maintenance capital expenditure, the company is investing in expanding or upgrading production facilities in order to increase productivity and/or capacity. In 2014, Troax began expansion of capital expenditure on a new coating and finishing facility, which involved a total investment of EUR 6.0 million over a two-year period. The investment was completed in 2016 and has increased Troax's production efficiency and capacity.

CASH FLOW, LIQUIDITY AND FINANCIAL POSITION

Cash flow from operating activities in 2016 amounted to EUR 16.3 million. Cash flow for the year amounted to EUR 1.7 million, which was attributed to continued good profitability in the Group, continued investment in the coating and finishing facility and a tap issue of EUR 19.4 million in December 2016. Cash and cash equivalents as at 31 December 2016 amounted to EUR 12.2 million and net interest-bearing liabilities totalled EUR 63.9 million. The ratio of net interest-bearing liabilities to adjusted EBITDA (including the acquired company Folding Guard) was 2.1. This should be compared with the Group's target ratio of less than 2.5.

Group, EUR m	2016	2015	2014
Net sales	**115.8**	103.7	84.5
Gross profit	**48.7**	44.6	34.7
Operating profit before depreciation/ amortisation (EBITDA)	**28.0**	24.6	16.9
Operating profit (EBIT)	**25.3**	22.4	13.8
Profit after tax	**16.3**	13.7	8.7
Equity	**65.9**	60.0	43.2
Total assets	**172.5**	144.2	136.4

The Group's equity as at 31 December 2016 amounted to EUR 65.9 million and the equity/assets ratio was 38.2 per cent. The Group has scope for a further tap issue of EUR 10.6 million under the existing bond terms and conditions, provided the covenants of the bond terms and conditions are met. See Note 24 for further information.

EMPLOYEES

At the end of 2016, Troax had 485 employees, up from 446 at the end of 2015. These figures do not include the newly acquired company, Folding Guard of the USA, which means that the Group's workforce after the acquisition will comprise around 600 employees. Other personnel information is reported under Note 6.

ENVIRONMENT, HEALTH AND SAFETY

Troax has implemented comprehensive measures aimed at minimising the company's environmental impact and is constantly working on further reducing this impact. Improved energy efficiency is an important part of Troax's sustainability efforts and an Environmental report is distributed to managers and supervisory bodies every quarter. Troax has an environmentally friendly production process and was certified according to the environmental standard ISO 14001 as early as 1998. The mesh panels produced by Troax are environmentally friendly because they are a pure steel product that is 99 per cent recyclable. Past activities at the Hillerstorp plant have had an adverse effect on groundwater, see the Section "Risks and Uncertainty Factors" below. Troax protects people, property and processes, a claim that applies to both customers and employees. Troax therefore takes an integrated approach to the management of health and safety, starting with an introductory programme for new and temporary staff. Local subsidiaries are responsible for implementing adapted programmes that ensure health and safety conditions adhere to local rules and regulations. All incidents and near misses must be reported, measures taken and follow-up carried out in order to minimise the risk of accident and injury. Energy mapping was carried out in 2016.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Troax's opinion on CSR is summarised in two documents: The Group's Ethical Guidelines and the Whistleblower Policy. The contents of these documents have been presented to, and discussed with, all staff in the Group. Troax's ethical guidelines/Code of Conduct require Troax's staff to maintain high business and personal ethical standards in the performance of their duties. For employees and other representatives of Troax, honesty, integrity and legal compliance form an important part of Troax's corporate culture and day-to-day activities.

OUR SHARES

At the end of 2016, there were 20,000,000 shares in the company. The share price at year-end stood at SEK 194. The number of shareholders as at year-end was 2,724. See Note 18 for further information about the shares.

OWNERSHIP STRUCTURE

On 31 December 2016, Investment AB Latour owned 30.1 per cent of the shares, making it the largest shareholder. None of the other shareholders had a holding exceeding 10 per cent.

THE PARENT COMPANY

Troax Group AB (publ), Corporate Identity No. 556916-4030, is the parent company for the activities within the Troax group. The parent company's activities comprise group-wide functions. The parent company's net sales amounted to EUR 0 million (EUR 0 million), while the Parent Company's operating profit amounted to EUR 0.3 million (EUR 0.1 million). The parent company recorded a loss after net financial items of EUR -3.4 million (EUR -3.7 million). Profit after tax totalled EUR 3.3 million (EUR 4.3 million).

RISKS AND UNCERTAINTY FACTORS

MACROECONOMIC FACTORS.

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

RAW MATERIALS PRICES

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

UNFORESEEN PRODUCTION STOPPAGES

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

COMPETITION

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

PRODUCT LIABILITY AND OTHER PRODUCT-RELATED CLAIMS

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

INTEGRATION OF FOLDING GUARD

In December 2016, Troax acquired the US company Folding Guard and Troax has since embarked on coordination and integration of Folding Guard's activities. This process comprises technical, operational and personnel-related challenges that are both time-consuming and costly, and which may interfere with Troax's day-to-day activities.

ENVIRONMENTAL RISKS

Troax operates in buildings where industrial activities have been taking place for a long time, particularly at the plant in Hillerstorp. Troax's previous business has brought about an elevated level of Trichlorethylene in the ground water at the property in Hillerstorp, Sweden. In spring 2015, the investigation that involved drilling to determine the environmental impact of the previous activities was concluded. A parallel programme regarding chlorinated solvents in the groundwater is now being conducted at selected test sites, and the outcome will be reported to Gnosjö Municipality in 2018. If current levels prevail, no further action is expected to be required.

FINANCING OF THE GROUP

Troax's primary debt is the bond issue. The level of debt has consequences for shareholders, partly because Troax has to set aside a significant proportion of the cash flow in the business towards its financial obligations. This could lead to reduced resources for Troax's business, and also for investments, working capital, dividends, etc. Troax's ability to handle its liabilities is dependent on future performance, which in turn is affected by prevailing economic conditions, as well as financial, commercial, regulatory and other factors. If this means that Troax is unable to generate sufficient cash flow to meet its financial obligations, or be able to refinance or restructure its bonds on commercially reasonable terms (if at all), it could have a significant adverse effect on Troax's activities, financial position and operating results.

CURRENCY RISK

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

HOW THE BOARD OF DIRECTORS WORKS

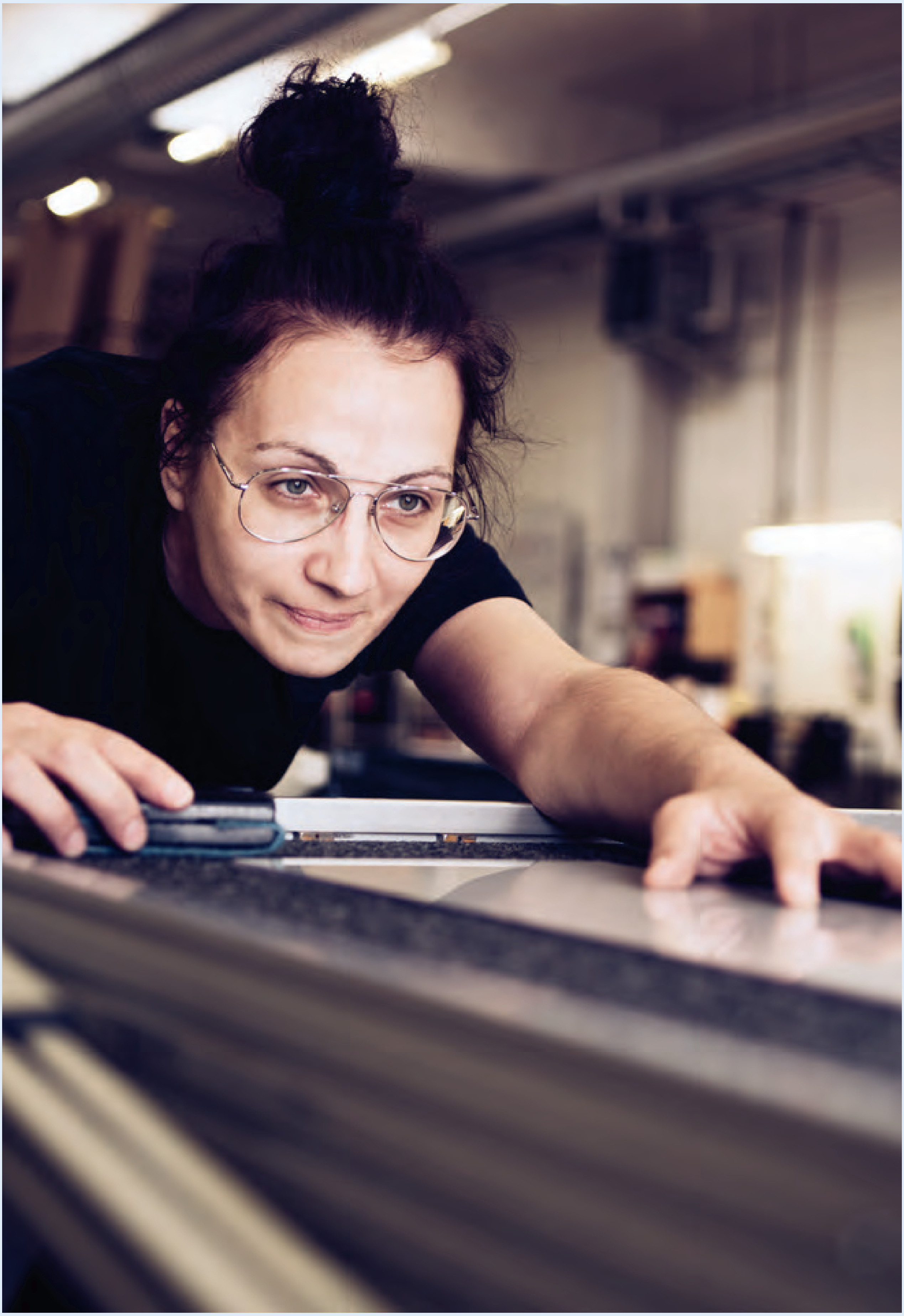
The Board of Directors is the highest decision-making organ after the Annual General Meeting. The Board of Director's primary task is to decide on the company's business strategy, resources and capital structure, as well as the company's organisation and management of the company's affairs. The general duties of the Board of Directors also include ongoing assessment of the company's financial position and approval of the company's business plan. The general undertaking includes the Board of Directors being responsible for overarching issues such as the company's strategy, acquisitions, major investments, divestments, submissions of annual reports and interim reports, appointment of the CEO, etc. The Board of Directors adheres to written rules of procedure that are established annually at the statutory board meeting. The rules of procedure set out the obligations and decision-making powers of the Board of Directors, the division of responsibility between the Board of Directors and the CEO, etc. The Board of Directors meets according to an annual schedule decided in advance. In addition to these meetings, further meetings can be arranged in the event of a matter of unusual importance arising. In addition to the board meetings, the Chairman of the Board of Directors and the CEO maintain a continuous dialogue concerning management of the company. The division of duties between the Board of Directors and the CEO is governed by the Board of Directors' rules of procedure and in an instruction to the CEO. The CEO is responsible for implementation of the business plan, as well as ongoing management of the company's affairs and day-to-day activities. This means that the CEO has the right to take decisions in matters which can be seen as falling within the scope of ongoing management of the company. The CEO also has the right, without authorisation from the Board of Directors, to take action that, given the scope and nature of the company's activities, is of an unusual nature or of significant importance and which cannot await a decision by the Board of Directors without having a material adverse impact on the company's business. The instruction to the CEO also governs the CEO's responsibility for reporting to the Board of Directors.

In the past financial years, the Board of Directors has had to deal with many issues of strategic importance. In 2016, particular attention was paid to the acquisition of Folding Guard and the investment in the new coating and finishing facility, in addition to the strategic focus on growth markets (New Markets).

The Board of Directors held seven meetings at which minutes were taken in 2016, while one meeting at which minutes were taken has been held so far in 2017. In 2016, Troax's Board of Directors primarily comprised six ordinary members elected by the Annual General Meeting in May 2016, as well as employee members. The Chairman of the Board of Directors does not participate in the operational management of the company.

OUTLOOK FOR THE FUTURE

Troax does not make forecasts for the future, but the positive view of growth in the underlying market for Troax's products remains.



CONSOLIDATED INCOME STATEMENT

The group EUR thousand	Note	2016	2015
Net sales	2	115,787	103,675
Cost for goods sold		-67,052	-59,085
Gross profit		**48,735**	**44,590**
Sales expenses		-17,918	-16,966
Administrative expenses		-6,538	-6,306
Other operating income	4	1,405	1,178
Other operating expenses	5	-412	-109
Operating profit	6, 7, 8	**25,272**	**22,387**
Financial income		90	430
Financial expenses		-4,017	-4,499
Net interest income/expense	9	**-3,927**	**-4,069**
Profit before tax		21,345	18,318
Tax		-5,048	-4,615
Profit for the year	10	**16,297**	**13,703**
Earnings per share	19		
undiluted (EUR)		0.81	0.84
diluted (EUR)		0.81	0.69
Consolidated statement of comprehensive income			
Profit for the year		16,297	13,703
Other comprehensive income	18		
Items that are or may be reclassified to profit or loss			
Translation differences for the year		-3,689	2,835
Tax attributable to items that are or may be reclassified to profit or loss		-29	10
		-3,718	**2,845**
Items that cannot be reclassified to profit or loss			
Remeasurement of defined benefit pension plans		-164	352
Tax attributable to items that cannot be reclassified to profit or loss		36	-77
		-128	**275**
Other comprehensive income for the year		**-3,846**	**3,120**
Comprehensive income for the year		**12,451**	**16,823**

The group EUR thousand	Note	31/12/2016	31/12/2015
ASSETS	3		
Non-current assets			
Intangible assets	11	94,631	83,603
Property, plant and equipment	12	19,666	18,448
Non-current financial assets	13	7,213	498
Total non-current assets		**121,510**	**102,549**
Current assets			
Inventories	14	10,618	7,976
Trade receivables	15	26,453	20,027
Prepaid expenses and accrued income	16	993	1,265
Other receivables	17	737	1,513
Cash and cash equivalents	30	12,229	10,831
Total current assets		**51,030**	**41,612**
TOTAL ASSETS		**172,540**	**144,161**
EQUITY AND LIABILITIES	18, 19		
Equity		2,574	2,574
Other paid-up capital		35,332	36,509
Reserves		-6,805	-3,087
Retained earnings including annual profit		34,782	23,992
Total equity		**65,883**	**59,988**
Non-current liabilities	3		
Long-term interest bearing liabilities	20, 24	76,102	56,648
Allocation to pension reserve	21	3,623	4,554
Other provisions		286	138
Deferred tax liabilities	10	3,370	3,264
Total non-current liabilities		**83,381**	**64,604**
Current liabilities			
Trade payables		12,667	9,415
Tax liabilities	10	554	0
Other liabilities	22	2,621	2,812
Accrued expenses and deferred income	23	7,434	7,342
Total current liabilities		**23,276**	**19,569**
Total liabilities		**106,657**	**84,173**
TOTAL EQUITY AND LIABILITIES		**172,540**	**144,161**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The group EUR thousand	**Note**	Equity	Other paid-up capital	Reserves	Remeasurement of pensions[1]	Retained earnings incl. profit for the year	Total equity
Opening balance at 01/01/2015		**531**	**38,552**	**-5,932**	**-417**	**10,431**	**43,165**
Adjusted for retroactive application/change		-	-	-	-	-	-
Adjusted equity as at 01/01/2015		**531**	**38,552**	**-5,932**	**-417**	**10,431**	**43,165**
Comprehensive income for the year							
Profit for the year		-	-	-	-	13,703	13,703
Other comprehensive income for the year		-	-	2,845	275	-	3,120
Total comprehensive income		**0**	**0**	**2,845**	**275**	**13,703**	**16,823**
Transactions with owners of the Group							
Bonus issue		2,072	-2,072	-	-	-	-
Adjustment		-29	29	-	-	-	-
Total transactions with owners of the Group		**2,043**	**-2,043**	**0**	**0**	**0**	**0**
Closing balance at 31/12/2015		**2,574**	**36,509**	**-3,087**	**-142**	**24,134**	**59,988**
Opening balance at 01/01/2016		**2,574**	**36,509**	**-3,087**	**-142**	**24,134**	**59,988**
Adjusted for retroactive application/change		-	-	-	-	-	-
Adjusted equity as at 01/01/2016		**2,574**	**36,509**	**-3,087**	**-142**	**24,134**	**59,988**
Comprehensive income for the year							
Profit for the year		-	-	-	-	16,297	16,297
Other comprehensive income for the year		-	-	-3,718	-128	-	-3,846
Total comprehensive income		**0**	**0**	**-3,718**	**-128**	**16,297**	**12,451**
Transactions with owners of the Group							
Dividends		-	-1,177	-	-	-5,379	-6,556
Total transactions with owners of the Group		**0**	**-1,177**	**0**	**0**	**-5,379**	**-6,556**
Closing balance at 31/12/2016		**2,574**	**35,332**	**-6,805**	**-270**	**35,052**	**65,883**

1) This item is recorded under retained earnings in the balance sheet.

The group EUR thousand	Note	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES	30		
Operating profit before financial items		**25,272**	**22,387**
Adjustments for non-cash items		1,693	2,815
Interest received		43	369
Interest paid		-3,843	-4,255
Income taxes paid		-4,539	-3,536
Cash flow from operating activities before changes in working capital		**18,626**	**17,780**
Cash flow from changes in working capital			
Increase/decrease in inventories		-1,299	-1,458
Increase/decrease in trade receivables		-4,096	-2,471
Increase/decrease in other current receivables		779	-1,045
Increase/decrease in trade payables		2,303	737
Increase/decrease in other current operating liabilities		-156	-365
Cash flow from continuing operations		**16,157**	**13,178**
Investing activities			
Investments in property, plant and equipment		-2,958	-5,133
Investments in subsidiaries		-24,307	-405
Investments in non-current financial assets		-89	-34
Cash flow from investment activities		**-27,354**	**-5,572**
Financing activities			
Borrowings		19,454	0
Repayment of borrowings		0	-9,949
Dividends paid		-6,547	0
Cash flow from financing activities		**12,907**	**-9,949**
Cash flow for the year		1,710	-2,343
Cash and cash equivalents at the beginning of the financial year		10,831	13,174
Translation difference		-312	0
Cash and cash equivalents at the end of the year		**12,229**	**10,831**

The parent company EUR thousand	**Note**	**2016**	**2015**
Net sales		0	0
Cost for goods sold		8	140
Gross profit		**8**	**140**
Administrative expenses		-1,195	-315
Other operating income	4	1,921	304
Other operating expenses	5	-424	0
Operating profit	6, 7	**310**	**129**
Net financial items			
Other interest income and similar items		31	295
Interest expense and similar items		-3,774	-4,133
Total net financial items	9	-3,743	-3,838
Profit/loss after net financial items		**-3,433**	**-3,709**
Appropriations		7,632	9,202
Tax on profit for the year	10	-943	-1,154
Profit for the year		**3,256**	**4,339**
Statement of comprehensive income, parent company			
Profit for the year		3,256	4,339
Other comprehensive income for the year		0	0
Comprehensive income for the year		**3,256**	**4,339**

The parent company EUR thousand	**Note**	**31/12/2016**	**31/12/2015**
ASSETS			
Non-current assets			
Non-current financial assets			
Participating interests in Group companies	28	87,694	87,694
Receivables from Group companies	29	29,437	11,968
Deferred tax asset		0	33
Total non-current assets		**117,131**	**99,695**
Current assets			
Current receivables			
Receivables from Group companies		130	136
Current tax assets		0	28
Other receivables	17	0	36
Prepaid expenses and accrued income	16	6	314
Total current assets		**136**	**514**
Cash and bank balances		59	36
Total current assets		**195**	**550**
TOTAL ASSETS		**117,326**	**100,245**

The parent company EUR thousand	**Note**	**31/12/2016**	**31/12/2015**
EQUITY AND LIABILITIES			
Equity	18		
Restricted equity			
Equity		2,574	2,574
Non-restricted equity			
Premium fund		31,565	32,741
Profit brought forward		0	1,031
Profit for the year		3,256	4,339
Total non-restricted equity		**34,821**	**38,111**
Total equity		**37,395**	**40,685**
Untaxed reserves		**1,254**	**0**
Non-current liabilities			
Long-term interest bearing liabilities	20	76,959	57,505
Total non-current liabilities		**76,959**	**57,505**
Current liabilities			
Trade payables		204	18
Bank overdraft facility		0	1,197
Liabilities to Group companies		821	0
Other short-term liabilities		41	46
Accrued expenses and deferred income		652	794
Total current liabilities		**1,718**	**2,055**
TOTAL EQUITY AND LIABILITIES		**117,326**	**100,245**

STATEMENT OF CHANGES IN EQUITY, PARENT COMPANY

The parent company EUR thousand	Equity	Premium fund	Retained earnings incl. profit for the year	Total equity
Opening balance at 01/01/2015	**502**	**34,814**	**-104**	**35,212**
Adjusted for retroactive application/change	-	-	-	-
Adjusted equity as at 01/01/2015	**502**	**34,814**	**-104**	**35,212**
Comprehensive income for the year				
Profit for the year	-	-	4,339	4,339
Other comprehensive income for the year	-	-	-	-
Total comprehensive income	**0**	**0**	**4,339**	**4,339**
Transactions with owners of the Group				
Bonus issue	2,072	-2,072	-	-
Result from merger	-	-	1,134	1,134
Closing balance at 31/12/2015	**2,574**	**32,742**	**5,369**	**40,685**
Opening balance at 01/01/2016	**2,574**	**32,742**	**5,369**	**40,685**
Adjusted for retroactive application/change				
Adjusted equity as at 01/01/2016	**2,574**	**32,742**	**5,369**	**40,685**
Comprehensive income for the year				
Profit for the year	–	–	3,256	3,256
Total comprehensive income	**0**	**0**	**3,256**	**3,256**
Transactions with owners of the Group				
Dividends to the parent company's shareholders	-	-1,177	-5,369	-6,546
Closing balance at 31/12/2016	**2,574**	**31,565**	**3,256**	**37,395**

The parent company EUR thousand	Note	2016	2015
Cash flow from operating activities	30		
Operating profit before financial items		311	129
Adjustments for non-cash items, etc.		1	-372
Interest received		31	0
Interest paid		-3,774	-4,133
Income taxes paid		-62	
Cash flow from operating activities before changes in working capital		**-3,493**	**-4,376**
Cash flow from changes in working capital			
Increase/decrease in trade receivables		136	-136
Increase/decrease in accounts receivable		-8,371	51,476
Increase/decrease in trade payables		186	-3
Increase/decrease in accounts payable		-9,347	-39,321
Cash flow from continuing operations		**-20,889**	**7,640**
Investing activities			
Acquisition of subsidiary		0	447
Cash flow from investment activities		**0**	**447**
Financing activities			
Borrowings		19,454	0
Repayment of liabilities		0	-9,595
Increase/decrease in current financial liabilities		-1,197	1,493
Group contribution received/paid		9,202	0
Dividends paid		-6,547	0
Cash flow from financing activities		**20,912**	**-8,102**
Cash flow for the year		**23**	**-15**
Cash and cash equivalents at the beginning of the financial year		36	51
Cash and cash equivalents at the end of the year		**59**	**36**

Notes, common to the parent company and the Group

NOTE 1 / Accounting policies and measurement principles

(a) Compliance with standards and legislation
The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the EU. Furthermore the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary accounting standards for groups has been applied.

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

The financial statements and consolidated financial statements were authorised for issue by the Board of Directors and the CEO on 12 April 2017. The consolidated income statement, consolidated statement of comprehensive income and consolidated balance sheet, as well as the parent company's income statement and balance sheet will be presented for adoption by the Annual General Meeting on 10 May 2017.

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

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

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

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revisions affect this period alone, or in the period in which the estimates are revised and in any future periods affected.

Judgements used by senior management in applying IFRS that have a significant effect on the financial statements, and estimates made that may result in material adjustment of the financial statements for the next financial year, are described in detail in Note 11.

(e) Revised accounting policies
(ii) New IFRS that have yet to be applied
A number of new or revised standards and interpretations in IFRS will only enter into force in the coming financial year and have not been applied early when preparing these financial reports. The company is not planning to early adopt new or revised standards that are not yet effective. No changes in IFRS with future application are deemed as having any material effect on the group's accounting.

(f) Classification
Fixed assets and non-current liabilities fundamentally comprise amounts that are expected to be recovered or paid after more than twelve months calculated from the balance sheet date. Current assets and current liabilities fundamentally comprise amounts that are expected to be recovered or paid after within twelve months calculated from the balance sheet date.

(g) Operating segment reporting
An operating segment is a part of the group that carries out business from which it can generate income and incur expenses and for which there is independent financial information available. An operating segment's performance is followed up further by the company's key decision-makers in order to evaluate performance and be able to allocate resources to the operating segment. See note 2 for further description of the division and presentation of the operating segment.

(h) Principles of consolidation and business combinations
Subsidiaries are companies in which Troax Group AB (publ) has a controlling influence. Controlling influence exists if Troax Group AB (publ) has influence over the investment object, is exposed to or has the right to variable return from its commitment and can use its influence over the investment to affect the return. When determining whether a controlling influence exists, potential voting shares and whether de facto control exists are taken into account.

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

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

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

(i) Foreign currency

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

(ii) Financial reports of foreign operations
Assets and liabilities in foreign operations, including goodwill and other group-related surplus values and deficits are translated from the foreign operation's functional currency to the group's reporting currency, Euro, at the exchange rate prevailing on the balance sheet day. Income and expenses from foreign operations are translated into Euros at an average exchange rate that is an approximation of the actual exchange rates at the time of the respective transactions. Translation differences that arise during currency translation of foreign operations are recognised in other comprehensive income and accumulated in a separate component under equity, designated translation reserve. When controlling influence ceases for a foreign operation, the accumulated translation differences attributable to the operation are realised and they are reclassified from the translation reserve in equity to profit or loss.

(j) Sale of goods

The group's reported net sales mainly concern revenue from the sale of goods. The net sales have, where appropriate, been reduced by the value of discounts given and returned goods. Revenue from the sale of goods is recognised when the significant risks and benefits that are associated with ownership of the goods have been transferred to outside parties, normally in conjunction with delivery to the customer.

(k) Leasing

Expenses relating to operating leases are recognised on a straight-line basis in profit or loss over the leasing period. Benefits received in conjunction with signing an agreement are recognised in profit or loss as a linear reduction in leasing fees over the term of the lease. Variable fees are written off in the periods they occur.

(m) Financial income and expense

Financial income comprises interest income, exchange rate differences and other financial income.

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

Exchange rate gains and exchange rate losses are recognised on a net basis.

(n) Taxes

Income taxes comprise current tax and deferred tax. Income taxes are recognised in profit or less except when the underlying transaction is recognised in other comprehensive income or in equity, in which case the associated tax effect is recognised in other comprehensive income or equity.

Current tax is tax that is to be paid or received with regard to the current year, with application of the tax rates that are decided or in practice decided as at the balance sheet date. Also belonging to current tax is the adjustment of current tax attributable to earlier periods.

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

Deferred tax assets concerning deductible temporary differences and deductible deficits are recognised only to the extent it is likely that these can be utilised. The value of deferred tax assets is reduced when it is no longer deemed likely that they can be utilised.

(o) Financial instruments

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

(i) Recognition and derecognition
Financial assets and liabilities are recognised in the statement of financial position when the company becomes a party to the contractual provisions of the instrument. Receivables are recognised when the company has performed the work or service and there is a contractual obligation on the other contracting party to pay, even if the invoice has yet to be sent. Trade receivables are recognised in the statement of financial position once an invoice has been sent. Liabilities are recognised when the other contracting party has performed the work or service and there is a contractual obligation to pay, even if the invoice has not yet been received. Trade payables are recognised when an invoice is received.

A financial asset is derecognised from the statement of financial position when the contractual rights to the asset are realised, expire or the company loses control over them. The same applies to part of a financial asset. A financial liability is derecognised from the statement of financial position when the contractual obligation is discharged or is otherwise extinguished. The same applies to part of a financial liability.

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

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

(ii) Classification and measurement
Financial instruments that are not derivatives are recognised initially at cost corresponding to the fair value of the asset plus transaction costs for all financial instruments except for

Note 1 continued

those classified as financial assets recognised at fair value through profit or loss, which are recognised at fair value excluding transaction costs. A financial instrument is classified at initial recognition, partly on the basis of the purpose for which the instrument was acquired. Classification determines how the financial instrument is measured after initial recognition, as described below.
Cash and cash equivalents comprise cash on hand and at bank.

Financial assets are measured at fair value through profit or loss
This classification comprises two subgroups: financial assets that are held for trading purposes and other financial assets that the company has initially chosen to classify as such (according to the so-called Fair Value Option). Financial instruments in this category are measured continuously at fair value with any changes in value recognised through profit or loss. The first sub-group includes derivatives with positive fair values with the exception of derivatives that have been identified as effective hedging instruments. The group has no instruments in the second sub-group.

Loans receivable and trade receivables
Loans receivable and trade receivables are financial assets that are not derivatives, which have payments that are fixed or can be fixed, and which are not listed on an active market. These assets are measured at amortised cost. Amortised cost is determined based on the effective rate of interest calculated at the time of acquisition. Trade receivables are recognised at the amount expect to be received, i.e. after deduction for doubtful debts.

Financial liabilities are measured at fair value through profit or loss
This category comprises two sub-groups, financial liabilities that are held for trading purposes and other financial liabilities that the company has chosen to classify as such (the so-called Fair Value Option), see description above under "Financial assets measured at fair value through profit or loss". The first category includes the group's derivatives with negative fair values. Changes in fair value are recognised through profit or loss. The group has no instruments in the second sub-group.

Other financial liabilities
Loans and other financial liabilities, for example trade payables, are included in this category. These liabilities are valued at amortised cost.

(iii) Derivatives
The group's derivative instruments have been acquired in order to financially mitigate the exchange rate risks the company is exposed to. Troax does not apply hedge accounting, which means that changes in the fair value of derivatives are recognised in the income statement immediately for the period in which they occur. Changes in the fair value of derivatives are recognised on a net basis as either other operating income or operating expense.

(p) Property, plant and equipment
Property, plant and equipment are recognised by the Group at cost after deduction for accumulated depreciation and any impairment losses. Cost includes the purchase price and expenses directly attributable to the asset in order to ensure it is in a location and in a condition where it can be utilised in accordance with the purpose of the acquisition. Loan expenses that are directly attributable to purchase, construction or production of assets that require significant time to be made ready for their intended use or sale are included in cost. Accounting policies relating to impairment are shown below.

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

Assets are depreciated on a straight-line basis over their estimated useful lives; land is not depreciated.

Estimated useful lives:

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

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

(q) Intangible assets
(i) Goodwill
Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and tested annually for impairment. Goodwill is partially written off.

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

(iii) Trademarks
Acquired trademarks are recognised at cost less any impairment losses. Most of the Group's trademarks are considered to have indeterminate lives and are therefore not amortised. A few individual trademarks are amortised, however.

(iv) Customer relationships
Acquired customer relationships are recognised at cost less accumulated amortisation and any impairment losses.

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

(s) Impairment
The carrying amounts of assets are tested for indication of impairment at each balance sheet date. IAS 36 is applied to impairment of assets other than financial assets, which are accounted for in accordance with IAS 39.

(i) Impairment of property, plant and equipment and intangible assets
If there is an indication of impairment, the asset's recoverable amount is calculated (see below). For goodwill, the recoverable amount is also calculated annually. An impairment loss is recognised when the carrying amount of an asset or cash

Note 1 continued

generating unit exceeds the recoverable amount. An impairment loss is recognised as an expense through profit or loss. When impairment losses have been identified for a cash generating unit, the impairment amount is in the first instance allocated to goodwill. Thereafter, proportionate impairment losses are recognised for other assets included in the unit.

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

(ii) Impairment of financial assets
At each reporting date the company evaluates whether there is objective evidence that a financial asset or group of assets may be impaired. Objective evidence comprises observable conditions that have occurred and that have a negative effect on the ability to recover the cost of the asset.

Impairment of receivables is established based on historical experience of customer losses on similar receivables. Trade receivables for which impairment losses have been identified are recognised at the present value of estimated future cash flows. Receivables with short maturities are not discounted.

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

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

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

(u) Earnings per share
Calculation of earnings per share is based on the Group's annual profit or loss attributable to the parent company's owners and the weighted average number of outstanding ordinary shares over the year. There were no dilutive potential ordinary shares either for the year just ended or the previous financial year. Therefore, no dilutive effect exists.

(v) Remuneration to employees
(i) Short-term remuneration
Short-term remuneration to employees is calculated without discounting and booked as expense when the related services are received.

(ii) Pension commitments
Plans in which the company's obligation is limited to the contributions the company has undertaken to pay are classified as defined contribution pension plans. The majority of the group's pension commitments are defined contribution plans and have been secured through insurance policies with insurance companies. However, the group also has some defined benefit plans. Defined benefit plans are plans other than defined contribution plans. In Sweden, the defined benefit plans comprise ITP 2. In addition, the Group has some pension obligations in subsidiaries in Italy and France that are classified as defined benefit plans according to IAS 19. In 2015, the company also had pension obligations in Germany, but these were settled in 2016.

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

The group's net obligation comprises the current value of the obligation. The interest expense on the defined benefit obligation is recognised in net interest income/expense. The net interest expense or income is based on the interest that arises from discounting of the net defined benefit liability, i.e. the interest on the liability. Other components are recognised under their respective functions in the income statement.

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

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

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

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

The parent company's accounting policies
The parent company's annual report has been prepared according to the Swedish Annual Accounts Act (1995:1554) and Recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial Reporting Board. The Swedish Financial Reporting Board's statements on listed companies have also been applied. According to RFR2, the parent company must, in the annual report for the legal entity, apply all IFRS and statements adopted by the EU in so far as this is

Note 1 continued

possible within the framework of the Swedish Annual Accounts Act, the Swedish Pension Obligation Vesting Act and with regard to the connection between accounting and taxation. The recommendation states the exceptions from and additions to IFRS that should be applied.

Differences between the Group's and the parent company's accounting policies

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

Revised accounting policies

Unless otherwise stated below, the parent company's accounting policies in 2016 changed in accordance with the amendments described above in respect of the Group's accounting policies.

Classification and formats

The differences in the parent company's income statements and balance sheets compared with the group's financial statements primarily comprise accounting of financial income and expense, fixed assets, equity and the inclusion of provisions as a separate heading in the balance sheet.

Classification and formats

The format of the parent company's income statement and balance sheet follow the format in the Swedish Annual Accounts Act. The difference compared with IAS 1 Presentation of financial statements, which is used for the format of the consolidated financial statements, primarily comprises recognition of financial income and expense, fixed assets and equity.

Subsidiaries

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

Financial instruments

With regard to the connection between accounting and taxation, the rules regarding financial instruments and hedge accounting in IAS 39 are not applied in the parent company as a legal entity.

NOTE 2 / Operating segments

An operating segment is a part of the group that carries out business from which it can generate income and incur expenses and for which there is independent financial information available.

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

The reason the group is monitored as one segment is that the performance measure is only monitored at an overall level because production and other overall costs are found at the head office and not distributed across other areas. At lower levels than the operating segment, monitoring only comprises regional sales and volume of order intake. There are therefore no performance measures that the senior executive decision-makers use for distribution of resources.

Internal prices between the Group's different regions are based on the "arm length" principle, i.e. between parties that are independent of each other, well-informed and with an interest in the transactions being carried out. All development and the majority of production is carried out at the Group's head office in Hillerstorp, Sweden.

Geographical areas

The Group's net sales are divided into the following four geographical areas: Nordic region, the UK, Continental Europe and New markets.

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

Geographical areas

The Group

Net sales

EUR thousand	**2016**	**2015**
Nordic region	22,354	20,955
UK	17,598	17,362
Rest of Europe	63,331	55,983
New markets	12,504	9,375
Total	**115,787**	**103,675**

None of the group's customers is solely responsible for 10% or more of net sales.

Intangible and tangible fixed assets

EUR thousand	2016	2015
Nordic region	76,886	80,700
UK	605	698
Rest of Europe	21,152	20,311
New markets	15,654	342
Total	**114,297**	**102,051**

NOTE 3 / Business combinations

Acquisitions in 2016

On 23 December 2016, Troax acquired the US company Aspen Holding (Folding Guard) for USD 25.8 million. Contingent consideration of up to USD 2.2 million may be payable if the company achieves a specific, minimum profit for the rolling 12-month period until end-June 2017. The company is wholly owned since December 2016.

Folding Guard manufactures and sells mesh partition solutions, primarily to industrial customers in the USA. As a result of the acquisition, the Group is expected to increase its presence on these markets. The Group is expected to be able to reduce its costs over the long term due to cost synergies. The goodwill of EUR 11,163,000 arising from the acquisition is attributable to strong products customised for the US market, the market organisation, the know-how of employees and a strong market position. The acquired goodwill is expected to be tax deductible in the USA.

Analysis of intangible assets found that key value drivers in the acquired business are the actual products (know how), production capacity, precision delivery, distributors and agents with a good understanding of customisation, and pricing that is competitive in the US market. Sales often take place in connection with projects and in principle take place solely through purchasing. Purchasing by customers is very decentralized, which requires a large network of distributors and agents with a significant marketing presence. In this industry sector there are seldom binding agreements on volumes or sole supplier agreements. Folding Guard has been operating for a large number of years and is considered to be the second-largest company in the US market.

An analysis has also been carried out concerning the company's customer relationships. The analysis was based on the factors that are decisive for sales. These include the facility to offer tailor-made solutions, efficient logistics and attractive prices. The customer relationship has some, but not a significant, impact on customers' purchasing decisions. On this basis, the company's customer relationships are measured as being of low value.

Folding Guard's brands do not command either a price premium or volume premium. Since the brand is aimed at professional players, it is of limited value compared with consumer brands. We have therefore elected not to give a value to the brand, since its useful life is indeterminate and cannot be estimated.

Costs relating to the acquisition of SEK 160,000 are recognised under administrative expenses in the consolidated income statement for the financial year 2016.

The acquisition had the following effects on the group's assets and liabilities. The acquired company's net assets at the time of acquisition:

EUR thousand	Carrying amount before the acquisition	Fair value, adjusted	Fair value recognised by the Group
Intangible assets	14,241		14,241
Property, plant and equipment	1,337		1,337
Deferred tax	6,626		6,626
Inventories	1,343		1,343
Trade receivables and other receivables	2,402		2,402
Cash and cash equivalents	340		340
Trade payables and other operating liabilities	-1,642		-1,642
	24,647	**0**	**24,647**

Consideration paid	**24,647**
Cash (acquired)	-340
Net outflow of cash	**24,307**

Note 3 continued

Acquisition 2015

In October 2015, Troax Group AB (publ) acquired Lagermix Rullportar AB, corp. ID no. 559022-0017. The purchase price for the acquisition was EUR 410,000, which was paid partly in cash and partly by means of a promissory note. The acquisition had only a marginal effect on the Group's assets and liabilities because the company only had net assets of EUR 5,000 at the time of the acquisition.

NOTE 4 / Other operating income

The Group

EUR thousand	2016	2015
Capital gain/loss on tap issue	933	0
Change in fair value of currency derivatives	0	859
Currency gains on operating receivables/liabilities	224	0
Other	248	319
Total	**1,405**	**1,178**

The parent company

EUR thousand	2016	2015
Capital gain/loss on tap issue	933	0
Other	988	304
Total	**1,921**	**304**

NOTE 5 / Other operating expenses

The group

EUR thousand	2016	2015
Change in fair value of currency derivatives	-412	0
Other	0	-109
Total	**-412**	**-109**

The parent company

EUR thousand	2016	2015
Currency losses on operating receivables/liabilities	-424	0
Total	**-424**	**0**

NOTE 6 / Employees and employee benefit expenses

The Group

EUR thousand	**2016**	**2015**
Wages, salaries, other remuneration and social costs		
Wages, salaries, other remuneration and social costs	19,998	19,913
Social costs	5,044	4,874
Pension costs, defined benefit (also see Note 21)	106	146
Pension costs, defined contribution plans	1,040	945
Total	**26,188**	25,878

The parent company

EUR thousand	**The parent company** 2016	2015
Wages, salaries, other remuneration and social costs		
Wages, salaries, other remuneration and social costs	881	948
Social costs	214	274
Pension costs, defined contribution plans	159	179
Total	1,254	1,401

Of the parent company's pension expenses, EUR 159,000 (179,000) was attributable to the Group's Board of Directors and CEO. There are no outstanding pension obligations to the Group's Board of Directors and CEO.

Average number of employees	**2016**	of which men, %	**2015**	of which men, %
The parent company				
Sweden	3	100	2	100
Total parent company	**3**		**2**	
Subsidiaries				
Sweden	199	78	177	73
Norway	2	50	3	100
Denmark	8	63	8	75
Finland	4	100	4	100
UK	59	80	60	80
Benelux	15	80	15	80
France	20	70	16	75
Germany	37	76	33	73
Switzerland	1	100	1	100
Italy	81	74	77	71
Spain	15	69	16	69
China	19	82	17	82
USA	16	94	13	100
Other	6	71	4	100
Total in subsidiaries	**482**		**444**	
The group in total	**485**	**77**	**446**	**76**

Note 6 continued

Distribution by gender in company management	2016 proportion women, %	2015 proportion women, %
The parent company		
The board	25.0	12.5
Other senior executives	0	0
The group in total		
The board	25.0	12.5
Other senior executives	0	0

Of the salaries and remuneration paid to other employees in the Group, EUR 1,178,000 (952,000) was attributable to other senior executives than the Board of Directors and the CEO.

Severance pay

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

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

BENEFITS FOR SENIOR EXECUTIVES

Principles for remuneration of the Board of Directors

The Chairman of the Board and other Board members receive fees as determined by the Annual General Meeting. Employee representatives on the Board do not receive any board fees. The 2016 Annual General Meeting decided that the fees for the Board of Directors for work performed in 2017 should be EUR 47,000 (38,000) for the Chairman of the Board and EUR 21,000 (19,000) for each of the Board members. The chairs of the Remuneration Committee and Audit Committee receive an additional fee of EUR 6,000, while the committee members receive EUR 3,000. No fees for board work are payable to the CEO or the persons representing FSN Capital on the Board.

Principles for remuneration of the CEO and President

Remuneration

The CEO and President receives remuneration in the form of basic salary, pension and variable remuneration. In 2016, the basic salary was EUR 249,000 (226,000). Variable remuneration must not exceed 6 monthly salaries. Any bonus payments will be determined on the basis of the Troax Group's performance and tied up capital.

In 2016, remuneration to the CEO and President amounted to EUR 358,000 (320,000), including benefits, of which EUR 99,000 (83,000) comprised bonuses for the financial year 2016.

Notice periods and severance pay

In the case of termination by the CEO, a period of notice of six months applies. In the case of termination by the company, the CEO is entitled to severance pay corresponding to 12 monthly salaries. The last six months provided the CEO has not found new employment.

Pension remuneration

The retirement age for the CEO and President is 65. The pension plan is not defined-benefit.

In 2016, premium contributions in respect of the CEO amounted to EUR 79,000 (83,000).

Principles for remuneration to other members of the group management

Remuneration

Those members of the group management who are employed in companies other than the parent company receive their remuneration from the respective companies. The remuneration is decided by the CEO, assisted by the Chairman of the Board, and comprises a basic salary, pension, variable remuneration and other benefits. For other members of the group management, the variable compensation must not exceed 4 monthly salaries. Any bonus payments and the size of these are determined by the Board on the basis of the Troax Group's performance and tied up capital. In 2016, remuneration of other members of the group management totalled EUR 1,178,000 (1,123,000), of which EUR 192,000 (207,000) comprised bonuses for the financial year 2016.

Notice periods and severance pay

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

Pension remuneration

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

The company's obligation is linked to final salary at retirement. In 2016, premium contributions attributable to other members of the group management amounted to EUR 193,000 (194,000).

Note 6 continued

Remuneration and other benefits in the 2016 financial year

EUR thousand	Basic salary board fee	Variable compensation	Other benefits	Pension cost	Total
Chairman of the Board Jan Svensson	48				48
Board Member Curt Germundsson	21				21
Board Member Anna Stålenbring	26				26
Board Member Per Borgvall	24				24
Board member Eva Nygren	16				16
Board member Lennart Sundén	14				14
Board Member Peter Möller	0				0
Managing Director Thomas Widstrand	249	99	10	79	437
Other members of the senior management (6 people)	908	192	78	193	1,371
Total	**1,306**	**291**	**88**	**272**	**1,957**
Of which from the parent company	**965**	**177**	**39**	**192**	**1,373**

Remuneration and other benefits during the year 2015

EUR thousand	Basic salary board fee	Variable compensation	Other benefits	Pension cost	Total
Chairman of the Board Lennart Sundén	38				38
Board Member Curt Germundsson	19				19
Board Member Lars Hellberg	9				9
Board member Kenneth Lundberg	9				9
Board member Anna Stålenbring	13				13
Board member Jan Svensson	13				13
Board Member Per Borgvall	12				12
Board Member Peter Möller	0				0
Managing Director Thomas Widstrand	226	83	11	83	403
Other senior executives (5)	744	208	58	194	1,204
Total	**1,083**	**291**	**69**	**277**	**1,720**
Of which from the parent company	**771**	**156**	**21**	**179**	**1,127**

Pension obligations relating to senior executives

The Group

EUR thousand	2016 Key management personnel (1 person)	2015 Key management personnel (1 person)
Pension obligations	**0**	**1,103**

NOTE 7 / Fees and reimbursement of costs to auditors

The Group

EUR thousand	2016	2015
PwC		
The audit assignment	63	49
Audit tasks in addition to the audit assignment	2	95
Total	**65**	**144**
Other auditors		
The audit assignment	96	55
Other services	66	70
Total	**162**	**125**

The parent company

EUR thousand	2016	2015
PwC		
The audit assignment	30	26
Audit tasks in addition to the audit assignment	0	89
Total	**30**	**115**
Other auditors		
The audit assignment	0	0
Other services	0	0
Total	**0**	**0**

Audit assignment refers to the statutory audit of the financial statements and consolidated financial statements and accounting, the management by the Board of Directors and the CEO, and audit and other reviews carried out as per agreement. This includes other tasks that it is incumbent upon the company's auditor to perform, as well as advice and other consultancy services that have been prompted by observations made during such a review or while performing such tasks.

NOTE 8 / Operating expenses by type of expense

The Group

EUR thousand	2016	2015
Material costs	-26,202	-24,040
Changes in inventories, finished goods and work in progress	-44	502
Personnel costs	-29,264	-26,731
Other external costs	-33,641	-29,983
Depreciation	-2,769	-2,214
Total	**-91,920**	**-82,466**

NOTE 9 / Net financial income/expense

The Group

EUR thousand	2016	2015
Interest income on bank deposits	36	61
Change in the fair value of interest rate derivatives	47	61
Net exchange rate changes	7	308
Interest income, group company	0	0
Financial income	**90**	**430**
Interest expense relating to bond	-3,774	-4,134
Interest expenses, credit institutions	-11	-44
Interest expenses, other	-232	-321
Financial expenses	**-4,017**	**-4,499**
Net interest income/expense	**-3,927**	**-4,069**

The parent company

EUR thousand	2016	2015
Net exchange rate changes	0	295
Interest income, group company	31	0
Financial income	**31**	**295**
Interest expense relating to bond	-3,774	-4,133
Financial expenses	**-3,774**	**-4,133**
Net interest income/expense	**-3,743**	**-3,838**

NOTE 10 / Taxes

Recognised in the income statement and statement of other comprehensive income

The Group

EUR thousand	2016	2015
Current tax expense (-)/tax income (+)		
Tax expense for the period	-4,959	-3,408
Total	**-4,959**	**-3,408**
Deferred tax expense (-)/tax income (+)		
Deferred tax on revaluation of carrying amount of deferred tax assets	-89	-1,207
Total	**-89**	**-1,207**
Total recognised tax expense	**-5,048**	**-4,615**

Note 10 continued

The parent company

EUR thousand	2016	2015
Current tax expense (-)/tax income (+)		
Tax expense for the period	-911	0
Total	**-911**	**0**
Deferred tax expense (-)/tax income (+)		
Deferred tax expense as a result of utilization of previously recognised tax value of loss carry forwards	-32	-1,154
Deferred tax on revaluation of carrying amount of deferred tax assets	0	0
Total	**-32**	**-1,154**
Total recognised tax expense in the parent company	**-943**	**-1,154**

Reconciliation of effective tax

The Group

EUR thousand	2016 (%)	2016	2015 (%)	2015
Profit before tax		21,345		18,318
Tax in accordance with the applicable tax rate for the parent company	22.0	-4,696	22.0	-4,030
Effect of other tax rates for foreign subsidiaries	2.5	-532	3.5	-626
Non-deductible expenses	0.2	-37	0.5	-87
Revenues not liable for tax	0.0	3		
Recognition of previously unrecognised tax loss	-1.5	303	-0.7	133
Standard interest on tax allocation reserve	0.0	-4	0.0	-5
Translation differences	0.4	-85		
Recognised effective tax	**23.6**	**-5,048**	**25.3**	**-4,615**

The parent company

EUR thousand	2016 (%)	2016	2015 (%)	2015
Profit before tax		4,200		5,493
Tax in accordance with the applicable tax rate for the parent company	22.0	-924	22.0	-1,208
Non-deductible expenses	0.3	-11	0.2	-9
Conversion difference deferred tax	0.2	-8	-1.1	63
Recognised effective tax	**22.5**	**-943**	**21.1**	**-1,154**

Tax attributable to other comprehensive income

The Group

EUR thousand	2016	2015
Tax attributable to revaluation of defined-benefit pensions	36	-77
Total	**36**	**-77**

Note 10 continued

Recognised in the balance sheet

Change in deferred tax in temporary differences and loss carryforwards

The Group EUR thousand	**Balance as at 01/01/2016**	**Recognised through profit or loss**	**Recognised in other comprehen-sive income**	**Acquisition/ sale of business**	**Balance as at 31/12/2016**
Property, plant and equipment	-1,617	162			-1,455
Intangible assets	-799	53		6,626	5,880
Provisions for pensions	3		6		9
Tax allocation reserve	-1,555	-224			-1,779
Tax loss carryforwards	283	20			303
Other	421	-123			298
Total	**-3,264**	**-112**	**6**	**6,626**	**3,256**

The Group EUR thousand	**Balance as at 01/01/2015**	**Recognised through profit or loss**	**Recognised in other comprehen-sive income**	**Acquisition/ sale of business**	**Balance as at 31/12/2015**
Property, plant and equipment	-1,686	69			-1,617
Intangible assets	-715			-84	-799
Provisions for pensions	110	-40	-67		3
Tax allocation reserve	-1,463	-92			-1,555
Tax loss carryforwards	1,463	-1,180			283
Other	407	14			421
Total	**-1,884**	**-1,229**	**-67**	**-84**	**-3,264**

Deferred tax assets are recognised for tax loss carryforwards to the extent that it is likely that they can be utilised through future taxable profits. The Group reported deferred tax assets of EUR 303,000 (283,000), which can be offset against future taxable profits.

NOTE 11 / Intangible assets

The Group

EUR thousand	Licenses	Trademarks	Customer relationships	Goodwill	Total
Accumulated cost					
Opening balance 01/01/2015	110	3,250		77,348	80,708
Business acquisitions		388			388
Other investments	18				18
Exchange rate differences for the year		12		2,618	2,630
Closing balance 31/12/2015	**128**	**3,650**	**0**	**79,966**	**83,744**
Accumulated amortisation and impairment					
Opening balance 01/01/2015	-10				-10
Amortisation for the year	-10	-19		-102	-131
Closing balance 31/12/2015	**-20**	**-19**	**0**	**-102**	**-141**
Carrying amounts					
At 01/01/2015	100	3,250		77,348	80,698
At 31/12/2015	**108**	**3,631**		**79,864**	**83,603**
Accumulated cost					
Opening balance 01/01/2016	128	3,650		79,966	83,744
Business acquisitions			1,800	11,163	12,963
Other investments	151				151
Exchange rate differences for the year		-18		-1,651	-1,669
Closing balance 31/12/2016	**279**	**3,632**	**1,800**	**89,478**	**95,189**
Accumulated amortisation and impairment					
Opening balance 01/01/2016	-20	-19		-102	-141
Amortisation for the year	-94	-220		-103	-417
Closing balance 31/12/2016	**-114**	**-239**	**0**	**-205**	**-558**
Carrying amounts					
At 01/01/2016	108	3,631		79,864	83,603
At 31/12/2016	**165**	**3,393**	**1,800**	**89,273**	**94,631**

No internally created intangible assets are found in the group.

Amortisation is included in the following lines in the income statement

The Group EUR thousand	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
Cost of goods sold	0	0
Sales expenses	-417	-131
	-417	**-131**

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

Note 11 continued

Testing a cash-generating unit containing goodwill and trademarks for impairment

The following cash-generating units contain goodwill and trademarks:

The Group	Carrying amount	
Goodwill, EUR thousand	2016	2015
Troax (excluding Satech)	57,938	61,389
Satech	18,372	18,475
Folding Guard	12,963	
Total	**89,273**	**79,864**

The group	Carrying amount	
Trademarks, TEUR	2016	2015
Troax (excluding Satech)	2,936	3,174
Satech	457	457
Total	**3,393**	**3,631**

The value of recognised goodwill and trademarks with an indefinite useful life is tested for impairment at least annually. The recoverable amount for the cash generating unit is based on its value in use. The value in use is based on the company management's five-year business forecast. Cash flows for subsequent years are based on an assumed annual growth rate of 2%. Important assumptions in the business forecast that affect cash flow estimates are market growth and anticipated price development. This coincides with historical experiences and external sources of information.

The company management has carried out alternative calculations based on reasonable alternative significant assumptions concerning discount rate, net sales and EBIT. A change in the discount rate to 15% after tax would not result in impairment losses for recognised goodwill in the Group. A reduction in the Group's net sales of 20%, or a 50% reduction in EBIT, would also not result in impairment losses for recognised goodwill. The Group's budget and business plan for the forecast period includes projected increases in sales, EBIT and cash flows.

The following discount rates (before tax) have been used when calculating the value in use:

Discount rate before tax

The Group		
%	2016	2015
Troax (excluding Satech)	10.3	10.3
Satech	11.5	14.1

NOTE 12 / Property, plant and equipment

The Group EUR thousand	Buildings and land	Machines	Equipment	Ongoing	Total
Opening balance 01/01/2015	9,912	5,899	1,881	1,572	19,264
Investments for the year	1,625	2,527	312	180	4,644
Sales and disposals		-2,072	-195		-2,267
Reclassifications	312	955		-1,634	-367
Exchange rate differences for the year	795	783	307	65	1,950
Closing balance 31/12/2015	**12,644**	**8,092**	**2,305**	**183**	**23,224**
Accumulated depreciation and impairment					
Opening balance 01/01/2015	-803	-2,141	-721		-3,665
Depreciation for the year	-720	-982	-367		-2,069
Sales and disposals	24	2,036	178		2,238
Exchange rate differences for the year	-409	-599	-272		-1,280
Closing balance 31/12/2015	**-1,908**	**-1,686**	**-1,182**	**0**	**-4,776**
Carrying amounts					
At 01/01/2015	9,109	3,758	1,160	1,572	15,599
At 31/12/2015	**10,736**	**6,406**	**1,123**	**183**	**18,448**
Accumulated cost					
Opening balance 01/01/2016	12,644	8,092	2,305	183	23,224
Business acquisitions		1,242		14	1,256
Investments for the year	50	2,049	809	50	2,958
Sales and disposals		-466	-474		-940
Exchange rate differences for the year	-676	-986	-287	-8	-1,957
Closing balance 31/12/2016	**12,018**	**9,931**	**2,353**	**239**	**24,541**
Accumulated depreciation and impairment					
Opening balance 01/01/2016	-1,908	-1,686	-1,182		-4,776
Depreciation for the year	-646	-1,178	-416		-2,240
Sales and disposals		464	473		937
Exchange rate differences for the year	199	762	243		1,204
Closing balance 31/12/2016	**-2,355**	**-1,638**	**-882**	**0**	**-4,875**
Carrying amounts					
At 01/01/2016	10,736	6,406	1,123	183	18,448
At 31/12/2016	**9,663**	**8,293**	**1,471**	**239**	**19,666**

Depreciation and impairment

Depreciation is included in the following lines in the income statement

The Group EUR thousand	2016	2015
Cost of goods sold	-2,038	-1,863
Sales expenses	-197	-50
Administration expenses	-343	-156
Total	**-2,578**	**-2,069**

NOTE 13 / Non-current financial assets

Non-current receivables classified as non-current assets

The Group

EUR thousand	2016	2015
Deferred tax asset	6,626	
Other	587	498
Total	**7,213**	**498**

NOTE 14 / Inventories

The Group

EUR thousand	2016	2015
Raw materials and consumables	2,561	1,395
Work in progress	4,472	3,423
Finished goods and goods for resale	3,585	3,158
Total	**10,618**	**7,976**

Costs of goods sold for the Group include depreciation of inventories of 410 (108).

NOTE 15 / Trade receivables

Trade receivables were recognised after taking into account credit losses incurred during the financial year, which amounted to EUR 259,000 (213,000) for the Group. The losses occurred in conjunction with management according to the group's credit policy.

Credit risks in trade receivables

The risk that the group's customers will not fulfil their obligations, i.e. default, represents a customer credit risk. The group's customers are credit checked, whereby information about the customers' financial position is obtained from a credit reference agency. The group has drawn up a credit policy on how to manage customer credit. The policy contains, among other things, decisions on where decisions regarding customer credit limits of different sizes are taken, and how evaluation of credits and doubtful debts should be managed.

Age analysis, trade receivables that are past due but not impaired

The Group

EUR thousand	31/12/2016	31/12/2015
Trade receivables not overdue	21,720	16,328
Overdue trade receivables 1–30 days	4,075	3,067
Overdue trade receivables 31–90 days	895	686
Overdue trade receivables >90 days	814	964
Reserve for doubtful trade receivables	-1,051	-1,018
Total	**26,453**	**20,027**

Concentration of credit risk in trade receivables

The company has a low credit risk per customer. The average purchase per customer and event amounts to EUR 3,000 and the total per year is approximately EUR 10,000.

NOTE 16 / Prepaid expenses and accrued income

The Group

EUR thousand	31/12/2016	31/12/2015
Prepaid rents/leases	56	86
Insurances	6	12
Other items	931	1,167
Total	**993**	**1,265**

The parent company

EUR thousand	31/12/2016	31/12/2015
Insurances	1	0
Other items	5	314
Total	**6**	**314**

NOTE 17 / Other receivables, current

The group

EUR thousand	31/12/2016	31/12/2015
Other receivables	737	1,513
Total	**737**	**1,513**

The parent company

EUR thousand	31/12/2016	31/12/2015
Other receivables	0	36
Total	**0**	**36**

NOTE 18 / Equity

Specification of equity item reserves

The Group

EUR thousand	2016	2015
Translation reserve		
Opening translation reserve	-3,087	-5,932
Translation reserve for the year	-3,718	2,845
Closing translation reserve	**-6,805**	**-3,087**

Share capital and number of shares

The Group

Stated in number of shares		
Issued as at January 1	20,000,000	3,899,655
Non-cash issue	0	19,053,636
Redemption	0	-2,953,291
Issued as at 31 December – paid	**20,000,000**	**20,000,000**

During 2015 all preference shares were redeemed. The company issued 19,053,636 new ordinary shares. At the end of the year there were 20,000,000 ordinary shares and no preference shares.

Note 18 continued

The registered share capital is distributed as follows:

Stated in number of shares	Voting rights at shareholders' meetings	2016	2015
Class A shares (ordinary shares)	1 vote per share	20,000,000	20,000,000
Weighted average		**20,000,000**	**20,000,000**

As at 31 December 2016, the registered share capital comprised 20,000,000 (20,000,000) ordinary shares and no preference shares. With effect from 1 January 2015, the share capital of the parent company is reported in EUR.

Holders of ordinary shares (Class A shares) are entitled to dividends as determined in due course.

Other paid-up capital

Refers to equity capital that is paid-up from owners. Included here are premiums that are paid in connection with issues.

Reserves

Translation reserve

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

Retained earnings including profit for the year

Retained earnings, including profit for the year, includes accrued earnings in the parent company and its subsidiaries.

THE PARENT COMPANY

Non-restricted equity

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

Share premium reserve

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

Retained earnings

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

Management of capital

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

NOTE 19 / Earnings per share

Calculation of earnings per share is based on the weighted average number of outstanding ordinary shares (Class A shares). Preference shares are not included in the average number of outstanding ordinary shares.

Earnings per share

The Group

EUR thousand	31/12/2016	31/12/2015
Annual profit attributable to the parent company's shareholders	16,297	13,703
Adjustment for cumulative dividend on preference shares	0	-722
Earnings per share	0.81	0.84

Weighted average number of outstanding shares

The Group

Number	31/12/2016	31/12/2015
Total number of shares, 1 January	20,000,000	946,364
Effect of new and non-cash issues	0	14,564,288
Weighted average number of shares during the year, before dilution	**20,000,000**	**15,510,652**

NOTE 20 / Interest-bearing liabilities

This Note contains information on the company's contractual terms and conditions concerning interest-bearing liabilities.

See Note 24 for more information on the company's exposure to interest risk and risk of exchange rate fluctuations.

	The Group		The parent company	
EUR thousand	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Non-current liabilities				
Bonds	76,102	56,648	76,959	57,505
Total	**76,102**	**56,648**	**76,959**	**57,505**

				2016		2015	
EUR thousand	Currency	Nominal interest %	Maturity	Nominal value	Carrying amount	Nominal value	Carrying amount
Bonds	EUR	EURIBOR +5.50	17/06/2020	76,959	76,102	60,000	56,648
Total interest bearing liabilities					**76,102**		**56,648**

On 12 June 2014, Troax Group AB (publ) issued a six-year "senior secured" bond worth a total of EUR 70.0 million. Troax Group AB (publ) has the right to issue a further EUR 30.0 million during the term of the bond, on condition that the covenants are met. Interest is paid quarterly and the coupon corresponds to EURIBOR plus 5.5%. In 2015, the company repurchased bonds worth EUR -9.9 million. In December 2016, Troax Group AB (publ) issued bonds worth EUR 19.4 million. In connection with the tap issue, the company sold its own holding of bonds, resulting in a capital gain of EUR 0.9 million. This gain is recognised in other income under consolidated operating profit. As at 31 December 2016, Troax Group AB (publ) had the right to issue bonds worth a total of EUR 10.6 million. All covenants were met as at 31 December 2016, see Note 24 for more information.

NOTE 21 / Provisions for pensions

The Group

EUR thousand	2016	2015
The current value of wholly or partly funded obligations	3,623	4,554
Total current value of defined-benefit obligations	**3,623**	**4,554**
Net carrying amount of defined benefit plans (see below)	**3,623**	**4,554**

Overview defined benefit plans

The Group has defined benefit plans in Sweden, Italy and France. In 2015, the Group also had a defined benefit plan in Germany, which referred to a pension obligation for the managing director. The majority of the Swedish pension plans are defined benefit, which corresponds to an unfunded liability to PRI Pensionsgaranti. The pension obligations in Italy and France concern the statutory severance pay that is paid out to all employees on retirement.

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

The information below refers to all the above plans together.

Note 21 continued

Changes in current value of the obligation relating to defined benefit plans

The Group

EUR thousand	2016	2015
Obligation relating to defined benefit plans as at 1 January	4,554	4,663
Cost relating to employment in the current period	106	145
Interest expense	98	118
Actuarial gains and losses on changed financial assumptions	164	-352
Effects of reductions and settlements	-1,104	
Compensation paid out	-63	-66
Exchange rate differences	-132	46
Obligation relating to defined benefit plans as at 31 December	**3,623**	**4,554**

The current value of the obligation is divided between the members to the plan/s as follows:

Active members 50% (2015, 57%)
Holders of paid-up policies 40% (2015, 34%)
Pensioners 10% (2015, 9%)

Cost recognised through profit or loss

The Group

EUR thousand	**2016**	**2015**
Cost relating to employment in the current period	106	146
Interest expense on the obligation	99	119
Total net expense in the income statement	**205**	**265**

Recognised in other comprehensive income

The Group

EUR thousand	**2016**	**2015**
Revaluations:		
Actuarial gains (-) and losses (+)	164	-352
Net amount recognised in other comprehensive income	**164**	**-352**

Assumptions relating to defined benefit obligations

The most significant actuarial assumptions as at the balance sheet date (expressed as weighted average)

The Group

%	**2016**	**2015**
Discount rate as at 31 December	2.80	3.10
Future salary increases	2.50	2.50
Future increase of pensions	1.50	1.50

Note 21 continued

Sensitivity analysis 2016

The table below presents possible changes in actuarial assumptions as at the balance sheet date, with other assumptions unchanged, and how these would affect the defined benefit obligation.

The Group

EUR thousand	Increase	Decrease
Discount rate (0.5% change)	-267	306
Expected mortality (1 year change)	101	-101
Future salary increase (0.5% change)	117	-91
Inflation (0.5% change)	235	-211

Effects on future cash flow

As at 31 December 2016, the duration of the obligation calculated using cash flow duration was 20.8 years (20.4).

The Group estimates that EUR 107,000 will be allocated in 2017 to funded and unfunded defined benefit plans that are recognised as defined benefit plans, and EUR 574,000 will be paid in 2017 to defined benefit plans that are recognised as defined contribution plans.

Obligations relating to retirement pensions and family pensions for white-collar staff in Sweden are secured through insurance with Alecta. In accordance with a statement from the Swedish Audit Crisis Group, UFR 10, this is a defined-benefit plan that comprises several employers. The company has not had access to any information for the financial year 2016 that makes it possible to recognise this plan as a defined benefit plan. The pension plan in accordance with ITP that is secured through an insurance in Alecta is therefore booked as a defined-contribution plan. In 2016, the annual fees for pension insurance policies with Alecta amounted to EUR 392,000 (297,000). Alecta's surplus can be distributed to the insurance holders and/or the insured. At the end of 2016, Alecta's surplus in the form of the collective funding ratio was 149% (153). The collective funding ratio comprises the market value of Alecta's assets as a percentage of insurance obligations calculated using Alecta's actuarial calculation assumptions, which do not correspond to IAS 19.

Defined contribution plans

In Sweden, the group has defined contribution pension plans for workers that are fully paid by the company. Abroad, there are defined contribution plans which are partly paid for by the subsidiaries and partly covered through contributions paid by the employees.

Payments to these plans are made on an ongoing basis in accordance with the rules of the respective plans. Next year's anticipated contributions for defined contribution plans that comprise several employers but are recognised as if the plan was a defined contribution plan, amount to less than EUR 1,000 .

NOTE 22 / Other liabilities

Other current liabilities

The Group

EUR thousand	2016	2015
Personnel related liabilities	2,242	1,847
VAT liabilities	223	965
Fair value, currency derivatives	156	0
Total	**2,621**	**2,812**

NOTE 23 / Accrued expenses and deferred income

The group

EUR thousand	31/12/2016	31/12/2015
Personnel related costs	3,557	3,255
Other items	3,877	4,087
Total	**7,434**	**7,342**

NOTE 24 / Financial risk management and financial instruments

Financial policy and financial risk management

The group's management of financial risks is based on a financial policy set by the board that seeks to achieve a low level of risk through efficient management and control of the Group's financial risks. Through its business, the Group is exposed to currency risk, interest risk, liquidity and financing risk, raw material price risk and credit risk.

Currency risk

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

Transaction exposure

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

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

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

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

The fair value of net outstanding currency derivatives as at the balance sheet date was EUR -156,000 (255,000). Net gains (+)/net losses (-) on forward contracts during the financial year amounted to EUR -411,000 (859,000) before tax.

Translation exposure

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

Sensitivity analysis currency risk

A 5% increase in the Euro against the Swedish krona would have a positive impact on the Group's profit of around 1,000 TEUR (500 TEUR).

Interest risk

Interest risk is the risk that a change in market rates will have a negative impact on performance. Troax issued bonds with a nominal value of EUR 70,000,000 in June 2014. The bonds pay variable interest corresponding to the 3-month EURIBOR plus a margin of 5.5%. Changes in EURIBOR thus affect the group's net interest income/expense.

An increase in EURIBOR of 100 basis points would result in an increase in interest expense of EUR 760,000 (553,000) before tax, based on the company's debts on the balance sheet date and taking outstanding hedges into account.

The group does not apply hedge accounting. All changes in the fair value of interest rate derivatives are thus recognised immediately through profit or loss account in the period in which they occur.

Net gains (+)/net losses (-) on interest rate derivatives in the financial year amounted to EUR -109,000 (+61,000) before tax.

Liquidity and financing risk

Liquidity and financing risk are the risk that the group does not have access to financing to be able to handle its contractual obligations, or that this can only be done at a significantly increased cost. According to the financial policy, the Group's cash and cash equivalents, plus overdraft facilities, must amount to at least EUR 5 million. As at the balance sheet date, cash and cash equivalents totalled EUR 12.2 million (10.8). Since 2015, the Group has had a central overdraft facility available on the balance sheet date of EUR 3 million.

The bonds issued in June 2014 will mature in June 2020. Under the terms of the bond issue, Troax has the facility to issue further bonds of EUR 30,000,000, which it did in December 2016. There is an early redemption opportunity in June 2017. The early redemption premium is 3% on the nominal amount. The bond issue associated with loan terms and conditions that must be fulfilled. The ratio between net interest bearing debt and EBITDA must not exceed 3.5 and the interest coverage ratio must exceed 3.00. As at the balance sheet date, Troax fulfilled these terms and conditions.

According to the company's outstanding bond issue, the company is subject to certain restrictions relating to value transfers to shareholders. Such restrictions are linked to the company's liabilities and net profit.

Under the terms of the bond issue, issued bonds must be listed on NASDAQ Stockholm not later than 12 months after the issue date. The full terms and conditions of the bond issue are available on Troax's website (www.troax.com).

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

Note 24 continued

2015 The Group EUR thousand	Contractual payments of principal and interest 2016	2017	2018	2019	2020 and later
Interest bearing liabilities					
Non-current, interest-bearing liabilities					56,648
Interest	3,300	3,300	3,300	3,300	1,650
Non-interest bearing liabilities					
Trade payables	9,415				
Liabilities that are not derivatives	2,812				
Accrued costs	3,255				
Total	**18,782**	**3,300**	**3,300**	**3,300**	**58,298**

2016 The Group EUR thousand	Contractual payments of principal and interest 2017	2018	2019	2020	2021 and later
Interest-bearing liabilities					
Non-current, interest-bearing liabilities				76,102	
Interest	4,186	4,186	4,186	2,093	
Non-interest bearing liabilities					
Trade payables	12,667				
Currency derivatives	156				
Liabilities that are not derivatives	3,019				
Accrued costs	3,877				
Total	**23,905**	**4,186**	**4,186**	**78,195**	**0**

NOTE 25 / Operating leases

Leasing agreement where the company is lessee

Future payments for non-terminable leases amount to:

The Group EUR thousand	31/12/2016	31/12/2015
Within one year	2,003	2,450
Later than one but within five years	3,144	4,928
Later than five years	331	550
Total	**5,478**	**7,928**

Of the group's operational leases, the majority relate to rental agreements for properties and premises where activities are carried out. Expensed fees for operational leases amount to:

The Group EUR thousand	2016	2015
Minimum lease payments	2,450	2,241
Total lease expenses	**2,450**	**2,241**

NOTE 26 / Investment commitments

No new significant agreements concerning investments were concluded in 2016 or 2015

NOTE 27 / Pledged assets, contingent liabilities and contingent assets

Neither the Group nor the parent company had any pledged assets, contingent liabilities or contingent assets in either the financial year 2015 or 2016.

Troax's previous activities have resulted in an elevated level of trichloroethylene in the groundwater at the property in Hillerstorp, Sweden. In spring 2015, the investigation that involved drilling to determine the environmental impact of the previous activities was concluded. In June 2015, the Environment and Town Planning Committee in Gnosjö Municipality took a decision on a parallel programme regarding chlorinated solvents in the groundwater at selected test sites. The results of the samples taken will be reported in writing to the Environment and Town Planning Committee in Gnosjö Municipality by 31 December 2018 at the latest. The test result from inspections currently shows levels that in normal cases do not give rise to further measures. The test results from the previous drillings are not sufficient to predict or determine what the end result will be with any certainty. At the time of presenting this Annual Report, the company has not made any provisions as a result of this environmental issue. Based on historical data relating to the cost of decontamination and post-treatment measures, for instance on the basis of the Swedish Environmental Protection Agency's report 5663, February 2007, the company estimates that the financial risk should not exceed EUR 1.0 million. If the above-mentioned studies should show that further measures must be taken then this amount may prove to be too low.

NOTE 28 / Group companies

Holdings in subsidiaries

	Subsidiary's registered office, country	2016 Equity interest in %	2015 Equity interest in %
Troax AB	Gnosjö, Sweden	100.0%	100.0%
Troax Nordic AB	Gnosjö, Sweden	100.0%	100.0%
Troax UK Ltd	Swindon, UK	100.0%	100.0%
Troax Lee Manufacturing Ltd	Swindon, UK	100.0%	100.0%
Troax Italy SRL	Genoa, Italy	100.0%	100.0%
Troax Schweiz AG	Altendorf, Switzerland	100.0%	100.0%
Troax Inc.	Nashville, USA	100.0%	100.0%
Folding Guard	Chicago, USA	100.0%	
Troax Nordic AS	Oslo, Norway	100.0%	100.0%
Troax SA	Chambèry, France	100.0%	100.0%
Troax BV	Lisse, The Netherlands	100.0%	100.0%
Troax GmbH	Niedernhausen, Germany	100.0%	100.0%
Troax Güvenik Sistem	Istanbul, Turkey	100.0%	100.0%
Troax Shanghai System	Shanghai, China	100.0%	100.0%
Troax Denmark A/S	Ishöj, Denmark	100.0%	100.0%
Troax System SL	Barcelona, Spain	100.0%	100.0%
Troax Safety Systems Poland Sp.z.o.o	Klodawa, Poland	100.0%	100.0%
Satech Safety Technology SPA	Milan, Italy	100.0%	100.0%
Satech Safety Technology Sarl	Lyon, France	100.0%	100.0%
Satech Safety Technology GmbH	Stuttgart, Germany	100.0%	100.0%
Satech K.K	Tokyo, Japan	100.0%	
Lagermix Rullportar AB	Gnosjö, Sweden	100.0%	100.0%

Note 28 continued

EUR thousand	31/12/2016	31/12/2015
Accumulated cost		
Opening cost	87,694	7,827
Takeover through merger of Troax Corp AB	0	79,867
Carrying amount as at 31 December	**87,694**	**87,694**

Analysis of the parent company's direct holding of shares in subsidiaries

Subsidiary/Corporate ID no./Registered office	Number of shares	Share in %	31/12/2016 Carrying amount	31/12/2015 Carrying amount
Troax AB, 556093-5719, Gnosjö	1,046,800	100	87,694	87,694
			87,694	**87,694**

Merger in 2015

As at 14 September 2015, the previously wholly owned subsidiary Troax Corp AB (556916-4048) was merged with the parent company. The parent company's income statement for 2015 included net sales of less than EUR 1,000 and an operating loss of EUR -2,696,000 relating to Troax Corp AB's income statement prior to the merger. The Group's share of the value of assets and liabilities that were taken over by the parent company, at the time of the merger, were:

Fixed assets 100,297
Current assets 1,591
Liabilities........ -95,593
Net 6,295

NOTE 29 / Related parties

Related parties

The parent company has related party transactions with its subsidiaries, see Note 28. In 2016, these comprised 0% sales and 0% purchases.

Transactions with key management personnel

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

NOTE 30 / Analysis of the statement of cash flows

Cash and cash equivalents - Group

EUR thousand	31/12/2016	31/12/2015
The following sub-components are included in cash and cash equivalents:		
Cash in hand and at bank	12,229	10,831
Total according to the cash flow statement	**12,229**	**10,831**

Cash and cash equivalents - Parent company

EUR thousand	31/12/2016	31/12/2015
The following sub-components are included in cash and cash equivalents:		
Cash in hand and at bank	59	36
Total according to the cash flow statement	**59**	**36**

Adjustments for items that are not included in cash-flow – Group

EUR thousand	31/12/2016	31/12/2015
Depreciation/amortisation	2,629	2,069
Changes in the value of financial instruments	0	920
Provisions for pensions	-931	-109
Provisions	148	27
Other items	-153	-92
	1,693	**2,815**

Note 30 continued

Acquisition of subsidiaries and other business units – Group

EUR thousand	31/12/2016	31/12/2015
Acquired assets and liabilities		
Intangible assets	14,241	400
Property, plant and equipment	1,337	
Non-current financial assets	6,626	
Inventories	1,343	
Operating receivables	2,402	
Cash and cash equivalents	340	
Total assets	**26,289**	**400**
Current operating liabilities	1,643	
Total provisions and liabilities	**1,643**	**0**
Consideration	-24,647	-405
Consideration paid	**-24,647**	**405**
Concerns: Cash and cash equivalents in the acquired business	340	
Effect on cash and cash equivalents	**-24,307**	**-405**

NOTE 31 / Information about the parent company

Troax Group AB (publ), corp. ID no 556916-4030, is a Swedish registered limited company whose registered office is in Gnosjö, Sweden. The address for the head office is P.O. Box 89, SE-335 04 Hillerstorp, Sweden. The consolidated financial statements for the financial year 2016 comprise the parent company and its subsidiaries, together designated the Group.

Proposed appropriation of profits

EUR thousand	
Non-restricted equity in the parent company is in EUR thousand:	
Share premium reserve	31,565
Retained earnings	
Profit for the year	3,256
Total	**34,821**

The board's opinion on the proposed distribution of profits

The Board of Directors proposes that a dividend of SEK 3.75 per share, a total of SEK 75 million, be paid to shareholders.

The proposed dividend to shareholders will reduce the company's equity/assets ratio to 27.9 per cent and the consolidated equity/assets ratio to 35.2 per cent. The equity/assets ratio is satisfactory against the background of the company's and the group's business continuing to be profitable. It is estimated that liquidity in the company and the group can be maintained at an equally satisfactory level.

It is the Board's view that the proposed distribution does not prevent the company or other companies in the Group, from fulfilling their obligations in the short or long term, nor from completing required investments. The proposed distribution can thereby be defended with regard to what is recommended in the Swedish Companies Act, Chapter 17, Section 3, paragraphs 2–3 (the rule of caution).

The record date for dividend payments is 12 May 2017.

Assurance

We hereby confirm that to the best of our knowledge, the financial statements have been prepared in accordance with generally accepted auditing standards for listed companies. The information provided correspond to the actual conditions in the business and nothing of material importance has been excluded that could affect the view of the Group and the parent company given by the financial statements.

Gnosjö, 12 April 2017

Jan Svensson
Chairman of the Board

Curt Germundsson
Board Member

Anna Stålenbring
Board Member

Bength Håkansson
Employee Representative

Per Borgvall
Board Member

Eva Nygren
Board Member

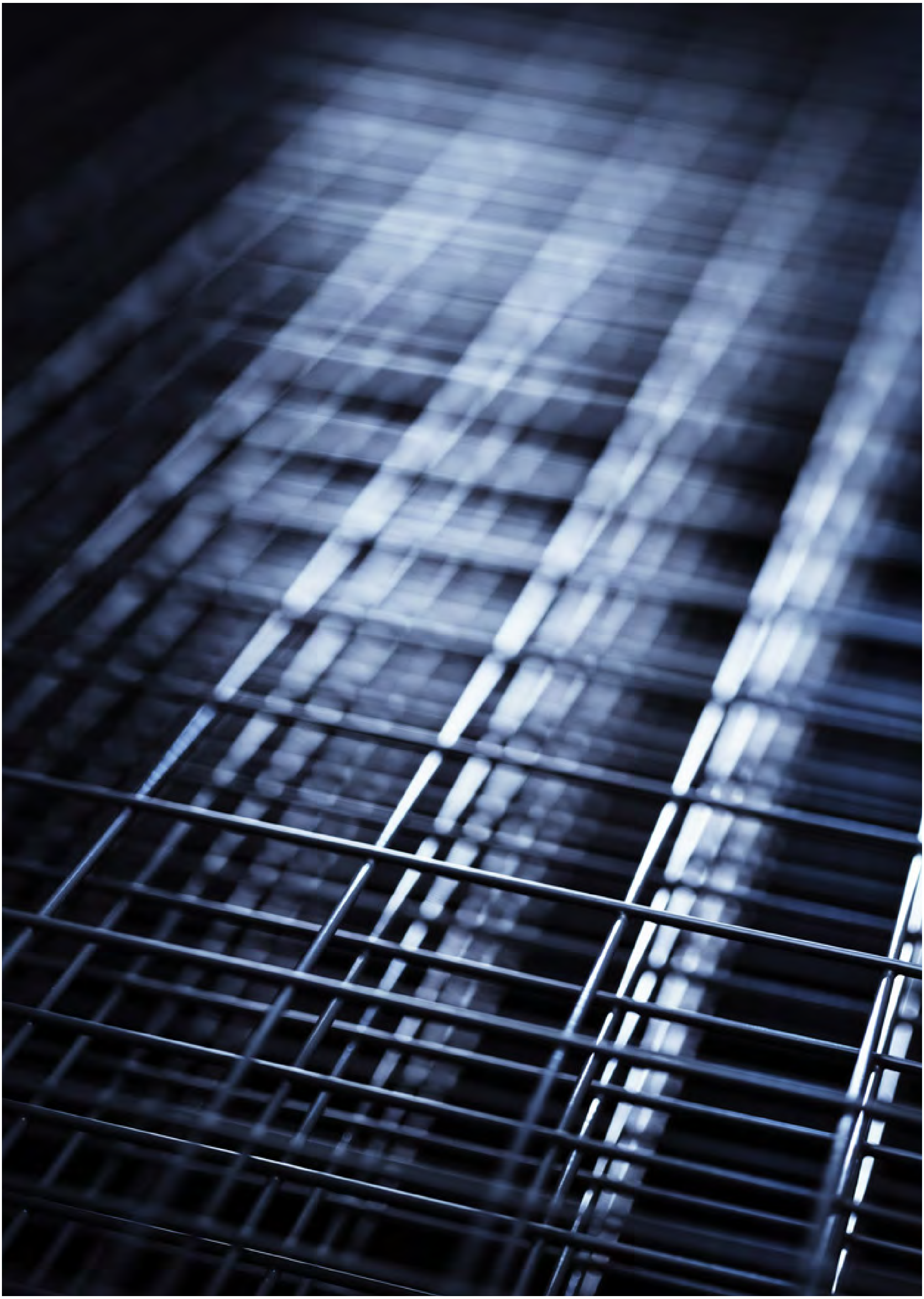
Milenko Simic
Employee Representative

Thomas Widstrand
Managing Director

As stated above, the financial statements and consolidated financial statements were authorised for issue by the Board of Directors on 12 April 2017. The consolidated income statement and balance sheet and the parent company's income statement and balance sheet are subject to adoption by the Annual General Meeting on 10 May 2017

We submitted out audit report on 18 April 2017.
Öhrlings PricewaterhouseCoopers AB

Magnus Brändström
Authorised Public Accountant



Auditor's report

To the Annual General Meeting of Troax Group AB (publ), corp. ID no. 556916-4030

Report on the financial statements and consolidated financial statements

OPINIONS

We have audited the financial statements and consolidated financial statements of Troax Group AB (publ) for 2016 with the exception of the corporate governance report on pages 62-65. The company's financial statements and the consolidated financial statements are included on pages 12-54 of this document.

In our opinion, the financial statements and consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with the Swedish Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Swedish Annual Accounts Act. Our statements do not include the corporate governance report on pages 62-65. The directors' report is consistent with the other parts of the annual financial statements and consolidated financial statements.

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under these standards are further described in the section Auditor's responsibilities. We are independent of the parent company and the Group in accordance with generally accepted auditing standards in Sweden and 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 opinions.

OUR AUDIT APPROACH

SCOPE AND NATURE OF THE AUDIT

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

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

When we established our audit strategy and audit plan for the Group, we assessed the kind of review that would need to be performed by the group audit team and by the component auditors respectively. Even though operations are spread across a large number of countries, the Troax business model, which involves centralised production and distribution, means that the majority of the Group's operations comprise the manufacturing units Troax AB, Satech Safety Technology SPA and Troax Lee Manufacturing Ltd, as well as the sales companies in Sweden, France, Germany and the UK.

Taking the nature of the business activities and the associated risks as our starting point, we decided, in consultation with the Board of Directors and the group management, that a complete audit would be conducted for the parent company in Sweden and also for the following subsidiaries: Troax AB, Troax Nordic AB, Troax Denmark A/S and Troax Shanghai System (China).

In the entities Satech Safety Technology SPA (Italy), Troax SA (France), Troax GmbH (Germany) and Troax UK (UK), the income statements and balance sheets contain few significant items. We therefore chose to establish separate audit programmes, comparable to a complete audit, for the component auditors for the significant items for each entity. The audit programmes also comprised analytical reviews of other income statement and balance sheet items. For all of these entities, with the exception of Troax GmbH (Germany), a complete, statutory audit will be carried out later this spring.

In respect of the remaining entities, an analytical review was performed by the group audit team. Local, statutory audits have been carried out at all companies in the Group that are subject to such requirements, even if the entity may not have been included in the group audit reporting or group audit schedule.

In addition, the group audit team examined the consolidation of the group, the consolidated financial statements and a number of complex transactions and issues. These included acquisition analyses and impairment testing of intangible assets with indeterminate useful lives and goodwill.

In all, this means that we have obtained assurance that a sufficient audit has been performed and that a sufficiently large proportion of the audit has been performed by PwC's network.

MATERIALITY

The scope and nature of the audit was influenced by our assessment of materiality. An audit is designed to obtain a reasonable level of assurance about whether the financial statements are free from material misstatement. Misstatement can arise due to fraud or error. They are considered to be material if, individually or in aggregate, they can

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reasonably be expected to influence the economic decisions of users taken on the basis of these financial reports. Based on our professional judgement, we established certain quantitative material disclosures, including the financial statements as a whole. On the basis of these disclosures and qualitative assessments, we established the scope and nature of the audit, and the nature, timing and scope of our audit procedures, as well as assessing the effect of misstatement, whether individual or in aggregate, on the financial reports as a whole.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and consolidated financial statements for the financial year ended 31 December 2016. These matters were addressed in the context of our audit of the financial statements and consolidated financial statements as a whole, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS

MEASUREMENT OF INTANGIBLE ASSETS WITH INDETERMINATE USEFUL LIVES AND GOODWILL

Troax describes its approach to measurement of intangible assets with indeterminate useful lives and goodwill under Note 1 (q) “Accounting policies and measurement principles” and under Note 11 in the financial statements. Intangible assets with indeterminate useful lives and goodwill amount to EUR 92.7 million, which corresponds to 54% of the group’s total assets. Since these assets are not amortised on a continuous basis, Troax must instead test these assets for impairment on an annual basis. Troax performed impairment testing in the final quarter of 2016.

Impairment testing must include assumptions about, among other things, future sales, margins, tied-up capital and discounting factors. The company management and Board therefore have to make complex judgements and estimates. Troax has also, assisted by a reputable external valuation specialist, carried out simulations and sensitivity analyses in order to understand how a change in different assumptions affects impairment testing. Because the amount of assets is significant, and because the required assumptions include judgements and estimates, each of which individually could have a significant impact on measurement, this is a key audit matter.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We found that the established impairment tests, for each cash generating unit, had been conducted in accordance with established principles and methods. To assist in assessing this matter, we used PwC’s valuation specialists. Key assumptions used for impairment testing by the company management and the Board concerned sales, EBIT margins and discount rates. We assessed these assumptions by comparing them against budgets and strategic plans, and also against historical performance.

We also carried out an independent assessment based on the economic conditions for the cash generating units. We evaluated discount rates against observable market data. We also examined whether key assumptions were consistent with previous years. We evaluated the sensitivity analyses that have been performed and evaluated whether these analyses formed the basis for the information reported in Note 11 in the financial statements. Finally, as an overall control measure, we compared the market capitalisation of the company with the calculated recoverable value. Overall, our review of measurement of goodwill and intangible assets with indeterminate useful lives, did not lead to any material observations for the audit as a whole.

ACQUISITION ANALYSIS RELATING TO FOLDING GUARD

On 15 December, Troax announced the acquisition of Folding Guard. The acquisition is described in Note 3. As stated in Note 3, the total purchase price was EUR 24.6 million. In connection with the acquisition, Troax carried out an analysis of Folding Guard’s balance sheet and identified net assets with a fair value of EUR 13.4 million. The difference between the calculated purchase price and this value, EUR 11.2 million, comprises goodwill.

Measurement of assets and liabilities at fair value involves a number of estimates and judgements, each of which could have a significant impact on the consolidated balance sheet.

As a result of both the size of the amounts involved and the complexity of the estimates required for the acquisition analysis, we have deemed this issue to be a key audit matter.

Together with our valuation specialists we examined whether the acquisition analysis was established in accordance with current policies and models. On our examination of the analysis we found that Troax had identified those assets and liabilities that we had expected, based on our experience of previous acquisitions and our knowledge of the industry.

We examined that the factors used to quantify the fair value of assets, such as future cash flows, discounting and assumed useful lives, were also in line with established practice and with our expectations. We were also able to establish that the factors were consistent with assessments made in connection with other acquisitions in previous years.

Since the purchase price is dependent on the future performance of Folding Guard, the company management has had to make assumptions and estimates about this. We reviewed the calculation mechanism inherent the agreement and the company management’s estimates of earnings. Finally, we also examined the information provided by Troax in Note 3.

Our audit of the acquisition analysis for Folding Guard, did not lead to any observations of materiality for the audit as a whole.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

This document also contains information other than that in the financial statements and consolidated financial statements and which can be found on pages 1-11 and 66-72. The Board of Directors and the CEO are responsible for this other information.

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

In connection with our audit of the financial statements and consolidated financial statements, it is our responsibility to read the information identified above and consider whether the information is materially inconsistent with the financial statements and consolidated financial statements. In this review we also take into account the knowledge we have obtained in the audit and assess whether the information otherwise appears to contain material misstatements.

If, based on the work carried out with respect to this information, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have nothing to report in this respect.

THE BOARD OF DIRECTORS' AND CEO'S RESPONSIBILITY

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

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

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

AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the financial statements and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and consolidated financial statements. Further description of our responsibilities with regard to the audit of the financial statements and consolidated financial statements can be found on the website of the Swedish Supervisory Board of Public Accountants: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of the auditor's report.

Report on other statutory and regulatory requirements

OPINION

In addition to our audit of the financial statements and consolidated financial statements, we audited the Board of Directors' and CEO's administration of Troax Group AB (publ) for the financial year 2016 and the proposed appropriation of the company's profit or loss.

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

BASIS FOR OPINION

We have carried out the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility in accordance with this is described further in the section Auditor's responsibilities. We are independent of the parent company and the Group in accordance with generally accepted auditing standards in Sweden and 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 opinions.

THE BOARD OF DIRECTORS' AND CEO'S RESPONSIBILITY

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

The Board is responsible for the organisation of the company and the management of its affairs. Among other things, this includes continuously assessing the financial position of the company and the Group and ensuring that the company's organisation is designed such that controls of accounting records, asset management and the company's financial circumstances in general are performed in a satisfactory manner. The CEO must take charge of the day-to-day management in accordance with the Board's guidelines and directives, including taking the necessary measures to ensure that the company's accounting records are complete according to law and that asset management is conducted satisfactorily.

AUDITOR'S RESPONSIBILITIES

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

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– taken any action or been guilty of any negligence that may result in a claim for compensation being brought against the company.

– in any other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association.

Our objective for the audit of the proposed appropriation of the company's profit or loss, and thereby our opinion on this matter, is to determine with reasonable assurance whether the proposal is consistent with the Swedish Companies Act. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions which may result in a claim for compensation being brought against the company, or that a proposal for appropriation of the company's profit or loss is inconsistent with the Swedish Companies Act.

Further description of our responsibilities with regard to the management audit can be found on the website of the Swedish Supervisory Board of Public Accountants: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of the auditor's report.

AUDITOR'S REVIEW OF THE CORPORATE GOVERNANCE REPORT

The Board of Directors is responsible for the Corporate Governance Report on pages 62-65 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

Our review has been carried out in accordance with FAR's statement RevU 16 Auditors' review of the corporate governance report. This means that our review of the Corporate Governance Report has a different aim and is of significantly smaller scope than the aim and scope of an audit in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides sufficient grounds for our opinions.

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, Section 6, paragraph 2, items 2-6 of the Swedish Annual Accounts Act and Chapter 7, Section 31, paragraph 2 of the same Act are consistent with the other parts of the annual report and consolidated financial statements and are in compliance with the Swedish Annual Accounts Act.

Stockholm, 18 April 2017
Öhrlings PricewaterhouseCoopers AB

Magnus Brändström
Authorised Public Accountant


TROAX

Corporate Governance

Troax Group AB (publ) ("Troax" or "The Company") is a Swedish public limited company. The company's shares were listed on Nasdaq Stockholm on 27 March 2015 and since then the Company applies the Swedish code for corporate governance ("the Code"). Alongside the shares, bonds issued by the company were also listed on Nasdaq Stockholm on 12 June 2015.

The guidelines relating to the Code can be found on the website of the Swedish Corporate Governance Board (www.bolagsstyrning.se). The Code is based on the principle "follow or explain", which means that companies which apply the Code can deviate from individual rules if they provide an explanation for the deviation. Troax did not deviate from the Code in 2016.

SHARE CAPITAL AND SHAREHOLDERS

The share capital at the end of the year amounted to EUR 2,574,618, comprising 20,000,000 shares.

All shares have equal voting rights. At the end of 2016, Investmentaktiebolaget Latour owned 6,020,800 shares, corresponding to 30.1 percent of the equity and votes. The ten largest shareholders together owned 69.7 percent of the shares in the company. For further information about the share and shareholders, see www.troax.com.

ANNUAL GENERAL MEETING

According to the Swedish Companies Act (2005:551), the Annual General Meeting is the company's highest decision-making body. At the Annual General Meeting shareholders exercise their voting rights on key issues such as adoption of the income statement and balance sheet, allocation of the Company's profit, granting of discharge from liability for members of the Board and the CEO, election of Board members and auditors and remuneration for the Board and auditors.

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

RIGHT TO PARTICIPATE IN GENERAL MEETINGS OF SHAREHOLDERS

Shareholders who want to participate in a general meeting must be entered in the share register maintained by Euroclear Sweden on the day five working days before the meeting, and must notify the Company of attendance no later than on the day stated in the summons to the general meeting. Shareholders can attend general meetings in person or through a proxy and can also be assisted by up to two people. Normally, shareholders have an opportunity to notify the company of their intention to attend the general meeting in several different ways, which are stated in the summons. Shareholders are entitled to use all the voting rights attached to their shareholding in the company.

SHAREHOLDER INITIATIVES

Shareholders who want to have a matter dealt with at the Annual General Meeting must submit a written request to the Board. Such a request must normally be received by the Board not later than seven weeks before the Annual General Meeting.

ANNUAL GENERAL MEETING 2016

The 2016 Annual General Meeting was held on 10 May. The Annual General Meeting elected six Board members, including Chairman of the Board, Jan Svensson, and appointed a nomination committee, see below under "Nomination Committee". At total of 64.78% of the shares and votes in the company were represented at the Annual General Meeting. The financial statements and accompanying Auditor's report were presented to the Annual General Meeting and adopted, while the Board and CEO were granted discharge from liability. The Annual General Meeting also decided that fees totalling SEK 1,200,000 should be paid to the Board, plus SEK 150,000 for committee work, and that the elected auditors should be paid according to approved invoice. The Annual General Meeting also authorised the Board to take a decision, before the next Annual General Meeting, on a new issue corresponding to a maximum of five per cent of the total number of shares and votes in the company. All decisions were unanimous.

NOMINATION COMMITTEE

Companies that follow the Code must have a nomination committee. According to the Code, the Annual General Meeting must appoint the nomination committee's members or make a decision on how they will be appointed. According to the Code, the nomination committee must comprise at least three members, of which a majority shall be independent in relation to the company and the Group's management. At least one of the nomination committee's members must be independent in relation to the majority shareholder or group of shareholders that cooperate on the company's management.

The nomination committee for the 2017 Annual General Meeting comprises Jan Svensson (Chairman of the Board), Anders Mörck (representing shareholder Latour), Jan Särlvik (representing shareholder Nordea Funds) and Ulf Hedlundh (representing shareholder Svolder). The nomination committee's mandate remains in force until a new nomination committee has been appointed.

THE BOARD OF DIRECTORS

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

Board members are normally elected by the Annual General Meeting for the period until the end of the next Annual General Meeting. According to the company's Articles of Association, the Board must, to the extent it is elected by the Annual General Meeting, comprise at least four members and not more than eight members, with up to four deputy members. In accordance with the Code, the Chairman of the Board must be elected by the Annual General Meeting and have special responsibility for management of the Board's work and for the Board's work being well organised and performed in an effective manner.

The board follows written rules of procedure that are reviewed annually and established at the board meeting following election every year. The rules of procedure govern such matters as board practices, functions and the division of responsibilities between Board members and the CEO.

In connection with the board meeting following election, the Board shall establish the instruction for the CEO relating to financial reporting.

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

During the year the Board convened 7 times. For attendance in 2016, see separate table. Agendas for board meetings, together with the documentation that is required in accordance with the rules of procedure, are sent out to Board members approximately one week before the meeting. In addition to this documentation, Board members receive monthly continuous follow-up of financial performance and other relevant information.

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

The company's Board currently comprises six members elected by the Annual General Meeting and two employee representatives, who are presented in the section "Board, senior executives and auditors".

AUDIT COMMITTEE

The Board has decided to work via an audit committee chaired by Anna Stålenbring, and this committee held three meetings in 2016. The primary duties of the audit committee include:

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

REMUNERATION COMMITTEE

The Board decided to appoint a remuneration committee for 2016, chaired by Jan Svensson. The remuneration committee met 2 times in 2016. In terms of remuneration issues for 2016, this meant that the committee:

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

EVALUATION OF THE BOARD'S WORK

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

CEO AND OTHER KEY MANAGEMENT PERSONNEL

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

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

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

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

REMUNERATION FOR BOARD MEMBERS, THE CEO AND SENIOR EXECUTIVES

Decisions on fees and other remuneration for Board members, including the chairman, are taken by the Annual General Meeting. Remuneration for the Chairman of the Board was set at SEK 400,000, with SEK 200,000 payable to each of the Board members Curt Germundsson, Anna Stålenbring, Eva Nygren and Per Borgvall. Thomas

Widstrand does not receive remuneration in his capacity as an employee of the company. Board members are not entitled to benefits after the end of their appointment.

GUIDELINES FOR REMUNERATION TO THE CEO AND OTHER SENIOR EXECUTIVES

The Annual General Meeting in May 2016 passed resolutions on guidelines for remuneration for the CEO and other senior executives.

REMUNERATION IN THE FINANCIAL YEAR 2016

Remuneration to the company's management comprises a basic salary, variable remuneration, pension benefits and other benefits. The table below shows an overview of remuneration for Board members and senior executives in the financial year 2016.

CURRENT EMPLOYMENT CONTRACTS FOR THE CEO AND OTHER SENIOR EXECUTIVES

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

The CEO is entitled to a fixed annual salary of EUR 256,000 and a variable salary that is linked to certain key performance indicators which corresponds to a maximum of EUR 128,000. In 2016, total remuneration, including pension provisions, for the CEO amounted to EUR 437,000. The CEO falls within the scope of both the Swedish National Insurance Act and the so-called basic level in accordance with the ITP plan on salary components up to 7.5 income base amounts. In addition to this a premium increment applies that replaces the opt-out premium for alternative ITP service pension agreement. At the end of the financial year, the team of senior executives comprised five persons in addition to the CEO. In 2016, total remuneration to senior executives amounted to EUR 1,375,000. Senior executives resident in Sweden are subject to a period of notice of 3-6 months in case of resignation by the employee, and 6-12 months in the case of termination by the employer. Some senior executives have the right to severance pay of 12 monthly salaries in addition to the salary paid out during the notice period. Senior executives fall within the scope of both the Swedish National Insurance Act and the ITP plan, including the right to a pension scheme for high earners.

AUDIT

The auditor must review the Company's annual financial statements and accounts and the Board's and CEO's administration. After each financial year the auditor must submit an auditor's report and a consolidated auditor's report to the Annual General Meeting. In 2016, the auditor participated in a Board meeting and reported on the risk analysis that has been established, the audit plan and the observations made as part of the audit. The auditors are elected until the Annual General Meeting in 2017.

In accordance with the company's Articles of Association, the company must have a minimum of one and no more than two auditors and up to two deputy auditors. The Company's auditor is Öhrlings Pricewaterhouse-Coopers AB, with Magnus Brändström as auditor in charge. The company's auditor is presented further in the section "Board, senior executives and auditors".

In 2016, total remuneration to the Group's auditors amounted to EUR 174,000, see Note 7 for further information.

	Attendance			Remuneration, EUR thousand				Independence	
	Board meetings	Audit Committee	Remuneration Committee	Fee/ Basic salary	Variable remuneration	Other benefits	Pension	In relation to the company and the company's management	In relation to major shareholders
Board of Directors									
Lennart Sunden	2/7			13.7	–	–	–	Yes	Yes
Curt Germundsson	7/7			21.1	–	–	–	Yes	Yes
Peter Möller	0/7			0.0	–	–	–	Yes	Yes
Bength Håkansson	6/7			0.0	–	–	–	Yes	Yes
Eva Nygren*	5/7		2/2	15.8	–	–	–	Yes	Yes
Milenko Simic	3/7			0.0	–	–	–	Yes	Yes
Anna Stålenbring	6/7	3/3		26.4	–	–	–	Yes	Yes
Jan Svensson**	7/7		2/2	47.5	–	–	–	Yes	No
Per Borgvall	7/7	3/3		23.8	–	–	–	Yes	Yes
CEO									
Thomas Widstrand	7/7			249.0	99.0	9.7	79	No	Yes
Other senior executives (6)				908.0	192.0	78.0	192.8	No	Yes

*Elected as Board member by the Annual General Meeting on 10 May 2016. Peter Möller resigned at the same meeting.
**New Chairman of the Board as of 10 May 2016.

INFORMATION POLICY, INSIDER POLICY AND LOGBOOK INSTRUCTIONS

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

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

This description has been drawn up in accordance with Chapter 6, Section 6, Paragraph 2 of the Swedish Annual Accounts Act and contains the most important components of the company's system of internal controls and risk management with regard to financial reporting. The objective of the internal financial controls within Troax is to create an effective decision-making process in which requirements, targets and frameworks are clearly defined. The company and the management use the internal control systems to monitor operations and the group's financial position.

CONTROL ENVIRONMENT

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

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

The board has appointed an audit committee, the duties of which include ensuring that established principles for financial reporting and internal controls are upheld.

RISK ASSESSMENT AND CONTROL ACTIVITIES

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

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

INFORMATION AND COMMUNICATION

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

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

Furthermore, significant accounting policies and manuals are updated and communicated to employees on an ongoing basis, together with other documents of significance for financial reporting. Employees also have the opportunity to utilise several information channels so that significant information can reach the company management and the Board.

FOLLOW-UP

The group applies IFRS. Financial data is reported monthly from 24 reporting entities in accordance with standardised reporting routines. The reporting constitutes the basis for the group's consolidated financial reporting. Consolidation is done from a legal and operative perspective, which results in quarterly legal reports and monthly operating reports.

INTERNAL AUDIT

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

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

At group level, the managing director of each legal entity, together with the legal and/or operating entity's finance function and the Group's finance director, are responsible for ensuring that requisite controls are carried out and followed up. The internal control includes a control over the company's and group's organisation, routines and follow-up measures. The purpose is to ensure that financial reporting is reliable and accurate, that the company's and Group's financial reporting is prepared in accordance with laws and applicable accounting standards and that other requirements are followed. The system for internal control also aims at monitoring observance of the company's and group's policies, principles and instructions. In addition to this protection of the company's assets is also monitored and that the company's resources are utilized in a cost-effective and suitable manner. Furthermore, internal control takes place through the follow-up of implemented information and business systems and through analysis of risks.

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

Group Highlights

Income statement, EUR million	2016 [1]	2015	2014 [2]
Net sales	115.8	103.7	91.2
Operating costs	-90.5	-81.3	-76.3
Operating profit	25.3	22.4	14.9
Net financial income/expense	-3.9	-4.1	-4.4
Profit before tax	21.4	18.3	10.5
Tax	-5.1	-4.6	-1.8
Profit for the year	**16.3**	**13.7**	**8.7**

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

Statement of financial position, MEUR	2016	2015	2014
Fixed assets	121.5	102.5	96.7
Other current receivables	38.8	30.8	26.5
Cash and cash equivalents	12.2	10.8	13.2
Total assets	**172.5**	**144.1**	**136.4**
Equity	65.9	60.0	43.2
Non-current liabilities and provisions	83.4	64.5	73.2
Other current liabilities	23.2	19.6	20.0
Total equity and liabilities	**172.5**	**144.1**	**136.4**

Cash flow, EUR million			
Cash flow from operating activities	16.1	13.2	11.2
Cash flow from investing activities	-27.3	-5.6	-18.2
Cash flow from financing activities	12.9	-10.0	5.7
Cash flow for the period	**1.7**	**-2.4**	**-1.3**

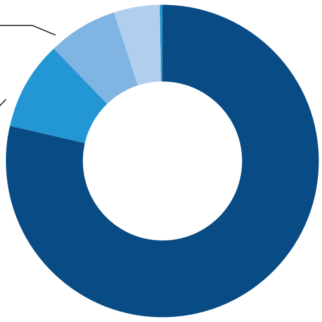
Troax on the stock exchange

DIVIDENDS AND DIVIDEND POLICY

The Board is proposing a dividend to shareholders of SEK 3.75 SEK per share (previous year SEK 3.00). Total SEK 75 million. The dividend corresponds to 48% of profit after tax. The record date for dividend payments is 12 May 2017.

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

GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS AS AT 31 DECEMBER 2016, %



Listing: Nasdaq Stockholm
Number of shares: 20,000,000
Ticker code: Troax
ISIN-code: SE000673 2392

MAJOR SHAREHOLDERS IN THE COMPANY AS AT 31 DECEMBER 2016

Owners	Share of capital and votes, %
Investmentaktiebolaget Latour	30.10
Svolder AB	8.00
Investment fund, småbolagsfond Norden	6.52
Thomas Widstrand	5.75
Ola Österberg	4.75
Nordea Småbolagsfond Sweden	4.70
Catella Småbolagsfond	3.78
SSB Client Omnibus AC OM07 (15 PCT)	2.19
Pareto Nordic return	1.97
Spiltan Aktiefond Stabil	1.75
Total ten largest shareholders	**69.5**
Other shareholders	30.5
Total	**100.0**

DISTRIBUTION OF SHAREHOLDINGS, 31 DECEMBER 2016

Holding	Number of shareholders	Holding, %
1–500	2,243	1.40
501–1,000	202	0.85
1,001–5,000	187	2.24
5,001–10,000	16	0.61
10,001–15,000	10	0.64
15,001–20,000	8	0.70
20,001–	58	93.55
Number of shareholders	**2,724**	

SHARE DATA

	2016	2015
Earnings per share, EUR	0.81	0.69
Exchange rate on balance sheet date, SEK/EUR	9.5659	9.1350
Proposed dividend, SEK	3.75	3.00
Dividend as proportion of profit, %	48	48
Share price at end of year, SEK	194	125
Dividend yield on closing price, %	1.9	2.4
Highest share price in 2016, SEK (30 Dec)	194	
Highest share price in 2015, SEK (30 Dec)		125
Lowest share price in 2016, SEK (8 Feb)	99.75	
Lowest share price in 2015, SEK (29 April)		76
Initial Public Offering 2015, SEK (27 March)		66
Number of shareholders	2,724	2,259
Market capitalisation at end of year, SEK million	3,880	2,500

TROAX'S BOARD OF DIRECTORS/2016

JAN SVENSSON
Chairman of the Board since 2016
Born: 1956
Education: Mechanical engineer and Master of Science in Business and Economics
Work experience: CEO and President, Investment AB Latour
Other significant board appointments: Chairman of AB Fagerhult, Nederman Holding AB, Tomra Systems ASA and Oxeon AB. Board Member in Investment AB Latour, Assa Abloy AB and Loomis AB
Shareholding: 5,000

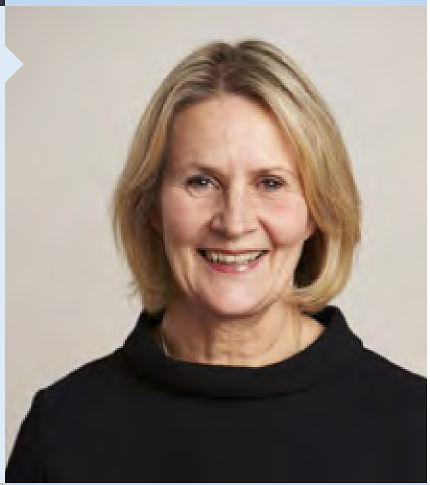
ANNA STÅLENBRING
Board Member since 2015
Born: 1961
Education: Master of Science in Business and Economics from Växjö University
Work experience: 30 years of experience of management of industrial companies, mostly within the Nefab group
Other significant board appointments:
Board member of FM Mattsson Mora Group AB (publ)
Shareholding: 3,000

CURT GERMUNDSSON
Board Member since 2013
Born: 1944
Education: Mechanical engineer
Work experience: Deputy Managing Director Volvo Car
Corporation
Other significant board appointments: Board member of Skamol A/S, DevPort AB and Green Landscaping holding AB
Equity interest: 4,012

MILENKO SIMIC
Board member (employee representative) since 2016
Born: 1967
Education: Production supervisor, post-secondary, qualified vocational education
Work experience: Industrial production. Employed by Troax AB since 2001
Equity interest: 0

THOMAS WIDSTRAND
Managing Director since 2008 and board member since 2014
Born: 1957
Education: MBA from the University of Gothenburg; School of Business, Economics and Law
Work experience: Managing Director of Borås Wäfveri AB and Cardo Pump AB
Other significant board appointments: Board member of Profilgruppen AB
Shareholding: 1,149,260

EVA NYGREN
Board member since 2016
Born: 1955
Education: Architecture at Chalmers University of Technology
Work experience: Investment Director at the Swedish Transport Administration, CEO and President of Rejlerkoncernen AB, CEO of Sweco Sverige AB, Sweco Russia AB and Sweco FFNS Architects AB
Other significant board appointments: Board member of JM AB, Uponor OY, Ballingslöv International AB and Nobelhuset AB
Equity interest: 0



PER BORGVALL
Board Member since 2015
Born: 1958
Education: Master of Engineering, Road & Water Construction Chalmers University of Technology
Work experience: Group Chief Executive and CEO, Gunnebo AB, AB Fagerhult, Division manager IMI Plc, Managing Director Tour & Andersson AB and Uponor AB
Other significant board appointments: Board member of Nederman Holding AB and Louis Poulsen Lighting A/S
Shareholding: 4,500

BENGT HÅKANSSON
Board Member (employee representative) since 2010
Born: 1957
Education: Technical college graduate
Work experience: Business district manager for the Stockholm region at Troax Nordic AB
Equity interest: 2,313

TROAX'S MANAGEMENT TEAM/2016

THOMAS WIDSTRAND
Managing Director since 2008 and board member since 2014
Born: 1957
Education: MBA from the University of Gothenburg; School of Business, Economics and Law
Work experience: Managing Director of Borås Wäfveri AB and Cardo Pump AB
Other significant board appointments: Board member of Profilgruppen AB
Shareholding: 1,149,260

WOLFGANG FALKENBERG
Managing Director and Regional Manager for Central Europe since 2008
Born: 1962
Education: Degree in business management, Commercial College DAG
Work experience: Sales Director at Chubb Locks & Safes
Shareholding: 80,923

JONAS RYDQVIST
Managing Director and Regional Manager for the Nordic region since 2014
Born: 1972
Education: Certified Market Economist
Work experience: Sales Director at Stora Enso, Sales Manager at Bong and Trioplast/Ekmans.
Shareholding: 3,124

DAVID TEULON
Managing Director and Regional Manager for
the UK and Ireland since 2008
Born: 1953
Education: Education in politics and economics
Work experience: Sales management& Marketing of engineering and building products
Shareholding: 92,052

JAVIER GARCIA
Managing Director and Regional Manager for Southern Europe and North America since 2008
Born: 1972
Education: MBA Business Administration, IESE Business School and a Bachelor's Degree in Data Systems Engineering from Politécnica Catalunya University in Spain
Work experience: Various positions within sales and marketing at ABB, Fichet Bauche and Gunnebo.
Shareholding: 101,042

CHRISTIAN HÖGLUND
Supply Chain Director since 2016
Born: 1972
Education: Production Engineering, Karlstad University
Work experience: COO Mont Blanc Group AB, Director of production and logistics IRO AB, Site/production manager Autotube AB
Shareholding: 0

OLA ÖSTERBERG
Deputy CEO and CFO since 2008
Born: 1966
Education: Bachelor's Degree in Business Management, University of Växjö
Work experience: Positions as CFO at Svedbergs i Dalstorp AB and Controller at ITAB
Shareholding: 949,089

AUDITORS
Öhrlings PricewaterhouseCoopers AB (PwC)
Magnus Brändström (born 1962)
Öhrlings PricewaterhouseCoopers AB
Torsgatan 21, SE-113 21 Stockholm

Annual General Meeting 2017

The Annual General Meeting in Troax Group AB (publ) will be held on Wednesday, 10 May 2017, at 15:00 at the company's office, Tyngel, SE-335 04 Hillerstorp, Sweden. Notice of the Annual General Meeting is given, in accordance with the Articles of Association, via an announcement in the gazette Post- och Inrikes Tidningar and on the company's website not more than six weeks and not less than four weeks before the Annual General Meeting. Notice of the summons will be published in Svenska Dagbladet. The information below regarding the meeting does not constitute a legal summons.

NOTICE OF ATTENDANCE

Shareholders who wish to attend the Annual General Meeting must:

- be recorded in the share registered maintained by Euroclear Sweden AB on 3 May 2017,
- notify the company not later than 3 May 2017 using the address Troax Group AB (publ), PO Box 89, SE-335 04 Hillerstorp, Sweden, or by telephone on +46 (0)370 828 00, or via email on arsstamma@troax.com, and must also notify the company of the number of assistants attending.

When giving notice of attendance, shareholders must state their name, personal or corporate identity number, address and telephone number. The information provided will be data processed and used only for the Annual General Meeting 2017.

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

Shareholders who have registered their shares with a nominee through a bank or other nominee must temporarily register the shares in their own name in order to be entitled to participate in the Annual General Meeting. In order for this registration to be entered in the share register on 3 May 2017, shareholders must inform the nominee to carry out such a registration in good time before this date.

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