»SAFETY IS ABOUT BEING ONE STEP AHEAD«

There are dangers to people, property, and processes in the world. But there is no need to worry – because we always strive to make it safe. We are there: at your workplace, at the workplace of your friends and family, in your home, and in the homes of your friends and family. You may not always see us or think about us, but we are always there, protecting and making your world safe.

MAKING YOUR WORLD SAFE
PROTECTING PEOPLE, PROPERTY, AND PROCESSES.

TROAX – THE ORIGINAL
OUR PRODUCTS ARE BASED ON HARD WORK, GOOD IDEAS, AND VALUES SOFTER THAN STEEL, AND SINCE 1955 WE HAVE BEEN WORKING ON MAKING YOUR WORLD SAFE.

TROAX GROUP AB

Financial Calendar 2018
Interim Report Q1, **2 May**
Interim Report Q2, **15 August**
Interim Report Q3, **8 November**
Year-end Report 2018, **February 2019**

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FOR INFORMATION ABOUT THE BUSINESS,
MARKETS AND CORPORATE RESPONSIBILITY,
PLEASE SEE WWW.TROAX.COM

TROAX INNOVATION CENTER

At first sight, what we do might seem plain, but beyond the visuals, there are decades of knowledge and technical expertise towards improving our products. Throughout the years we have worked on the most intricate and accurate details, to offer products of the highest quality and exceed the safety standards.

» SAFETY IS A
ONE STE

ABOUT BEING
P AHEAD«

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

THE YEAR IN BRIEF

2017 IN EUR MILLION	2017	YEAR-ON-YEAR CHANGE
Orders received	152.0	+27%
Net sales	152.1	+31%
Operating profit	30.6	+21%
Operating margin	20.1%	−8%
Earnings per share (EUR)	0.85	+5%
Proposed dividend per share (SEK)	4.25	+13%

36 COUNTRIES

For more than 60 years, Troax has been developing solutions for different metal-based mesh panel applications. Today, we are 670 employees worldwide, and represented in 36 countries. We work on a daily basis towards fulfilling our vision of making the world safe, through offering safety solutions that protect people, property, and processes.

LAUNCH OF NEWLY DESIGNED PC PANEL

Troax launched a stronger, more durable and versatile polycarbonate panel in 2017. Demand for transparent protective panels is increasing, and after extensive investment in automation, Troax has introduced a newly designed PC panel that meets the high demands of machine safety. Using a thicker, 3 mm PC sheet that contributes to a significantly stronger panel, we have succeeded in creating a PC panel that is as strong as Troax's steel mesh panels.

The panel has been developed to withstand energy from 309 joules to 1,600 joules. This means that it can absorb the energy of a 100 kg pendulum hitting the panel at a speed of 20 km/h.

FOLDING GUARD

We have focused on integrating and improving operations in Folding Guard, especially regarding production, delivery service and logistics. After one year into a planned three-year project we can confirm that the project is proceeding according to plan.

We are making a determined effort to increase sales in the USA and have hired an experienced CEO/Sales Director for our North American units.

TROAX ON NASDAQ

The Troax share has been listed on Nasdaq Stockholm since March 2015. In 2017 the share price rose by 45%. By the end of the year, Troax had a total of 3,211 shareholders and we see an increased interest mainly from the rest of Europe.

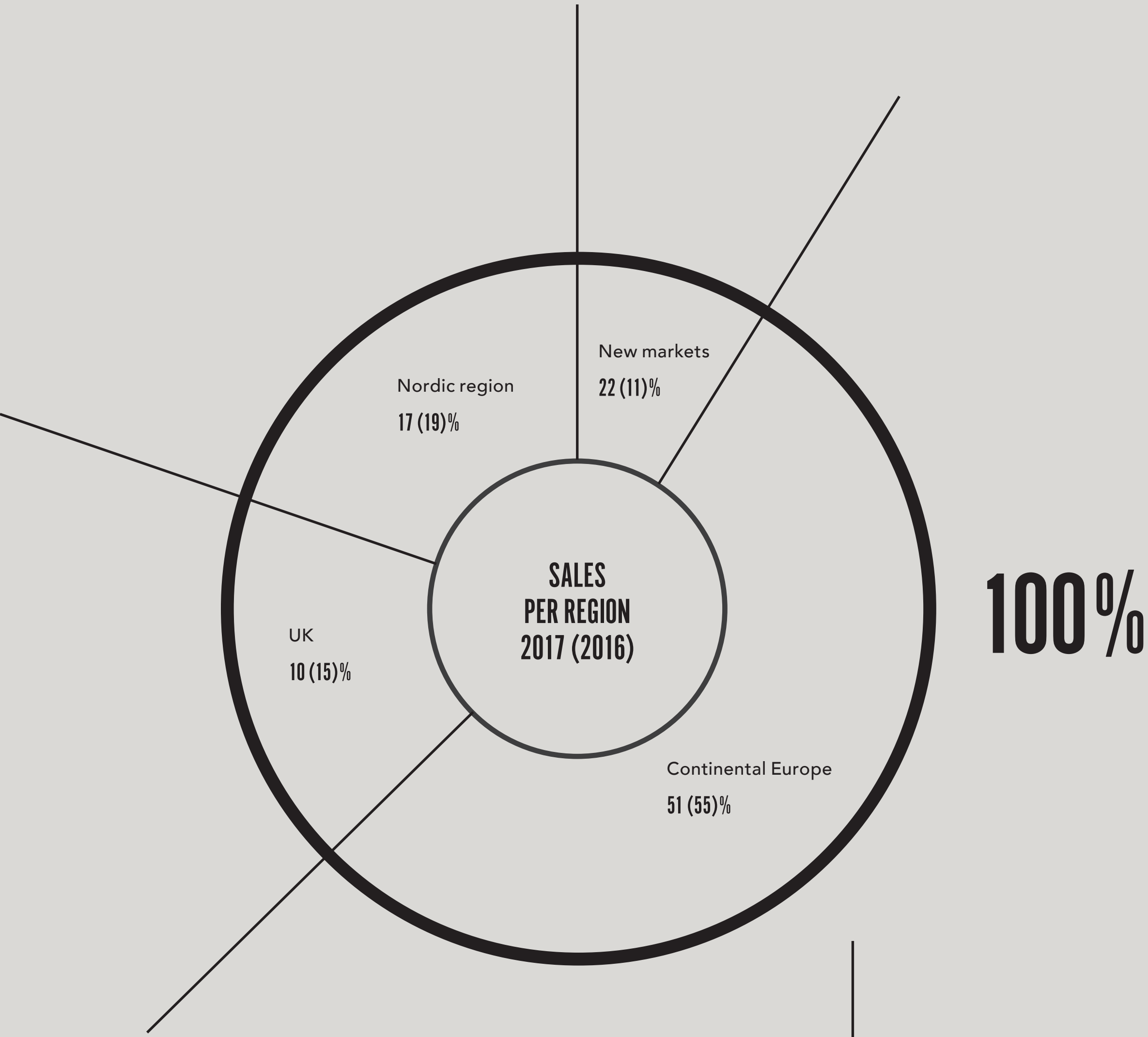
In the second quarter of 2017, Troax refinanced its bond issue with a new bank loan. This resulted in additional interest costs totalling EUR –2.3 million.

THIS IS TROAX

TROAX IS WORKING TOWARDS MAKING YOUR WORLD SAFE BY DEVELOPING INNOVATIVE SAFETY SOLUTIONS.

FOR MORE THAN 60 YEARS, TROAX HAS BEEN DEVELOPING HIGH-QUALIY METAL-BASED MESH PANEL SOLUTIONS, WITH THE VISION TO MEET THE DEMANDS FOR SAFE AND SECURE STORAGE, MACHINE GUARDING, AND WAREHOUSE PARTITIONING. TODAY, TROAX IS THE MARKET LEADER WITHIN THIS FIELD AND OUR PRODUCTS PROTECT PEOPLE, PROPERTY, AND PROCESSES WORLDWIDE.

TROAX HAS A BROAD AND DIVERSE CUSTOMER BASE OF AROUND 9,000 CUSTOMERS, WHICH INCLUDE SEVERAL GLOBAL CORPORATIONS. OUR CUSTOMERS INCLUDE RETAILERS, SYSTEM INTEGRATORS, OEMS AND END-CUSTOMERS.
READ MORE ON PAGE 13.


SALES
PER REGION
2017 (2016)
New markets
22 (11)%
Nordic region
17 (19)%
UK
10 (15)%
Continental Europe
51 (55)%
100%


SALES
PER BUSINESS AREA
2017 (2016)
Property protection
15 (15)%
Warehouse
partitioning
26 (28)%
Machine guarding
59 (57)%
100%

SALES EUR MILLION

SALES
EUR million

TROAX 2013
70.1

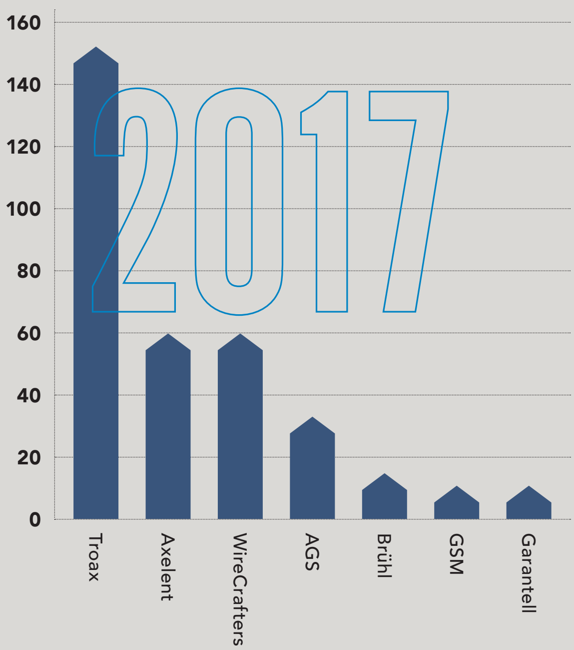
TROAX 2014
84.5

TROAX 2015
103.7

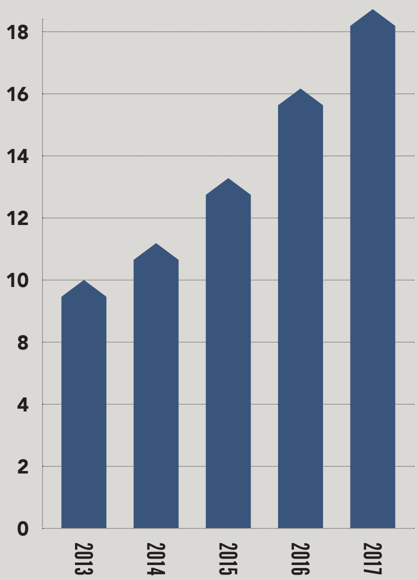
TROAX 2016
115.8

TROAX 2017
152.1

THE COMPANY'S ESTIMATES OF THE COMPETITIVE SITUATION IN 2017 EUR MILLION



CASH FLOW FROM OPERATING ACTIVITIES EUR MILLION



OPERATING PROFIT EUR MILLION

2013	2014	2015	2016	2017
7.5	13.8	22.4	25.3	30.6

01.

MACHINE GUARDING

MACHINE GUARDING

Modern industries are often highly automated and require a high degree of safety. In order to protect people from potentially dangerous machinery, and also to protect the production processes, metal-based mesh panel solutions are used for the barriers.

The market for machine guarding is expected to grow by around 7–8 %. Growth is primarily forecasted for industries that are increasingly using large industrial robots, such as the automotive industry, the mining and steel industries, pharmaceuticals, foodstuffs and the general engineering sector.

CUSTOMERS

» Integrators, which in turn sell and install complete solutions for end-customers

» Automotive industry

» Manufacturers of industrial equipment (robots), such as packaging machinery and general industry

WAREHOUSE PARTITIONING

02.

WAREHOUSE PARTITIONING

Material handling solutions include warehouse partitions, cages, wire mesh decking and anti-collapse systems. Wholly or partially automated warehouse solutions are also showing strong growth.

This market segment is expected to grow by 3–4 %, largely driven by the performance of the large retail chains and their demand for warehouses. But the e-commerce trend is also increasingly a growth factor in this sector. E-commerce is growing by more than 10 % per year.

CUSTOMERS

» Pallet racking manufacturers and other integrators

» E-commerce retailers, catalogue merchants and grocery chains

» Logistics companies, which often complement their transport solutions with warehouse solutions

» Builders of data centres and server rooms

PROPERTY PROTECTION

03.

PROPERTY PROTECTION

Storage solutions for basement and attic storage areas, 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 %.

CUSTOMERS

» Municipal and private housing companies and housing cooperatives

» The construction industry

GLOBAL PRESENCE & HISTORY

GLOBAL PRESENCE

Represented in 36 countries
670 employees worldwide
7 distribution units
5 production units

1955
Troax is founded by four brothers.

1972
International expansion begins.

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

1995
Certified according to ISO 9001. Troax's owner, Gnosjö-gruppen AB, becomes a wholly-owned subsidiary of Gunnebo AB, a public company listed on Nasdaq Stockholm.

1998
Certified according to ISO 14001.

2003
Shift in focus from diversified to more homogeneous 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
Acceleration of international expansion.

2013
The company is acquired by FSN Capital III and Troax's management. Start of production in China.

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.

TROAX

ARGENTINA, AUSTRALIA, AUSTRIA, BELGIUM, BRAZIL, CANADA, CHILE, CHINA, COLOMBIA, CROATIA, CZECH REPUBLIC, DENMARK, FINLAND, FRANCE, GERMANY, GREAT BRITAIN, HUNGARY, INDIA, IRELAND, ITALY, JAPAN, MEXICO, NETHERLANDS, NORWAY, PERU, POLAND, PORTUGAL, RUSSIA, SLOVAKIA, SLOVENIA, SOUTH AFRICA, SOUTH KOREA, SPAIN, SWEDEN, SWITZERLAND, THAILAND, TURKEY & USA.

WORLDWIDE

OUR PRODUCTI

Hillerstorp,

SWEDEN

The full line up of mesh panels is produced

Capacity (metres)
>1,000,000

Utilization rate
80%

Facility area (m^2)
30,870

MAIN PRODUCTION UNIT

Birmingham,

UK

Partitioning for offices and industry to reduce noise and dust

Capacity (panels)
~66,000

Utilization rate
50%

Facility area (m^2)
4,100

ION UNITS

Shanghai, CHINA

Mesh panels and machine guarding products

Capacity (metres)
~100,000

Utilization rate
25%

Facility area (m²)
3,500

Calco, ITALY

Modular protection systems for industrial machinery

Capacity (metres)
~250,000

Utilization rate
60%

Facility area (m²)
10,000

Chicago, USA

Wire mesh solutions for both machine guarding and warehouse partitioning

Capacity (metres)
~250,000

Utilization rate
50%

Facility area (m²)
15,400

FOLDING GUARD

FOLDING GUARD
At the end of 2016, Troax acquired Folding Guard, a leading US manufacturer of wire partitions and security solutions, from the listed company Leggett & Platt.

Folding Guard has 145 employees and has been offering innovative storage and security products and solutions, as well as expert, customer-focused service, since 1962. The company's head office is located in the Chicago area in the USA, in the same location as the company's production facility, now one of Troax's five production units. The company's products are sold via its own sales executives, representatives and distributors throughout the USA. The company's net sales in 2017 amounted to just under EUR 19 million.

SATECH
The Italian company Satech, whose head office and production facility is based in Calco in northern Italy, is one of the leading companies in safety systems for machine guarding in Europe. Satech's 10,000 m² production facility focuses on design, development and production, and the systems and software developed by Satech offer more than just physical protection.

Satech's extensive expertise in customised safety solutions has helped the company gain a competitive advantage in the industry.

SATECH

SATECH
SAFETY TECHNOLOGY

COOPERATION WITHIN THE ORGANISATION IS CREATING OPPORTUNITIES.

2017 HAS BEEN AN EXCEPTIONAL AND A SUCCESSFUL YEAR FOR TROAX. THANKS TO OUR FULLY OPERATIONAL PAINT PLANT, SIGNIFICANT INVESTMENTS IN INTEGRATION AND IMPROVEMENT OF OPERATIONS IN FOLDING GUARD INC., AND STRONG ORGANIC GROWTH, WE CAN LOOK BACK AT A SUCCESSFUL YEAR. WE ARE NOW FOCUSING ON 2018 AND ARE LOOKING FORWARD TO AN EXCITING YEAR WITH LARGE INVESTMENTS IN THE TROAX GROUP.

MESSAGE FROM THE CEO

Dear shareholder, in 2017 we continued our strategy to solve customers' safety problems by offering well-designed solutions involving mesh panels, transparent PC panels and full steel solutions. Thanks to good market performance in the financial year, probably better than the average in the last few years, and increased market shares, growth remained high. Owing to excellent performances by all parts of the organisation, we were therefore able to achieve organic growth of 15%, which was well above the historic average growth rate. Including our newly acquired company Folding Guard Inc. in the USA, sales grew by 31%. Such strong growth was not achieved without a few problems, but the organisation coped with these very well. We are confident that we will continue to capture important market shares in many markets and that we are in a good position going into 2018!

In 2017, we spent a lot of time and effort on integrating and improving operations in Folding Guard Inc., especially regarding production, delivery service and logistics. One year into what is intended to be a three-year project, we can confirm that the project is proceeding according to plan. In 2018, we will focus on boosting sales in the USA. To this end, we have hired an experienced CEO/sales director for our North American units.

As a result of improved volumes in 2016 and 2017, we have decided to invest in more welding capacity. The bulk of this investment will focus on our Hillerstorp facility, but we will also be investing in our unit in Chicago in order to be able to manufacture Troax products in the USA. These investments will in total be approximately EUR 7 million and will be implemented successively in the second half of 2018. In 2017 we invested in a new automated plant for production of so-called PC panels, which is an interesting growth area for us. The PC panels offer the same level of safety as steel mesh panels but are transparent, and therefore of increased interest to customers who want to highlight their production processes. Steel solutions remain more cost-efficient, however, and will still be the standard solution for many customers for a long time into the future. Growth was good in all our geographical segments, except the UK. Political uncertainty relating to Brexit was probably a large contributing factor, with customers being less willing to invest. In the Nordic region and Continental Europe our overall growth figures were good. We also feel that growth was good

MILESTONES

FOLDING GUARD INC., INTEGRATION PROCEEDING ACCORDING TO PLAN.

NEW DECISIONS TAKEN ON EXPANDING PRODUCTION CAPACITY IN SWEDEN AND THE USA.

INVESTMENT IN NEW AUTOMATED PRODUCTION LINE FOR PC PANELS IN HILLERSTORP COMPLETED.

17% ORGANIC GROWTH, WELL ABOVE ESTIMATED MARKET GROWTH.

ORGANIC GROWTH IN ALL OPERATING SEGMENTS.

in our so-called New Markets segment, even though performance could have been better in places. We are continuing to work towards our long-term goal: to increase our customer base and our market shares. In 2018 we will continue to increase our market investments, especially in growth markets. This has been our aim for a long time but, of necessity, was given slightly lower priority in 2017 because we had invested so much time and effort on our newly acquired company, Folding Guard Inc. in the USA.

As usual, the market was slightly unpredictable, but economic performance was good and customers continued to invest in large automation projects in both industry, warehouses and other segments. The construction side also remained strong and showed good growth, especially in the Nordic countries. In terms of competition in the market, we do not feel that the situation has changed significantly in the last couple of years.

We saw competition continue to increase in a few markets, primarily involving low-cost products of a kind that in our opinion do not come close to meeting the criteria that clients should apply to their safety solutions. However, development is moving in the right direction, with both formal and informal standards being developed to support commitment to higher safety levels. This will assist us in our ambition to develop safety solutions that enable our customers to sleep well at night.

In the financial year, work continued on developing robot solutions that are able to cooperate with human operators, so-called cobots. As before, we feel this development is interesting from an ergonomic perspective, but we have also noted that some safety aspects have been underestimated. It is therefore good to see that the discussion has become more nuanced and that efforts are being made to improve regulations relating to the safety of these machines, which will probably require some kind of physical protection. As before, our main market is industrial robots and these have to be protected by mesh panels or similar products. In 2017 we saw a growing trend of customers choosing to invest in solutions that protect the manufacturing process, even when requirements relating purely to safety have been met.

Our performance in the financial year was good, mostly as a result of increased volumes and good capacity utilisation at our production unit. In 2016, our new paint plant at our main production unit in Hillerstorp came on stream. This facility is now performing very well and we saw it play a significant part in enabling us to achieve the increase in volumes that we have recorded in the last couple of years.

In 2017 the Group once again achieved its target margin and this, together with growing volumes, contributed to an increase of 21% in our operating profit in Euro. Our earnings per share, excluding non-recurring adjustments for taxation changes in the USA, showed slightly slower growth, 19%, due to the fact that we incurred extra costs during the year when we redeemed our bond issue and replaced it with a bank loan at a lower rate of interest. This action will have a positive impact on the Group's net interest income in 2018, but the effect could be seen already in the third quarter of 2017.

EXPECTATIONS FOR 2018

Our attitude and ambition are the same as before – to continue to grow. This applies to the North American market in particular, where we have created a good basis from which to grow. We believe the industry will continue to grow by 4–6% over time. Finally I would like to say a big thank you to all our employees, all over the world, who are doing a fantastic job solving our customers' problems in our niche of the safety market. New challenges, but more importantly, new opportunities, await us in 2018.

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

MISSION:

TO DEVELOP INNOV SAFETY SOLUTION PROTECT PEOPLE, AND PROCESSES.

VATIVE S THAT PROPERTY,

VISION:
Troax should be the no.1 choice of innovative safety solutions, the world-leading supplier of mesh panels and have a global presence in all major channels.

CUSTOMER FOCUS:
We are responsive and committed to putting our clients at the centre, and we offer solutions, products and services of the highest quality.

RESPECT:
We are dedicated, and we care about people. This helps us act with high ethics, integrity and professionalism in everything we do.

COOPERATION:
We always have our minds set on cooperation, between colleagues, as well as with present and presumptive clients and suppliers.

METAL BECOMES ENVIRONMETAL

FOR A SEPARATE
SUSTAINABILITY REPORT,
PLEASE SEE
WWW.TROAX.COM

Our ambition is to conduct our business in a responsible manner that continuously promotes sustainable development. Reducing the environmental impact of our business is an important aspect of this effort and we feel we have a big responsibility towards our world and our fellow human beings in this respect. We therefore want to ensure good working conditions while also maintaining good business ethics. Sustainability issues have for many years been important to our business and have become an integral part of our internal work. This work includes various policies relating to sustainability and an active approach to environmental issues in accordance with ISO 14001.

ENVIRONMENTAL IMPACT

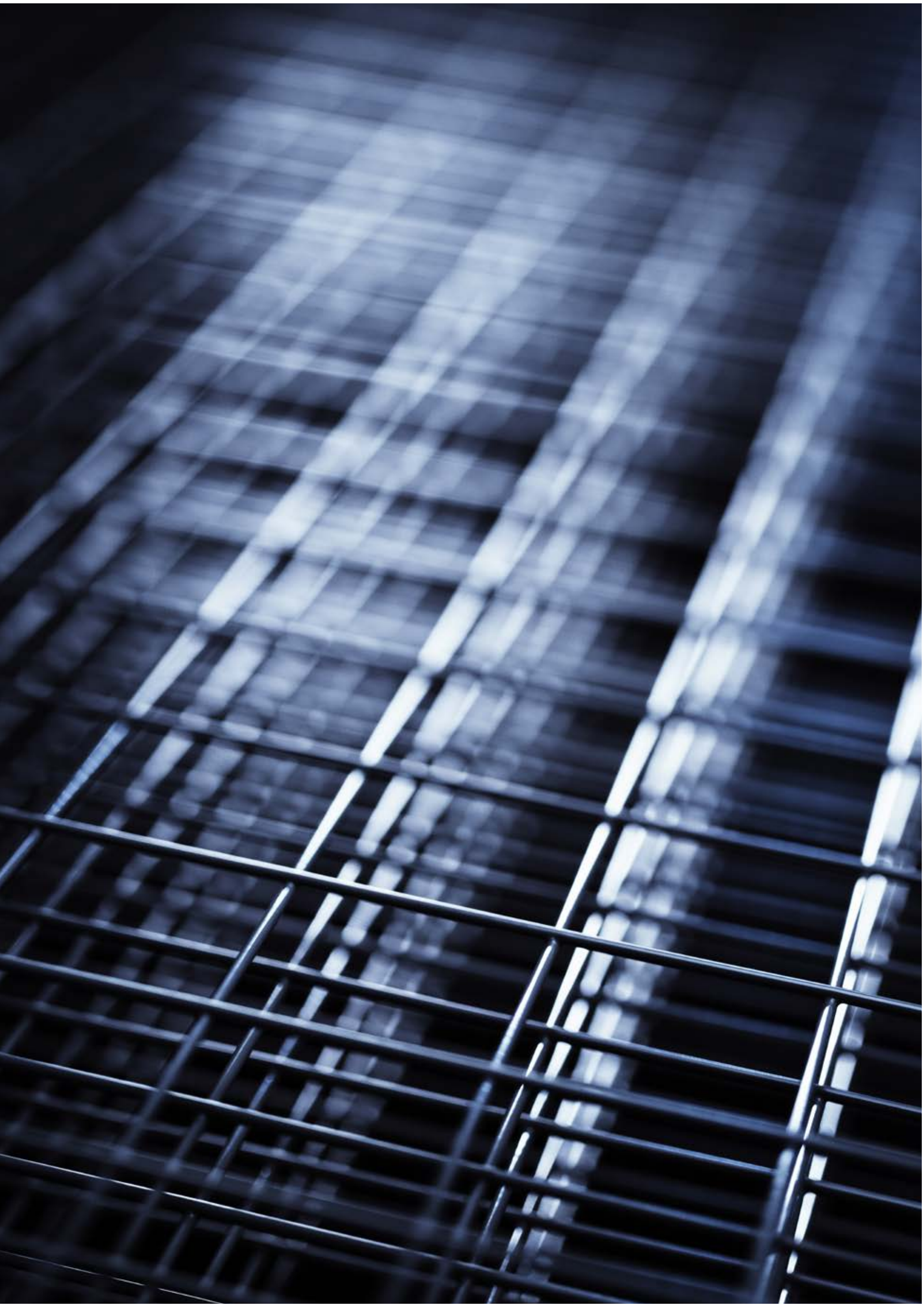
In order to contribute to a better environment, we comply with applicable laws and requirements and are taking measures both internally and externally to promote the environment. It is therefore important that our employees are encouraged to participate in improvement measures in order to ensure that Troax keeps developing.

We are constantly looking to minimise the company's environmental impact through comprehensive initiatives and commitments. Improving energy efficiency is an important part of our sustainability management. We therefore distribute a report to management once every quarter and to the authorities once a year. Our business activities have been notifiable since 2015, and our manufacturing units in Sweden, China, Italy, the UK and the USA comply with the laws and regulations in the respective countries.

GOOD WORKING CONDITIONS

It is important that working conditions within the group's companies are good but working conditions towards our suppliers are no less important. We want to be an attractive and responsible employer whose staff are keen to stay. It is therefore essential to invest in good working conditions at our companies and our suppliers.

Respecting our employees' privileges is a fundamental pillar in our business and we support and comply with the international conventions on human rights. All our employees must be treated equally and with respect, irrespective of age, race, gender, religion, sexual orientation, marital status, parental status, political views or ethnicity.



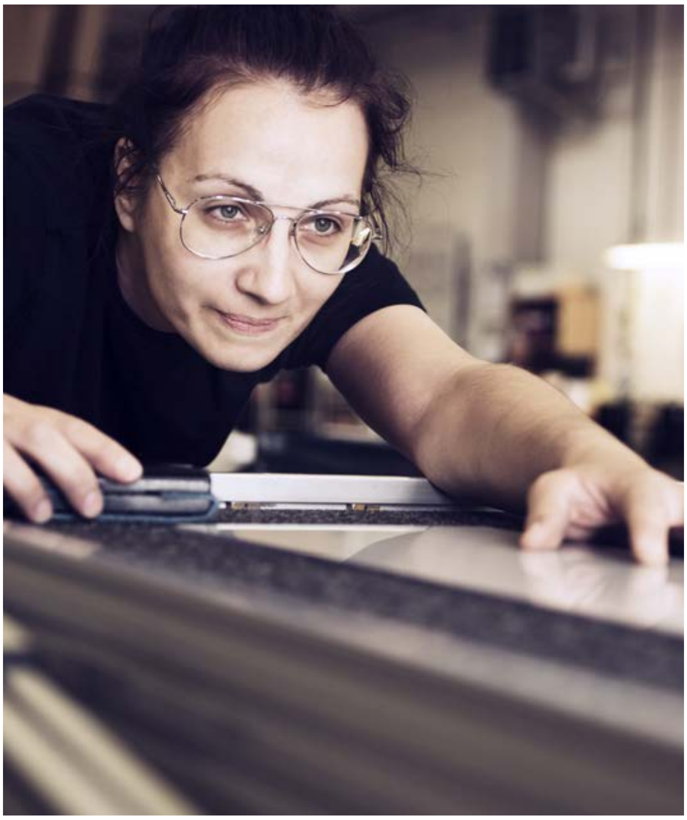
We invest in enabling our employees to develop and grow in order to ensure our employees want to stay with the company for a long time. These measures include offering further training, but also career development opportunities.

We are responsible for ensuring that sustainability aspects are guaranteed throughout the value chain. We are therefore also responsible for ensuring that our supply chains offer good working conditions. All companies in the group are today required to set out their requirements for our suppliers.

BUSINESS ETHICS
Our business is based on central and very important ethical and moral values. To simplify things for our employees, suppliers, cooperation partners and other stakeholders, we have collected our thoughts and views on these values in the document Troax's ethical guidelines. Everyone in the Group has been kept informed and been able to participate in discussions around the content of the document.

We want to enjoy a good reputation both within the Group and outside it and we want this to apply to all our units and companies. It is therefore important for employees to understand how their actions both within and outside the business reflect on Troax. Our employees must therefore accept responsibility for their personal statements and views within the confines of the company's operations.

Some time ago we started working on a common Code of Conduct for the Group, based on our ethical guidelines and core values. In 2017 we continued to develop this and we intend to complete and finally implement the Code of Conduct in 2018. Corporate governance is based on important fundamentals such as business plan, financial governance and environmental and quality management, and our goal is that the Code of Conduct will become one of these fundamentals.



»PEOPLE PROTECTING PEOPLE«

We are committed and true to you and your needs and therefore offer mesh panel solutions of the highest quality. Because at Troax it's all about protecting people. At Troax, we constantly work on developing our existing products alongside the process of innovating new ones, to improve the environment at your workplace. We never take any chances because people are using our products, trusting them with their lives. Because of this, we always look forward, working on improving our products so you can continue your life as you should.

There is a high level of knowledge and capacity among our many hundreds of employees throughout the world. We want to make a difference and take responsibility. Therefore, we act with ethics, integrity, and professionalism in everything we do. We also strive to cooperate and work closely with everyone. Our passion and knowledge is a great foundation for good results. It's all about the people. For us, it's also important to cooperate and work closely with both current and future customers as well as suppliers. We are committed to put you first and offer mesh panel solutions of the highest quality.

THREE PROTECTIVE AREAS

01.

MACHINE GUARDING

WAREHOUSE PARTITIONING

02.

PROPERTY PROTECTION

03.

01. MACHINE GUARDING

Modern industrial processes are safe when no unauthorised personnel have access to the company's machines. Troax's panel solutions, comprising mesh, steel and PC panels for machine guarding, offer maximum protection for machines and maximum safety for people.

MULTIPLE COMBINATIONS
Combine panels, posts and fixings to create flexible and unique solutions that meet your requirements and help create an optimal safety solution.

MAXIMUM SAFETY
Both panels and posts can be customised to achieve the required dimensions. Our posts and panels have been designed in standard heights that meet the requirements for safety distances according to standard ISO 13857. Our machine guarding solutions are designed to meet the requirements of standard ISO 14120:2015 – Safety of machinery – Guards – General requirements for the design and construction of fixed and movable guards.

CHOICE OF COLOURS
Our panels are available to order in a colour of the customer's choice. Our grey colour, RAL 7037, was chosen for our mesh panels because it is easy to see through, but mesh panels in black, RAL 9005, are also kept on stock for immediately delivery.

TÜV CERTIFIED
Our Smart Fix system has been certified and verified by TÜV Rheinland according to ISO 14120:2015. This certification is the first within the business.

TÜVRheinland®
CERTIFIED
Type Approved
Safety
Regular Production
Surveillance
www.tuv.com
ID 1111214984

1,600 JOULES

Just like Troax's mesh panels, the polycarbonate (PC) transparent panels are also able to withstand a force of 1,600 joules – a 100 kg pendulum hitting the panel at 20 km/h.

100 KG

In order to simulate a real-life event, the 100 kg pendulum hits the panel at a speed of 20 km/h.

02. WAREHOUSE PARTITIONING

Troax mesh panels, mesh decking and anti-collapse systems are used to ensure safe and secure material handling. Here you can find world-leading solutions for your entire logistics flow, from the Troax cage to large partitions for safeguarding valuable stock.

MULTIPLE COMBINATIONS
Our innovative panel systems are designed to meet your warehouse requirements. We offer many different levels of protection in order to be able to meet all safety requirements. Combine panels, posts and fixings to create flexible and unique solutions that meet all your requirements.

0–100 MM
Every installation is unique and we have therefore developed smart accessories to ensure that all components and systems fit together. For instance, we have a solution for all floor gaps between 0–100 mm.

SAFE AND SIMPLE
Our systems let through light and allow water from sprinkler systems to penetrate the mesh panels, should a fire occur.

SMART SOLUTIONS
Telescopic posts and top fixings mean you can create a wall that reaches all the way to the ceiling.

Speed Bolt is a newly developed, unique product. Instead of using loose nuts and bolts, we have developed a fixing that consists of one single element, which makes assembly easier and quicker when installing anti-collapse systems.

TÜV CERTIFIED
Our test method is certified and verified by TÜV Rheinland. This is the industry's first certification for anti-collapse systems.

03. PROPERTY PROTECTION

Mesh panels have many advantages. Property owners choose Troax storage systems for storage areas for tenants, partly because they provide good light and ventilation, but mostly because they offer a high level of protection against vandalism and break-ins. We also offer full steel panels for installations where privacy is very important.

FLEXIBLE SAFETY SYSTEMS
We have developed three levels of safety, with each level having special safety features: Classic, Medium and Safe.

MULTIPLE COMBINATIONS
Combine our three storage systems to create flexible and unique solutions that meet your requirements in a cost-efficient and future-proof way.

SMART FIXINGS
Choose well-designed wall, floor and ceiling fixings for simple assembly and excellent safety.

SIMPLE ACCESS
Our safe doors without thresholds facilitate access.

GOOD VISIBILITY
Our systems let through light as well as water from sprinkler systems, should a fire occur.


TROAX

DIRECTORS' REPORT

INFORMATION ABOUT THE BUSINESS
The Board of Directors and the CEO of Troax Group AB (publ) hereby submit the financial statements and consolidated financial statements for the financial year 2017. Troax is an international producer of mesh panels used for perimeter protection, ensuring a safer environment for people, property, and processes. The business focuses on three market segments: Machine Guarding, Warehouse Partitioning and Property Protection.

Machine Guarding comprises Troax's standardised protection solutions for robot cells and automation solutions. The solutions comprise everything from individual mesh panels to complete installations of safety doors and locks equipped with circuit breakers.

Warehouse 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.

Property Protection comprises Troax's mesh panel solutions for residential storage units 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 reported increased volumes and improved financial performance in 2017.

GROUP STRUCTURE
Troax Group AB (publ) is the Parent Company of the Group with 22 directly and indirectly wholly-owned subsidiaries, as shown in Note 28. Operationally, the Group is based on one operating segment, but sales and orders received are managed on the basis of geographical regions (Continental Europe, the Nordic region, the UK and New Markets) and market segments (Machine Guarding, Warehouse Partitioning and Property Protection).

SIGNIFICANT EVENTS IN THE REPORTING PERIOD
The US company Folding Guard was acquired in December 2016. In 2017, a lot of time and effort was spent on integrating and improving operations in Folding Guard Inc. These efforts focused on production, delivery service and logistics. In the reporting period the company carried out an investment in a new automated line for production of so-called PC (polycarbonate) panels in Hillerstorp. In June 2017, the Group changed its financing through early redemption of a bond loan, resulting in a non-recurring cost of EUR –2.3 million. The change in the Group's financing will have a positive impact on its net financial income/expense of EUR 3.4 million, all things being equal.

The decrease in corporate income tax in the USA from 35% to 21% had an impact on tax expense for the period of EUR –2.2 million, attributable to a decrease in the deferred tax assets that resulted from the acquisition of Folding Guard.

ORDERS RECEIVED AND NET SALES
The Group's order intake in 2017 amounted to EUR 152.0 million, corresponding to an increase of 27% compared with the previous year. Adjusted for the effect of acquisitions and currency, the increase was 13%. Net sales in 2017 amounted to EUR 152.1 million, up by 31% compared with reported net sales in 2016. Adjusted for the effect of acquisitions and currency, the increase was 17%. All markets, except the UK, reported increased sales in the period.

FINANCIAL PERFORMANCE
The operating profit (EBIT) in 2017 totalled EUR 30.6 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 2017, 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 on consolidated results, but this area continues to account for a small proportion of consolidated financial results. Net financial income/expense amounted to EUR –5,2 million, which was attributable to interest expense relating to long-term, interest-bearing financing. The decrease in corporate income tax in the USA from 35% to 21% had an impact on the Group's tax expense of EUR –2.2 million. Profit after tax in 2017 amounted to EUR 17.0 million, up from EUR 16.3 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 2017, the company invested in a new automated line for production of PC panels.

CASH FLOW, LIQUIDITY AND FINANCIAL POSITION

Cash flow from operating activities in 2017 amounted to EUR 19.2 million. Cash flow for the year amounted to EUR 1.0 million, which was attributed to continued good profitability in the Group. Continued investments in production improvements and machinery in the reporting period amounted to EUR 3.0 million. A change in financing from bonds to a bank loan resulted in a one-time expense of EUR 2.3 million in the reporting period. Cash and cash equivalents as at 31 December 2017 amounted to EUR 14.1 million and net interest-bearing liabilities totalled EUR 54.5 million. The ratio of net interest-bearing liabilities to adjusted EBITDA (including the acquired company Folding Guard) was 1.6. This should be compared with the Group's target ratio of less than 2.5. The Group's equity as at 31 December 2017 amounted to EUR 69.2 million and the equity/assets ratio was 40.1%.

Five-year summary

Group, EUR m	2017	2016	2015	2014	2013
Net sales	152.1	115.8	103.7	84.5	70.1
Gross profit	60.0	48.7	44.6	34.7	28.0
Operating profit before depreciation/ amortisation (EBITDA)	33.7	28.0	24.6	16.9	9.7
Operating profit (EBIT)	30.6	25.3	22.4	13.8	7.5
Profit after tax	17.0	16.3	13.7	8.7	2.2
Equity	69.2	65.9	60.0	43.2	45.9
Total assets	172.3	172.5	144.2	136.4	116.5

EMPLOYEES

At the end of 2017, Troax had 673 employees, up from 485 at the end of 2016. The increase in workforce was largely attributable to the acquisition of Folding Guard Inc. 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% 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. The Group carries out notifiable activities and the manufacturing units in Sweden, China, Italy, the UK and the USA comply with the laws and regulations in the respective countries.

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 2017, there were 20,000,000 shares in the company. The share price at year-end stood at SEK 278.50. The number of shareholders as at year-end was 3,211. See Note 18 for further information about the shares.

OWNERSHIP STRUCTURE

On 31 December 2017, Investment AB Latour owned 30.1% of the shares, making it the largest shareholder. None of the other shareholders had a holding exceeding 10%.

PARENT COMPANY

Troax Group AB (publ) corp. ID no. 556916-4030 is the Parent Company for the activities within the Troax group. The Parent Company's activities comprise Group functions. The Parent Company's net sales amounted to EUR 1.3 million (EUR 1.3 million) and the Parent Company reported an operating loss of EUR −0.6 million (EUR 0.3 million). The Parent Company recorded a loss after net financial income/expense of EUR −8.2 million (EUR −3.4 million). Profit after tax totalled EUR 1.2 million (EUR 3.3 million).

RISKS AND UNCERTAINTIES

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 piping, 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, in Calco in Italy and in 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.

ENVIRONMENTAL RISKS

Troax's operations take place in properties where industrial activities have been taking place for a long time, particularly at the plant in Hillerstorp. 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. 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 principal debt previously comprised a bond issue. Financing changed in summer 2017 when Troax redeemed the bonds and obtained a bank loan. 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, this 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 Directors' principal role 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.

The Board of Directors held five meetings at which minutes were taken in 2017, while one meeting at which minutes were taken has been held so far in 2018. In 2017, Troax's Board of Directors primarily comprised six ordinary members elected by the Annual General Meeting in May 2017, as well as employee members. The Chairman of the Board of Directors does not participate in the operational management of the company.

GUIDELINES FOR REMUNERATION OF THE CEO AND OTHER SENIOR EXECUTIVES

The Annual General Meeting in May 2017 passed resolutions on guidelines for remuneration for the CEO and other members of the Group management. The guidelines are expected to remain unchanged ahead of the Annual General Meeting 2018, other than that the Board of Directors proposes that remuneration of the Group management should also include the opportunity to offer share-based incentives on condition that these promote long-term commitment to the business and on condition that they are issued on market terms. Also see Note 6 for further information.

OUTLOOK FOR THE FUTURE

Troax does not make forecasts for the future. The Group does, however, prepare business plans which confirm that the positive view of growth in the underlying market for Troax's products remains.

PROPOSAL FOR APPROPRIATION OF PROFITS

Non-restricted equity in the Parent Company in EUR thousand:

Share premium reserve	27,026
Profit for the year	1,221
Total	**28,247**

THE BOARD'S OPINION ON THE PROPOSED DISTRIBUTION OF PROFITS

The Board of Directors proposes that a dividend of SEK 4.25 per share, a total of SEK 85 million, be paid to shareholders. The proposed dividend to shareholders will reduce the company's equity/assets ratio to 21.4 % and the consolidated equity/assets ratio to 35.2 %. 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 short-term or long-term obligations, 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 4 May 2018.

CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement	Note	2017	2016
Net sales	2	152,114	115,787
Cost of goods sold		–92,075	–67,052
Gross profit		**60,039**	**48,735**
Sales expenses		–20,296	–17,918
Administrative expenses		–8,447	–6,538
Other operating income	4	187	1,405
Other operating expenses	5	–888	–412
Operating profit	6, 7, 8	**30,595**	**25,272**
Financial income		64	90
Financial expenses		–5,219	–4,017
Net financial income/expense	9	**–5,155**	**–3,927**
Profit before tax		**25,440**	**21,345**
Tax	10	–8,402	–5,048
Profit for the year		**17,038**	**16,297**
Earnings per share	19		
undiluted (EUR)		0.85	0.81
diluted (EUR)		0.85	0.81
Consolidated statement of comprehensive income			
Profit for the year		**17,038**	**16,297**
Other comprehensive income	18		
Items that are or may be reclassified to profit or loss			
Translation differences for the year		–5,784	–3,689
Tax attributable to items that are or may be reclassified to profit or loss		3	–29
		–5,781	**–3,718**
Items that cannot be reclassified to profit or loss			
Remeasurement of defined benefit pension plans		–228	–164
Tax attributable to items that cannot be reclassified to profit or loss		50	36
		–178	**–128**
Other comprehensive income for the year		**–5,959**	**–3,846**
Comprehensive income for the year		**11,079**	**12,451**

The full amount of profit for the year is attributable to the Parent Company's shareholders.

CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet	Note	31/12/2017	31/12/2016
Assets	3		
Non-current assets			
Intangible assets	11	89,978	94,631
Property, plant and equipment	12	20,145	19,666
Non-current financial assets	13	949	587
Deferred tax asset	10	3,740	6,626
Total non-current assets		**114,812**	**121,510**
Current assets			
Inventories	14	10,649	10,618
Trade receivables	15	30,856	26,453
Other receivables	17	964	737
Prepaid expenses and accrued income	16	867	993
Cash and cash equivalents	24, 31	14,107	12,229
Total current assets		**57,443**	**51,030**
Total assets		**172,255**	**172,540**
Equity and liabilities	18, 19		
Share capital		2,574	2,574
Other paid-in capital		30,792	35,332
Reserves		−12,586	−6,805
Retained earnings including profit for the year		48,387	34,782
Total equity		**69,167**	**65,883**
Non-current liabilities	3		
Non-current, interest-bearing liabilities	20, 24	69,000	76,102
Provisions for pensions	21	4,026	3,623
Other provisions		307	286
Deferred tax liabilities	10	3,754	3,370
Total non-current liabilities		**77,087**	**83,381**
Current liabilities			
Trade payables		13,411	12,667
Tax liabilities	10	1,750	554
Other liabilities	22	3,801	2,621
Accrued expenses and deferred income	23	7,039	7,434
Total current liabilities		**26,001**	**23,276**
Total liabilities		**103,088**	**106,657**
Total equity and liabilities		**172,255**	**172,540**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Note	Share capital	Other paid-in capital	Reserves	Remeas-urement of pensions 1)	Retained earnings incl. profit for the year	Total equity
Balance 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**
Balance at 31/12/2016		**2,574**	**35,332**	**−6,805**	**−270**	**35,052**	**65,883**
Balance at 01/01/2017		**2,574**	**35,332**	**−6,805**	**−270**	**35,052**	**65,883**
Comprehensive income for the year							
Profit for the year		–	–	–	–	17,038	17,038
Other comprehensive income for the year		–	–	−5,781	−178	–	−5,959
Total comprehensive income		**0**	**0**	**−5,781**	**−178**	**17,038**	**11,079**
Transactions with owners of the Group							
Dividends		–	−4,540	–	–	−3,255	−7,795
Total transactions with owners of the Group		**0**	**−4,540**	**0**	**0**	**−3,255**	**−7,795**
Balance at 31/12/2017		**2,574**	**30,792**	**−12,586**	**−448**	**48,835**	**69,167**

The full amounts of all components of equity are attributable to the Parent Company's shareholders.
1) This item is recorded under retained earnings in the balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

Group	Note	2017	2016
Cash flow from operating activities	31		
Operating profit before financial items		30,595	25,272
Adjustments for non-cash items		324	1,693
Interest received		65	43
Interest paid		–5,034	–3,843
Income taxes paid		–3,772	–4,539
Cash flow from operating activities before changes in working capital		**22,178**	**18,626**
Cash flow from changes in working capital			
Increase/decrease in inventories		–31	–1,299
Increase/decrease in trade receivables		–4,403	–4,096
Increase/decrease in other current receivables		–101	779
Increase/decrease in trade payables		744	2,303
Increase/decrease in other current operating liabilities		785	–156
Cash flow from operating activities		**19,172**	**16,157**
Investing activities			
Investments in intangible assets		–18	0
Investments in property, plant and equipment		–2,987	–2,958
Proceeds from sale of property, plant and equipment		96	0
Investments in subsidiaries		0	–24,307
Investments in non-current financial assets		–361	–89
Cash flow from investing activities		**–3,270**	**–27,354**
Financing activities			
Borrowings		69,000	19,454
Repayment of borrowings		–76,102	0
Dividends paid		–7,796	–6,547
Cash flow from financing activities		**–14,898**	**12,907**
Cash flow for the year		1,004	1,710
Cash and cash equivalents at the beginning of the financial year		12,229	10,831
Translation difference		874	–312
Cash and cash equivalents at the end of the year		**14,107**	**12,229**

INCOME STATEMENT / Parent Company

Parent Company	Note	2017	2016
Net sales		1,254	1,277
Gross profit		**1,254**	**1,277**
Administrative expenses		–1,808	–1,476
Other operating income	4	6	933
Other operating expenses	5	–16	–424
Operating profit	6, 7	**–564**	**310**
Net financial items			
Other securities and receivables classified as non-current assets		–3,265	0
Interest income and similar items		511	31
Interest expense and similar items		–4,870	–3,774
Total net financial items	9	**–7,624**	**–3,743**
Profit/loss after net financial items		**–8,188**	**–3,433**
Appropriations	17	9,835	7,632
Tax on profit for the year	10	–426	–943
Profit for the year		**1,221**	**3,256**
Statement of comprehensive income, Parent Company			
Profit for the year		1,221	3,256
Other comprehensive income for the year		0	0
Comprehensive income for the year		**1,221**	**3,256**

BALANCE SHEET / Parent Company

Assets	Note	31/12/2017	31/12/2016
Non-current assets			
Non-current financial assets			
Participations in Group companies	28	87,694	87,694
Receivables from Group companies	29	31,784	29,437
Total non-current assets		**119,478**	**117,131**
Current assets			
Current receivables			
Receivables from Group companies		337	130
Prepaid expenses and accrued income		3	6
		340	**136**
Cash and bank balances		0	59
Total current assets		**340**	**195**
Total assets		**119,818**	**117,326**

BALANCE SHEET / Parent Company

Equity and liabilities	Note	31/12/2017	31/12/2016
Equity	18, 33		
Restricted equity			
Share capital		2,574	2,574
Non-restricted equity			
Share premium reserve		27,026	31,565
Profit for the year		1,221	3,256
Total non-restricted equity		28,247	34,821
Total equity		**30,821**	**37,395**
Untaxed reserves	30	1,877	1,254
Total		**1,877**	**1,254**
Non-current liabilities			
Liabilities to other credit institutions	20, 27	69,000	76,959
Total non-current liabilities		**69,000**	**76,959**
Current liabilities			
Trade payables		17	204
Bank overdraft facility	24	16,637	0
Current tax liabilities		773	821
Other current liabilities		56	41
Accrued expenses and deferred income		637	652
Total current liabilities		**18,120**	**1,718**
Total equity and liabilities		**119,818**	**117,326**

STATEMENT OF CHANGES IN EQUITY / Parent Company

Parent Company	Note	Share capital	Share premium reserve	Retained earnings incl. profit for the year	Total equity
Balance 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		**2,574**	**32,742**	**8,625**	**43,941**
Transactions with owners of the Group					
Dividends to the Parent Company's owners		–	−1,177	−5,369	−6,546
Balance at 31/12/2016		**2,574**	**31,565**	**3,256**	**37,395**
Balance at 01/01/2017		**2,574**	**31,565**	**3,256**	**37,395**
Comprehensive income for the year					
Profit for the year		–	–	1,221	1,221
Total comprehensive income		**0**	**0**	**1,221**	**1,221**
Transactions with owners of the Group					
Dividends to the Parent Company's owners		–	−4,540	−3,255	−7,795
Balance at 31/12/2017		**2,574**	**27,025**	**1,222**	**30,821**

CASH FLOW STATEMENT / Parent Company

The parent company	Note	2017	2016
Cash flow from operating activities	31		
Operating profit before financial items		–564	311
Adjustments for non-cash items, etc.		0	1
Interest received		511	31
Interest paid		–4,870	–3,774
Income taxes paid		–474	–62
Cash flow from operating activities before changes in working capital		**–5,397**	**–3,493**
Cash flow from changes in working capital			
Increase/decrease in trade receivables		0	136
Increase/decrease in accounts receivable		–4,243	–8,371
Increase/decrease in trade payables		–187	186
Increase/decrease in accounts payable		0	–9,347
Cash flow from operating activities		**–9,827**	**–20,889**
Investing activities			
Cash flow from investing activities		**0**	**0**
Financing activities			
Borrowings		69,000	19,454
Repayment of liabilities		–76,959	0
Increase/decrease in current financial liabilities		16,637	–1,197
Group contribution received/paid		8,885	9,202
Dividends paid		–7,795	–6,547
Cash flow from financing activities		**9,768**	**20,912**
Cash flow for the year		**–59**	**23**
Cash and cash equivalents at the beginning of the financial year		**59**	**36**
Cash and cash equivalents at the end of the year		**0**	**59**

NOTES

SHARED BY THE PARENT COMPANY AND THE GROUP

NOTE 1 Accounting and measurement policies

(a) Compliance with standards and legislation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the EU and the Swedish Annual Accounts Act. 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 9 April 2018. 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 2 May 2018.

(b) Measurement bases used in preparing the financial statements
Assets and liabilities are measured on a historical cost basis except for certain financial assets and liabilities, which 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, and also its functional currency, is the Euro. 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 estimates and judgements.

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 Notes 10 and 11.

(e) New and amended standards effective in 2018 or later
The following new standards will be effective for annual periods beginning on or after 1 January 2018.

IFRS 16 "Leases"
In January 2016, the IASB published a new lease standard, which will replace IAS 17 Leases and related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities attributable to all leases, with a few exceptions, to be recognised on the balance sheet. This accounting is based on the view that lessees have the right to use an asset for a specific period of time and simultaneously an obligation to pay for this right. Lessor accounting remains largely unchanged. The standard will apply to annual reporting periods beginning on or after 1 January 2019, with earlier application permitted.

The Group has begun the task of evaluating the impacts of introducing the standard. The standard will primarily affect accounting for the Group's operating leases. At the balance sheet date, the Group's non-cancellable leases stood at EUR 5.1 million, see Note 25. The Group has not evaluated the extent of the impact on the balance sheet, or how it will affect the Group's financial performance and classification of cash flows. Some commitments may be within the scope of short-term contracts and contracts of low value, while some commitments may concern arrangements that should not be accounted for as leases under IFRS 16.

IFRS 9 Financial Instruments
The standard deals with classification and measurement of, and accounting for, financial assets and liabilities. It replaces those parts of IAS 39 that deal with classification and measurement of financial instruments. The standard will apply to annual reporting periods beginning 1 January 2018. Early application of the standard has not been implemented. The transition will not materially affect the Group's financial reporting.

IFRS 15 Revenue from Contracts with Customers
The Group's net sales mainly comprise revenue from the sale of goods. Revenue from the sale of goods is recognised when the significant risks and rewards associated with ownership of the goods have been transferred to a third party, normally in connection with delivery to the customer. Some sales contracts include installation service together with sales of goods. Under current accounting policies, revenue from the sale of goods relating to contracts that include installation service is accounted for when the obligations under the contract have been fully performed, that is, when the installation service has been performed. According to IFRS 15, sale of goods attributable to contracts that include installation will be accounted for as revenue when the goods have been delivered to a third party, normally in connection with delivery to the customer. Implementation of IFRS 15 will result in changes to the Group's accounting policies, which will be applied retrospectively using a cumulative catch-up approach. This means that the opening balance will be restated as at 01/01/2018 and that no changes will be made to the opening balance as at 01/01/2017 or the 2017 income statement. The amended accounting policy will have a positive impact on opening equity as at 01/01/2018 of EUR 0.9 million, corresponding to 1.2%.

(f) Classification
Fixed assets and non-current liabilities essentially comprise amounts that are expected to be recovered or paid after more than twelve months from the balance sheet date. Current assets and current liabilities fundamentally comprise amounts that are expected to be recovered or paid within twelve months 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 to be able to allocate resources to the operating segment. See Note 2 for further description of the division and presentation of operating segments.

(h) Consolidation principles 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 acquisition date 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 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 on the transaction date. 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 presentation 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 reserve within equity. 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 under equity to profit or loss.

(iii) Intra-group foreign currency receivables and liabilities
Intra-group foreign currency receivables and liabilities that form part of the net investment in a foreign operation and which are translated according to IAS 21, will have an impact on the income statement and should be dealt with as follows. Translation differences that arise during currency translation are recognised in other comprehensive income and accumulated in a separate reserve within equity.

(j) Sale of goods
The group's reported net sales mainly comprise revenue from the sale of goods. 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 rewards associated with ownership of the goods have been transferred to a third party, normally in connection with delivery to the customer.

(k) Leases
Expenses relating to operating leases are recognised on a straight-line basis in profit or loss over the lease term. Rewards received in conjunction with signing an agreement are recognised in profit or loss as a linear reduction in lease payments 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.

Foreign exchange gains and 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 for the current year, with application of the tax rates that have been enacted or substantively enacted 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 bases 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 at the time of the transaction affects neither accounting nor taxable profit or loss. Furthermore, temporary differences attributable to holdings in subsidiaries and associated companies 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 have been enacted or substantively enacted 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 in statement of financial position
Financial assets and financial 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 satisfied its performance obligations and there is a contractual obligation on the counterparty 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 counterparty has satisfied its performance obligations 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 liabilities are offset and the net amount recognised in the statement of financial position when, and only when, a legal right to offset the amounts exists and the company intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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 instrument plus transaction costs for all financial instruments except for 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 at bank and in hand.

Financial assets measured at fair value through profit or loss
This category comprises two sub-categories: financial assets held for trading purposes and other financial assets that the company has decided on initial recognition to place in this category (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-category 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-category.

Loan receivables and trade receivables
Loan receivables and trade receivables are non-derivative financial assets with fixed or determinable payments, 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, that is, after deduction for doubtful debts.

Financial liabilities measured at fair value through profit or loss
This category comprises two sub-categories: financial liabilities held for trading and other financial liabilities that the company has decided on initial recognition to place in this category (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-category.

Other financial liabilities
Loans and other financial liabilities, for example trade payables, are included in this category. These liabilities are valued at amortised cost. The Group's bank borrowings are not subject to repayment and the Group therefore does not recognise any current portion of long-term liabilities on the balance sheet.

(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 immediately recognised through profit or loss 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 other operating expense.

(p) Property, plant and equipment
Property, plant and equipment are recognised in the consolidated balance sheet at cost after deduction for accumulated depreciation and any impairment losses. Cost includes the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to 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
» Machinery and other technical plant 5–10 years
» Equipment, tools, 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 not amortised.

(ii) Licenses
Acquired licenses are booked at cost less accumulated amortisation and any impairment losses. Licenses are written off on a straight-line basis 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 indefinite lives and are therefore not amortised. These trademarks are tested for impairment at least annually. Trademarks that are to be phased out are amortised, however.

(iv) Customer relationships
Acquired customer relationships are recognised at cost less accumulated amortisation and any impairment losses. Customer relationships are written off on a straight-line basis over their estimated useful life of 15 years.

(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 self-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 and trademarks that are not written off, the recoverable amount is also calculated annually. An impairment loss is recognised when the carrying amount of an asset or cash 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 for 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.

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 present value. The discount rate is the interest on the balance sheet date of a high quality corporate bond, including mortgage 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 present value of the obligation. The interest expense on the defined benefit obligation is accounted for in net interest income/expense. The net interest cost is based on the interest that arises when discounting the net obligation, that is, the interest on the obligation. 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 in other comprehensive income. Special payroll tax constitutes a part of actuarial assumptions and is therefore recognised as part of the net obligation. The part of special payroll tax 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 financial statements have 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 RFR 2, the Parent Company must, in the financial statements for the legal entity, apply all IFRS and statements adopted by the EU in so far as this is possible within the framework of the Swedish Annual Accounts Act, the Swedish Pension Obligation Vesting Act and with regard to the relationship 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 2017 changed in accordance with the amendments described above in respect of the Group's accounting policies.

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 presentation 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

Because of the relationship 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 financial performance is followed up further by the company's key executive decision-makers, the group management, in order to evaluate financial 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 operating segment statement 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 performance measures are 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 applies to regional sales and volume of orders received. There are therefore no performance measures that the key executive decision-makers use for distribution of resources.

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

Geographical areas/Business areas

The Group's net sales are divided into the following four geographical areas: The Nordic region, the UK, Continental Europe and New markets, and the following three business areas: Property Protection, Machine Guarding, Warehouse Partitioning

Internal sales predominately 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

Group **Net sales**	**31/12/2017**	**31/12/2016**
Nordic region	25,693	22,354
UK	15,943	17,598
Continental Europe	76,979	63,331
New markets	33,499	12,504
Total	**152,114**	**115,787**

No single customer contributes 10 % or more of the Group's net sales. Sweden, where the company is domiciled, accounts for EUR 13,358,000 (11,375,000) of sales in the Nordic region. Net sales above are based on customers' domicile.

Intangible and tangible fixed assets		
Nordic region	75,734	76,886
UK	596	605
Continental Europe	21,228	21,152
New markets	12,565	15,654
Total	**110,123**	**114,297**

Sweden, where the company is domiciled, accounts for EUR 75,684,000 (76,834,000) of fixed assets in the Nordic region.

Business areas		
Property Protection	23,100	16,869
Machine Guarding	90,205	65,843
Warehouse Partitioning	38,809	33,075
Total	**152,114**	**115,787**

NOTE 3 Business combinations

Acquisitions in 2017
No acquisitions took place in 2017. No adjustments of historic acquisition analyses took place in the reporting period.

Acquisitions in 2016
On 23 December 2016, Troax acquired the US company Aspen Holding (Folding Guard) for USD 25.8 million. The final amount of contingent consideration was USD 0 million. 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. It is also 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 market 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 crucial for sales. These include the facility to offer tailor-made solutions, efficient logistics and attractive prices. The customer relationship does have some impact on customers' purchasing decisions, but it is not significant. 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.

Acquisition-related costs of EUR 160,000 are included 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 the acquisition:

	Carrying amount for the acquisition	Fair value, adjustment	Fair value recognised by the Group
Intangible assets	20,867	–6,626	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 4 Other operating income

	Group		Parent Company	
	2017	**2016**	**2017**	**2016**
Capital gain/loss on tap issue	0	933	0	933
Capital gain/loss on the sale of property, plant and equipment	24	0	6	0
Currency gains on receivables/liabilities relating to operations	0	224	0	0
Other	163	248	0	0
	187	**1,405**	**6**	**933**

NOTE 5 Other operating expenses

	Group		Parent Company	
	2017	**2016**	**2017**	**2016**
Change in fair value of currency derivatives	–209	–412	0	0
Currency losses on receivables/liabilities relating to operations	–679	0	–16	–424
	–888	**–412**	**–16**	**–424**

NOTE 6 Employees and employee benefit expenses

Wages, salaries, other remuneration and social security contributions	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Wages, salaries, other remuneration and social security contributions	28,232	19,998	988	881
Social security contributions	6,141	5,044	306	214
Pension costs, defined benefit (also see Note 21)	233	106	0	0
Pension costs, defined contribution plans	1,068	1,040	194	159
Total	**35,674**	**26,188**	**1,488**	**1,254**

Of the Parent Company's pension expenses, EUR 42,000 (79,000) 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

Parent Company	2017	of which men	2016	of which men
Sweden	3	100 %	3	100 %
Total, Parent Company	**3**		**3**	

Subsidiaries	2017	of which men	2016	of which men
Sweden	233	79 %	199	78 %
Norway	3	67 %	2	50 %
Denmark	8	88 %	8	63 %
Finland	4	100 %	4	100 %
UK	57	84 %	59	80 %
Benelux	16	81 %	15	80 %
France	22	73 %	20	70 %
Germany	43	74 %	37	76 %
Switzerland	1	100 %	1	100 %
Italy	84	67 %	81	74 %
Spain	17	65 %	15	69 %
China	16	81 %	19	82 %
USA	160	78 %	16	94 %
Other	6	67 %	6	71 %
Total, subsidiaries	**670**		**482**	
Total, Group	**673**	**77 %**	**485**	**77 %**

Distribution by gender in company management

Parent Company	2017 proportion women	2016 proportion women
Board of Directors	25.0 %	25.0 %
Other members of the Group management	0.0 %	0.0 %

Group	2017 proportion women	2016 proportion women
Board of Directors	25.0 %	25.0 %
Other members of the Group management	0.0 %	0.0 %

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 are conditional on the CEO not having 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 board fees. The Annual General Meeting 2017 decided that the fees for the Board of Directors for work performed in 2018 should be EUR 45,000 (41,000) for the Chairman of the Board and EUR 23,000 (21,000) for each of the Board members. The chairs of the Remuneration Committee and Audit Committee receive an additional fee of EUR 6,000 (6,000) and EUR 8,000 (6,000), respectively, while the committee members receive EUR 3,000 (3,000) and EUR 6,000 (3,000), respectively. No fees for board duties are paid to the CEO or employee representatives.

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 2017, the basic salary was EUR 257,000 (249,000). Variable remuneration must not exceed 6 monthly salaries. Any bonus payments will be determined on the basis of the Troax Group's financial performance and tied up capital.

In 2017, remuneration to the CEO and President amounted to EUR 391,000 (358,000), including benefits, of which EUR 124,000 (99,000) consisted of a bonus for the financial year 2017.

Retirement benefits
The CEO and President has the right to retire at the age of 65. The pension plan is not defined-benefit.

In 2017, premium contributions in respect of the CEO amounted to EUR 42,000 (79,000).

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 bonus amounts are determined by the Board on the basis of the Troax Group's financial performance and tied up capital. In 2017, remuneration for other members of the Group management totalled EUR 1,246,000 (1,178,000), of which EUR 265,000 (192,000) comprised bonuses for the financial year 2017.

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 of the Group management have the right to full salary and other employment benefits. None of the other members of the Group management is entitled to severance pay.

Retirement benefits
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 2017, premium contributions attributable to other members of the group management amounted to EUR 212,000 (193,000).

Remuneration and other benefits in the financial year 2017	Basic salary Board fee	Variable compensation	Other benefits	Pension cost	Total
Chairman of the Board Jan Svensson	51				51
Board Member Curt Germundsson	23				23
Board member Anna Stålenbring	31				31
Board Member Per Borgvall	28				28
Board member Eva Nygren	25				25
Managing Director Thomas Widstrand	257	124	10	42	433
Other members of the Group management (6 people)	922	265	59	212	1,458
Total	**1,337**	**389**	**69**	**254**	**2,049**
Of which from the parent company	**712**	**210**	**34**	**127**	**1,083**

Remuneration and other benefits in the financial year 2016	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				
Managing Director Thomas Widstrand	249	99	10	79	437
Other members of the Group management (6 people)	908	192	78	193	1,371
Total	**1,306**	**291**	**88**	**272**	**1,957**
Of which from the parent company	**798**	**177**	**39**	**192**	**1,206**

NOTE 7 Fees and reimbursement of costs to auditors

	Group		Parent Company	
PwC	**2017**	**2016**	**2017**	**2016**
The audit assignment	116	63	31	30
Auditing services other than the audit assignment	0	2	0	0
Total	**116**	**65**	**31**	**30**
Other auditors				
The audit assignment	59	96	0	0
Other services	73	66	9	6
Total	**132**	**162**	**9**	**6**

Audit assignment refers to the statutory audit of the financial statements and consolidated financial statements and accounting, the administration by the Board of Directors and the CEO, and auditing and other reviews carried out as per agreement or contract. This includes other duties that it is incumbent upon the company's auditor to perform, as well as advice and other assistance resulting from observations made during such a review or while performing such other duties.

NOTE 8 Operating expenses by type of expense

	Group	
	2017	2016
Material costs	–37,735	–26,202
Changes in inventories, finished goods and work in progress	110	–44
Personnel costs	–37,899	–29,264
Other external costs	–43,085	–33,641
Depreciation/amortisation	–3,097	–2,769
Total	**–121,706**	**–91,920**

NOTE 9 Net financial income/expense

	Group		Parent Company	
	2017	2016	2017	2016
Interest income on bank deposits	64	36	0	0
Change in the fair value of interest rate derivatives	0	47	0	0
Net exchange rate changes	0	7	0	0
Interest income, group company	0	0	511	31
Financial income	**64**	**90**	**511**	**31**
Interest expense, bond	–1,928	–3,226	–1,928	–3,774
Interest expense, credit institutions	–796	–11	–630	0
Interest expense, other	–186	–780	–3	0
Net exchange rate changes	0	0	–3,265	0
Redemption of bond	–2,309	0	–2,309	0
Financial expenses	**–5,219**	**–4,017**	**–8,135**	**–3,774**
Net financial income/expense	**–5,155**	**–3,927**	**–7,624**	**–3,743**

NOTE 10 Taxes

Recognised in the income statement and statement of other comprehensive income

	Group		Parent Company	
Current tax expense (–)/tax income (+)	**2017**	**2016**	**2017**	**2016**
Tax expense for the period	–5,685	–4,959	–426	–911
	–5,685	**–4,959**	**–426**	**–911**
Deferred tax expense (–)/tax income (+)				
Deferred tax expense as a result of utilisation of previously capitalised value of tax loss carryforwards	0	0	0	–32
Deferred tax on revaluation of carrying amount of deferred tax assets	–2,717	–89	0	0
	–2,717	**–89**	**0**	**–32**
Total recognised tax expense	**–8,402**	**–5,048**	**–426**	**–943**

Reconciliation of effective tax

Group	**%**	**2017**	**%**	**2016**
Profit before tax		25,440		21,345
Tax in accordance with the applicable tax rate for the Parent Company	22.0	–5,597	22.0	–4,696
Effect of other tax rates for foreign subsidiaries	2.0	–513	2.9	–617
Effect of reduced tax rate in the USA	9.0	–2,296		
Non-deductible expenses	0.2	–50	0.2	–37
Non-taxable revenue	0.0	1	0.0	3
Recognition of previously unrecognised tax losses	–0.2	57	–1.5	303
Standard interest on tax allocation reserve	0.0	–4	0.0	–4
Recognised effective tax	**33.0**	**–8,402**	**23.6**	**–5,048**

Parent Company				
Profit before tax		1,647		4,200
Tax in accordance with the applicable tax rate for the Parent Company	22.0	–362	22.0	–924
Non-deductible expenses	0.7	–12	0.3	–11
Translation difference deferred tax			0.2	–8
Translation difference group contributions paid	3.1	–51		
Standard interest on tax allocation reserve	0.0	–1		
Recognised effective tax	**25.8**	**–426**	**22.5**	**–943**

Group		
Tax attributable to other comprehensive income	**2017**	**2016**
Tax attributable to revaluation of defined-benefit pensions	50	36
Total	**50**	**36**

Note 10 cont.

Recognised in the balance sheet
Change in deferred tax due to temporary differences

	Balance as at 01/01/2017	Recognised through profit or loss	Recognised in other compre-hensive income	Acquisition/ sale of business	Balance as at 31/12/2017
Property, plant and equipment	–1,455	181			–1,274
Intangible assets	5,880	–3,359			2,521
Provisions for pensions	9	45	53		107
Untaxed reserves	–1,779	–220			–1,999
Loss carried forward	303	57			360
Other	298	–27			271
Total	**3,256**	**–3,323**	**53**	**0**	**–14**

	Balance as at 01/01/2016	Recognised through profit or loss	Recognised in other compre-hensive 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
Untaxed reserves	–1,555	–224			–1,779
Loss carried forward	283	20			303
Other	421	–123			298
Total	**–3,264**	**–112**	**6**	**6,626**	**3,256**

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	Deferred tax 2017			Deferred tax 2016		
	Receivable	**Liability**	**Net**	**Receivable**	**Liability**	**Net**
Property, plant and equipment	144	–1,418	–1,274	140	–1,595	–1,455
Intangible assets	3,236	–715	2,521	6,626	–746	5,880
Provisions for pensions	107		107	9		9
Untaxed reserves		–1,999	–1,999		–1,779	–1,779
Loss carried forward	360		360	303		303
Other	271		271	298		298
Tax assets/liabilities	**4,118**	**–4,132**	**–14**	**7,376**	**–4,120**	**3,256**
Set-offs	–378	378		–750	750	
Tax assets/liabilities, net	**3,740**	**–3,754**	**–14**	**6,626**	**–3,370**	**3,256**

Deferred tax assets are recognised for tax losses and carried forward to the extent that it is likely that they can be utilised against future taxable profits. The Group reported deferred tax assets of EUR 360,000 (303,000), which can be offset against future taxable profits. Deferred tax assets relating to intangible assets in the USA were revised downward in the reporting period against the background of an announcement of a change in the tax rate from 35% to 21%.

NOTE 11 Intangible assets

EUR thousand Group	Licenses	Trademarks	Customer relationships	Goodwill	Total
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**
Accumulated cost					
Opening balance 01/01/2017	279	3,632	1,800	89,478	95,189
Business acquisitions					
Other investments	18				18
Reclassifications	–85	513		–1,582	–1,154
Exchange rate differences for the year		–11	–218	–2,882	–3,111
Closing balance 31/12/2017	**212**	**4,134**	**1,582**	**85,014**	**90,942**
Accumulated amortisation and impairment					
Opening balance 01/01/2017	–114	–239		–205	–558
Amortisation for the year	–57	–245	–112		–414
Reclassifications		–205		205	
Exchange rate differences for the year		1	7		8
Closing balance 31/12/2017	**–171**	**–688**	**–105**	**0**	**–964**
Carrying amounts					
At 01/01/2017	165	3,393	1,800	89,273	94,631
At 31/12/2017	**41**	**3,446**	**1,477**	**85,014**	**89,978**

The Group's goodwill comprises strategic business values that have arisen through business acquisitions. No internally generated intangible assets exist in the Group.

Depreciation is included in the following lines in the income statement

Group	2017	2016
Sales expenses	–254	–417
Administration expenses	–160	
Total	**–414**	**–417**

Note 11 cont.

Testing cash-generating units containing goodwill and trademarks for impairment
The following cash-generating units contain goodwill and trademarks:

	Carrying amount	
Goodwill	**2017**	**2016**
Troax	56,169	57,938
Satech	18,932	18,372
Folding Guard	9,913	12,963
Total	**85,014**	**89,273**

Trademarks		
Troax	2,793	2,936
Satech	653	457
Total	**3,446**	**3,393**

Of the Group's trademarks, trademarks worth EUR 3,250,000 are not subject to amortisation.

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% (2%). Important assumptions in the business forecast that affect cash flow estimates are market growth and anticipated price development. These are in line with historical data and external sources of information. The company management has carried out alternative calculations based on reasonably possible changes in key assumptions, such as:

- » if the discount rate before tax were to be 2 percentage points higher
- » if the estimated rate of growth during the forecast period were to halve.

A change in the discount rate would not result in impairment write-downs for recognised goodwill in the Group. The Group's budget and business plans for the forecast period include increases in sales, gross margin, profits and cash flows.

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

Discount rate before tax	**2017**	**2016**
Troax	8.5%	10.3%
Satech	8.5%	11.5%
Folding Guard	10.5%	

NOTE 12 Property, plant and equipment

EUR thousand Group	Buildings and land	Machines	Equipment	Ongoing	Total
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**
Accumulated cost					
Opening balance 01/01/2017	12,018	9,931	2,353	239	24,541
Business acquisitions					
Investments for the year	45	544	949	1,449	2,987
Sales and disposals		−289	−744		−1,033
Reclassifications		1,069	155		1,224
Exchange rate differences for the year	−560	−815	−243	−50	−1,668
Closing balance 31/12/2017	**11,503**	**10,440**	**2,470**	**1,638**	**26,051**
Accumulated depreciation and impairment					
Opening balance 01/01/2017	−2,355	−1,638	−882	0	−4,875
Depreciation for the year	−637	−1,562	−581	0	−2,780
Sales and disposals		216	721	0	937
Reclassifications			−132		−132
Exchange rate differences for the year	275	470	199	0	944
Closing balance 31/12/2017	**−2,717**	**−2,514**	**−675**	**0**	**−5,906**
Carrying amounts					
At 01/01/2017	9,663	8,293	1,471	239	19,666
At 31/12/2017	**8,786**	**7,926**	**1,795**	**1,638**	**20,145**

Note 12 cont.

Depreciation
Depreciation is included in the following lines in the income statement

Group	2017	2016
Cost of goods sold	–2,567	–2,038
Sales expenses	–52	–197
Administration expenses	–478	–343
Total	**–3,097**	**–2,578**

NOTE 13 Non-current financial assets

Group		
Non-current receivables classified as non-current assets	**2017**	**2016**
Pension investment	765	364
Other	184	223
Total	**949**	**587**

NOTE 14 Inventories

Group	2017	2016
Raw materials and consumables	2,826	2,561
Work in progress	4,746	4,472
Finished goods and goods for resale	3,077	3,585
Total	**10,649**	**10,618**

Costs of goods sold for the Group include depreciation of inventories of EUR 479,000 (410,000).

NOTE 15 Trade receivables

Trade receivables were recognised after taking into account credit losses incurred during the financial year, which amounted to EUR 264,000 (259,000) for the Group. The losses occurred in conjunction with management according to the group's credit policy and were recognised as an expense in the income statement for the reporting period.

Credit risks in trade receivables
The risk that the group's customers will not fulfil their obligations, that is, default, represents a customer credit risk. The group's customers are credit checked, whereby information about 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 includes information 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

Group	31/12/2017	31/12/2016
Trade receivables not past due	23,887	21,720
Trade receivables past due 1–30 days	4,906	4,075
Trade receivables past due 31–90 days	1,902	895
Trade receivables past due >90 days	1,314	814
Allowance for doubtful trade receivables	–1,153	–1,051
Total	**30,856**	**26,453**

Change in allowance for doubtful trade receivables

Group	31/12/2017	31/12/2016
Opening allowance	–1,194	–1,150
Realised losses	125	259
Reversed unutilised allowance	307	116
Allowance for the year	–391	–419
Closing allowance	**–1,153**	**–1,194**

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

Group	31/12/2017	31/12/2016
Prepaid rent/leases	219	56
Insurances	89	34
Energy tax	165	107
Other items	394	796
Total	**867**	**993**

NOTE 17 Appropriations

Parent Company	2017	2016
Group contributions	10,458	8,885
Change in tax allocation reserve	−623	−1,253
Total	**9,835**	**7,632**

NOTE 18 Equity

Specification of equity item reserves	**Group**	
Translation reserve	**31/12/2017**	**31/12/2016**
Opening translation reserve	−6,805	−3,087
Translation reserve for the year	−5,781	−3,718
Closing translation reserve	**−12,586**	**−6,805**

Share capital and number of shares		
Reported in number of shares		
Issued as at 1 January	20,000,000	20,000,000
Issued as at 31 December – paid	**20,000,000**	**20,000,000**

As at 31 December 2017, the registered share capital comprised 20,000,000 (20,000,000) ordinary shares and no preference shares.

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

Note 18 cont.

Other paid-up capital
Refers to equity contributed by owners. This includes premiums 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.

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.

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 non-restricted equity.

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

NOTE 19 Earnings per share

Calculation of earnings per share is based on the weighted average number of outstanding ordinary shares (Class A shares).

	Group	
	31/12/2017	**31/12/2016**
Annual profit attributable to the Parent Company's shareholders	17,038	16,297
Earnings per share	0.85	0.81

Weighted average number of outstanding shares		
Reported in number of shares		
Total number of shares, 1 January	20,000,000	20,000,000
Weighted average number of shares during the year, before and after dilution	**20,000,000**	**20,000,000**

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 changes.

	Group		Parent Company	
Non-current liabilities	**31/12/2017**	**31/12/2016**	**31/12/2017**	**31/12/2016**
Bank loans	69,000	0	69,000	0
Bonds	0	76,102	0	76,959
	69,000	**76,102**	**69,000**	**76,959**

	Currency	Nom. interest %	Maturity	Nominal value	Carrying amount	Nominal value	Carrying amount
Bonds	EUR	Euribor +5.50	17/06/2020			76,959	76,102
Bank loans	EUR	Euribor +0.90	30/06/2020	69,000	69,000		
Total interest bearing liabilities					**69,000**		**76,102**

On 12 June 2014, Troax Group AB (publ) issued a six-year "senior secured" bond worth a total of EUR 70.0 million. Interest is paid quarterly and the coupon corresponds to EURIBOR plus 5.5%. 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 was recognised in other income under consolidated operating profit. The bond was redeemed in 2017, resulting in a non-recurring expense of EUR −2.3 million, which was recognised under net financial income/expense. The Group is now financed through a bank loan. The loan is currently not subject to repayment but the Group has the facility to make repayments if it would prefer to do so. Interest is paid quarterly to the bank and the interest corresponds to EURIBOR plus 0.9%.

NOTE 21 Provisions for pensions

Overview defined benefit plans

The Group has defined benefit plans in Sweden, Italy and France. The majority of the Swedish pension plans are defined benefit plans, which correspond 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 cont.

Changes in present value of obligation relating to defined benefit plans

Group	**2017**	**2016**
Obligation relating to defined benefit plans as at 1 January	3,623	4,554
Cost relating to service in the current period	233	106
Interest expense	96	98
Revaluations		
» Actuarial gains and losses on changed demographic assumptions		
» Actuarial gains and losses on changed financial assumptions	228	164
» Experience-based adjustments		
Effects of acquisition/sale of business		
Effects of reductions and settlements		–1,104
Compensation paid out	–67	–63
Exchange rate differences	–87	–132
	4,026	**3,623**

Distribution of pension obligations

	2017	**2016**
Sweden	3,259	2,984
Italy	689	567
France	78	72
	4,026	**3,623**

Expense recognised through profit or loss

Group	**2017**	**2016**
Costs relating to service in the current period	–233	–106
Interest expense on the obligation	–97	–99
Total net expense in the income statement	**–330**	**–205**
Expense recognised in other comprehensive income		
Revaluations:		
Actuarial gains (–) and losses (+)	–228	–164
Net amount recognised in other comprehensive income	**–228**	**–164**

Assumptions relating to defined benefit obligations The most significant actuarial assumptions as at the balance sheet date (expressed as weighted averages)	**2017**	**2016**
Discount rate as at 31 December	2.60 %	2.80 %
Future salary increases	2.50 %	2.50 %
Future pension increases	1.50 %	1.50 %
Inflation	1.85 %	0.50 %

Note 21 cont.

Effects on future cash flow
As at 31/12/2017, the duration of the obligation calculated using cash flow duration was 19 years (20.8).

The Group estimates that EUR 242,000 will be allocated in 2018 to funded and unfunded defined benefit plans that are recognised as defined benefit plans. EUR 786,000 is expected to be paid in 2018 to defined benefit and defined contribution 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. According to the Swedish Financial Reporting Board's statement 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 2017 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 recognised as a defined contribution plan. The annual contributions for pension insurance policies with Alecta in the reporting period amounted to EUR 364,000 (392,000). Alecta's surplus can be distributed to the policy holders and/or the insured. At the end of 2017, Alecta's surplus in the form of the collective funding ratio was 154% (149). The collective funding ratio comprises the market value of Alecta's assets as a percentage of insurance obligations calculated using Alecta's actuarial 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 to defined benefit plans that comprise several employers but are recognised as if the plan was a defined contribution plan, amount to EUR 46,000.

NOTE 22 Other liabilities

	Group	
Other current liabilities	**31/12/2017**	**31/12/2016**
Personnel related liabilities	2,287	2,242
VAT liabilities	1,149	223
Fair value, currency derivatives	365	156
Total	**3,801**	**2,621**

NOTE 23 Accrued expenses and deferred income

	Group	
	31/12/2017	**31/12/2016**
Accrued interest costs	35	212
Accrued wages, salaries and remuneration	1,669	1,510
Accrued holiday pay	1,440	1,013
Accrued social security contributions	1,391	1,034
Audit fees	76	58
Consultancy fees	86	39
Rent	107	152
Other items	2,235	3,416
Total	**7,039**	**7,434**

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 established 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.

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

Transaction exposure
Transaction exposure is the risk of 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 managed as far as possible 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 hedged in 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 SEK, USD and GBP against EUR. The Group has positive net inflows in these currencies. Transaction exposure to USD, GBP and other currencies are estimated to have only a minor impact on the group's financial performance and position.

According to the financial policy, currency futures and currency options may be used as hedging instruments. As at the balance sheet date the company only had 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 −365,000 (−156,000). Net gains (+)/net losses (–) on forward contracts during the financial year amounted to EUR −208,000 (−411,000) before tax.

Translation exposure
Translation exposure occurs as a result of the translation of the balance sheets and income statements of subsidiaries that do not use the EUR as their functional currency, since the group uses 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 five per cent increase in the Swedish krona against the Euro would have a negative impact on the Group's financial performance of around EUR −1,400,000 (−1,200,000).

Interest risk
Interest risk is the risk that a change in market rates will have a negative impact on performance. Since June 2017, Troax has borrowed EUR 69 million in the form of a bank loan. The loan carries a variable interest rate corresponding to the 3-month EURIBOR plus a margin of 0.90%. If the EURIBOR is negative, interest is calculated using only the margin. 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 690,000 (760,000) 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.

Liquidity and financing risk
Liquidity and financing risk is the risk that the group will not have access to financing to be able to handle its contractual obligations, or that this could only be obtained 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 14.1 million (12.2). The Group, and also the Parent Company, have access to a central overdraft facility, which at the balance sheet date amounted to EUR 10 million (3).

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 have been estimated on the basis of the variable spot rate prevailing on the balance sheet date.

Note 24 cont.

EUR thousand, 2017 **Interest-bearing liabilities**	2018	2019	2020	2021	2022 and later
Non-current, interest-bearing liabilities			69,000		
Interest	656	661	473		
Non-interest bearing liabilities					
Trade payables	13,411				
Other current liabilities					
Currency derivatives	365				
Liabilities that are not derivatives	5,186				
Accrued costs	2,902				
Total	**22,520**	**661**	**69,473**	**0**	**0**

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

In the financial statements we have used forecasts for Euribor for the years 2018–2020.

Year	2018	2019	2020
Euribor %	−0.29	0.01	0.42

NOTE 25 Operating leases

Lease agreement where the company is lessee	Group	
Future payments for non-cancellable leases amount to, in EUR thousand:	**31/12/2017**	**31/12/2016**
Within one year	2,575	2,003
Later than one year but not later than five years	2,389	3,144
Later than five years	104	331
	5,068	**5,478**

Of the group's operating leases, the majority relate to rental agreements for properties and premises where activities are carried out.

Lease payments for operating leases recorded as expenses amounted to:		
Minimum lease payments	2,693	2,450
Total lease expenses	**2,693**	**2,450**

NOTE 26 Investment commitments

In 2017, a decision was taken on an investment of EUR 5 million at the plant in Hillerstorp. The investment is expected to come on stream at the end of 2018. A decision has been taken on investing EUR 2 million at the Folding Guards plant in Chicago. This investment is expected to come on stream in 2018. The above investments did not have an impact on either financial performance or the balance sheet in 2017.

NOTE 27 Pledged assets, contingent liabilities and contingent assets

Neither the Group nor the Parent Company had any contingent liabilities in either 2017 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.

Test results from the inspections, which are currently carried out on a quarterly basis, currently show levels that in normal circumstances would not give rise to further measures. The test results from the previous drillings are not sufficient to predict or determine with any certainty what the end result will be. At the time of presenting these financial statements, 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 outcome of the above-mentioned studies is that further measures must be taken, this amount may prove too low.

Pledged assets	Group		Parent Company	
In the form of pledged assets for own liabilities and provisions	**31/12/2017**	**31/12/2016**	**31/12/2017**	**31/12/2016**
Floating charges	20,000	0	0	0
Total pledged assets	**20,000**	**0**	**0**	**0**

NOTE 28 Participations in Group companies

Holdings in Group companies	Group company's registered office, country	31/12/2017 Equity interest in %	31/12/2016 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 Manuf. Ltd	Swindon, UK	100.0%	100.0%
Troax Italy SRL	Genova, 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%	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%	100.0%
Lagermix Rullportar AB	Gnosjö, Sweden	100.0%	100.0%

Troax Group AB (publ) owns all the shares in Troax AB. Other Group companies are directly or indirectly owned by Troax AB.

	31/12/2017	31/12/2016
Opening cost	87,694	87,694
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 %	31/12/2017 Carrying amount	31/12/2016 Carrying amount
Troax AB, 556093-5719, Gnosjö	1,046,800	100	87,694	87,694
			87,694	**87,694**

NOTE 29 Related parties

Related parties
The Parent Company has related party transactions with its subsidiaries, see Note 28. The Parent Company's sales in both 2017 and 2016 exclusively comprised sales to Group companies. No purchases were made from Group companies.

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

NOTE 30 Untaxed reserves

Parent Company	**2017**	**2016**
Tax allocation reserve	1,877	1,254
Total	**1,877**	**1,254**

NOTE 31 Analysis of the statement of cash flows

Cash and cash equivalents	**Group**		**Parent Company**	
The following sub-components are included in cash and cash equivalents:	**31/12/2017**	**31/12/2016**	**31/12/2017**	**31/12/2016**
Cash in hand and at bank	14,107	12,229	0	59
Total according to the cash flow statement	**14,107**	**12,229**	**0**	**59**

Adjustments for non-cash items				
Depreciation	3,194	2,629	0	0
Provisions for pensions	403	–931	0	0
Provisions	21	148	0	0
Other items	–29	–153	0	1
Total	**3,589**	**1,693**	**0**	**1**

Acquisitions of subsidiaries and other business units – Group

Acquired assets and liabilities		
The following sub-components are included in cash and cash equivalents:	**2017**	**2016**
Intangible assets		14,241
Property, plant and equipment		1,337
Non-current financial assets		6,626
Inventories		1,343
Operating receivables		2,402
Cash and cash equivalents		340
	0	**26,289**
Current operating liabilities		1,643
	0	**1,643**
Consideration		–24,647
Consideration paid		**–24,647**
Deductible items: Cash and cash equivalents in the acquired business		340
Effect on cash and cash equivalents		**–24,307**

			Changes with no impact on cash flows					
	Closing balance 2016	**Cash flow from financing activities**	**Acquisi-tion of sub-sidiary**	**Sale of sub-sidiary**	**Impact of exchange rate changes**	**Change in fair value**	**Other changes**	**Closing balance 2017**
Liabilities to credit institutions		69,000						69,000
Bonds	76,102	–76,102						0
Total liabilities attributable to financing activities	**76,102**	**–7,102**	**0**	**0**	**0**	**0**	**0**	**69,000**

NOTE 32 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 2017 comprise the Parent Company and its subsidiaries, together known as the Group.

NOTE 33 Proposed appropriation of profits

Non-restricted equity in the Parent Company in EUR thousand:	
Share premium reserve	27,026
Profit for the year	1,221
Total	**28,247**

The Board's opinion on the proposed distribution of profits

The Board of Directors proposes that a dividend of SEK 4.25 per share, a total of SEK 85 million, be paid to shareholders. The proposed dividend to shareholders will reduce the company's equity/assets ratio to 21.4 % and the consolidated equity/assets ratio to 35.2 %. 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 short-term or long-term obligations, 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 4 May 2018.

ASSURANCE

We hereby confirm that to the best of our knowledge, the financial statements have been prepared in accordance with generally accepted accounting principles and provide a true and fair view of the company's financial position and performance, and that the Directors' Report provides a fair review of the development and performance of the business and the financial position and performance of the company, as well as a description of the principal risks and uncertainties facing the company.

We hereby also confirm that to the best of our knowledge, the consolidated financial statements have been prepared in accordance with international financial reporting standards, adopted pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, and provide a true and fair view of the Group's financial position and performance, and that the Directors' Report for the Group provides a fair review of the development and performance of the business and the financial position and performance of the Group, as well as a description of the principal risks and uncertainties facing the Group.

HILLERSTORP, 9 APRIL 2018

JAN SVENSSON
Chairman of the Board

CURT GERMUNDSSON
Board Member

ANNA STÅLENBRING
Board member

EVA NYGREN
Board member

PER BORGVALL
Board member

BENGTH HÅKANSSON
Employee representative

MILENKO SIMIC
Employee representative

THOMAS WIDSTRAND
CEO

As stated above, the financial statements and consolidated financial statements were authorised for issue by the Board of Directors on 9 April 2018. 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 2 May 2018.

We submitted our audit report on 11 April 2018.
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

OPINION

We have audited the financial statements and consolidated financial statements of Troax Group AB (publ) for 2017. The company's financial statements and consolidated financial statements are found on pages 42–88 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 2017, and its financial performance and its 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 2017, and its financial performance and its 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. The Directors' Report is consistent with the other parts of the 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.

Our opinions in this report on the financial statements and consolidated financial statements are consistent with the contents of the additional report that has been submitted to the audit committee of the Parent Company and the Group in accordance with Article 11 of the Audit Regulation 537/2014.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (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 professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014), Article 5.1

have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

OUR AUDIT APPROACH

Scope 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, Folding Guard Inc and Troax Lee Manufactoring UK 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 following subsidiaries: Troax AB, Troax Nordic AB, Troax Denmark A/S and Troax Shanghai System (China).

In the units Satech Safety Technology SPA (Italy), Folding Guard Inc (USA), 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 for each unit in order to obtain sufficient support for our group audit. The audit programmes also comprised analytical reviews of other income statement and balance sheet items. For all of these units, with the exception of Folding Guard Inc (USA) and Troax GmbH (Germany), a complete, statutory audit will be carried out later this spring.

In respect of the remaining units, 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 a final acquisition analysis concerning the acquisition of Folding Guard Inc (USA) 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 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 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 of the audit and the nature, timing and extent of our audit procedures, and evaluated the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and consolidated financial statements for the reporting period. 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 MATTER

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 account for a significant proportion 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 2017.

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 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

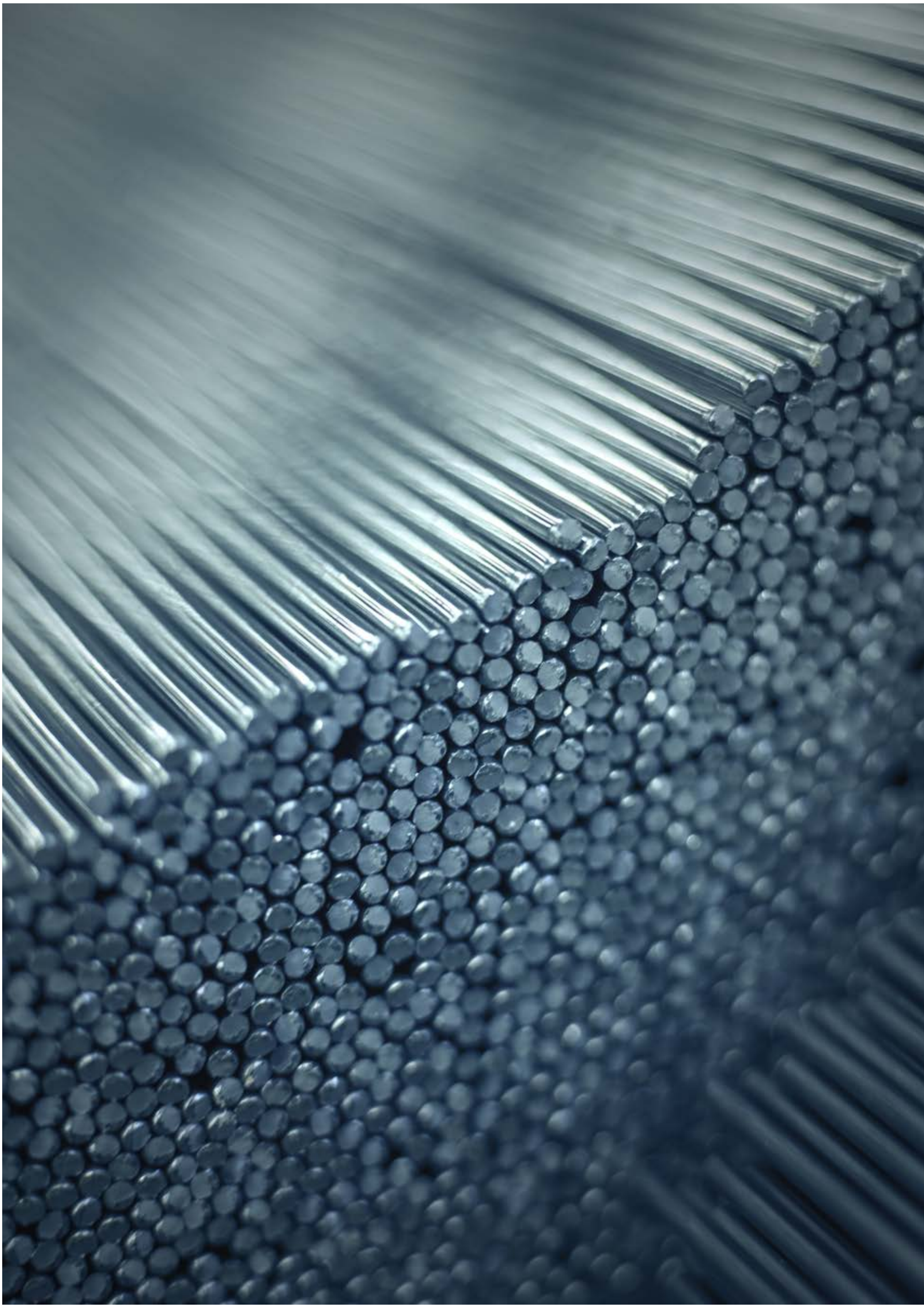
We found that the established impairment tests, for each cash generating unit, had been conducted in accordance with established principles and methods.

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.



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 1–41 and 89–112. 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 Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. 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 2017 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 these is described further in the section Auditor's responsibilities. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

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 audit of the administration, 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:

- 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 audit of the administration can be found on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the Auditor's report.

Öhrlings PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of Troax Group AB (publ) by the Annual General Meeting on 10 May 2017 and has served as the company's auditor since 12 December 2012. In spring 2015 the company became a public interest entity.

Stockholm, 11 April 2018
Öhrlings PricewaterhouseCoopers AB

MAGNUS BRÄNDSTRÖM
Authorised Public Accountant

CORPORATE GOVERNANCE

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"). 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 2017.

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 2017, Investmentaktiebolaget Latour owned 6,020,000 shares, corresponding to 30.1% of the equity and votes. The ten largest shareholders together owned 68.6% 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 meetings 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 not 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 2017

The 2017 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 64.43% 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 1,320,000 should be paid to the Board, plus SEK 200,000 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 adhere to 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 in terms of votes or group of shareholders that cooperate on the company's management.

The Nomination Committee for the 2018 Annual General Meeting comprises Jan Svensson (Chairman of the Board), Anders Mörck (representing shareholder Latour and Chairman of the Nomination Committee), 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 five times. For attendance in 2017, 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 regularly participates in the company's board meetings. In addition to this member of the group management, others can participate in the meetings if so desired or required.

The company's Board currently comprises six ordinary members and two employee representatives, who are presented in the section "Board, Group Management and Auditors".

AUDIT COMMITTEE

The Board has decided to work via an Audit Committee chaired by Anna Stålenbring, and this committee held four meetings in 2017. 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 auditor.

REMUNERATION COMMITTEE

The Board decided to appoint a Remuneration Committee for 2017, chaired by Jan Svensson. The Remuneration Committee met two times in 2017. In terms of remuneration issues for 2017, this meant that the committee:

- prepared suggestions concerning remuneration principles, remuneration and other employment terms and conditions for the CEO and the Group management,
- 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 the Group management, 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 MEMBERS OF THE GROUP MANAGEMENT

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 the Group management are presented in the section "Board, Group Management and Auditors".

REMUNERATION FOR BOARD MEMBERS, THE CEO AND THE GROUP MANAGEMENT

REMUNERATION FOR BOARD MEMBERS

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 440,000, with SEK 220,000 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 MEMBERS OF THE GROUP MANAGEMENT

The Annual General Meeting in May 2017 passed resolutions on guidelines for remuneration for the CEO and other members of the Group management.

REMUNERATION IN THE FINANCIAL YEAR 2017

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 the Group management in the financial year 2017. The amounts are shown in EUR thousand.

CURRENT EMPLOYMENT CONTRACTS FOR THE CEO AND OTHER MEMBERS OF THE GROUP MANAGEMENT

Decisions on current remuneration levels and other employment terms and conditions for the CEO and other members of the Group management are

GROUP	Attendance Board meetings	Audit Committee	Remuneration Committee	Remuneration Fee/Basic salary	Variable remuneration	Other benefits	Pension
Curt Germundsson	5/5			22.8	–	–	–
Bength Håkansson	5/5			0.0	–	–	–
Eva Nygren	5/5		2/2	25.4	–	–	–
Milenko Simic	4/5			0.0	–	–	–
Anna Stålenbring	5/5	4/4		30.6	–	–	–
Jan Svensson	5/5		2/2	50.9	–	–	–
Per Borgvall	4/5	4/4		28.0	–	–	–
Thomas Widstrand CEO	5/5			257.0	124.6	9.6	41.6
Other members of the Group management (6)				921.9	265.3	59.0	211.9

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 257,000, a variable salary that is linked to certain key performance indicators which corresponds to a maximum of EUR 125,000. In 2017, total remuneration, including pension provisions, for the CEO amounted to EUR 432,800. 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 pension.

At the end of the financial year, the Group management comprised six persons in addition to the CEO. In 2017, total remuneration to members of the Group management amounted to EUR 1,458,100. Members of the Group management 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. Members of the Group management 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 audit the Company's 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 2017 the auditor participated in one board meeting in order to provide comments on interim audit and the general set-up for the accounting year. The auditors are elected until the Annual General Meeting in 2018.

In accordance with the company's Articles of Association, the company must have a minimum of one and not more than two auditors and up to two deputy auditors. The Company's auditor is Öhrlings PricewaterhouseCoopers AB, with Magnus Brändström as auditor in charge. The company's auditor is presented further in the section "Board, Group Management and Auditors". In 2017, total remuneration to the Group's auditors amounted to EUR 248,000, see Note 7 for further information.

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

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 provide guidance for 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 example, through rules of procedure for the Board and committees and through 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. Troax also has 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 in 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, discover and correct any errors or deviations in the financial reporting. The most significant risks concerning financial reporting identified as a result of the Group's internal control activities are managed through control structures that in all material respects are based on deviation reporting from established goals or standards.

FOLLOW-UP

The group applies IFRS. Financial data is reported monthly from 24 reporting entities in accordance with standardised reporting procedures. 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.

Efficient work by the Board forms 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. Internal control includes control over the company's and Group's organisation, procedures 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 to monitor adherence to the company's and Group's policies, principles and instructions. In addition, monitoring covers protection of the company's assets and that the company's resources are utilised in a cost-effective and appropriate 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.

AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

DUTIES AND RESPONSIBILITIES

The Board of Directors is responsible for the Corporate Governance Report 2017 on pages 96–100 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

SCOPE OF THE REVIEW

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.

OPINION

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 financial statements and consolidated financial statements and are in accordance with the Swedish Annual Accounts Act.

Stockholm, 11 April 2018
Öhrlings PricewaterhouseCoopers AB

MAGNUS BRÄNDSTRÖM
Authorised Public Accountant

GROUP HIGHLIGHTS

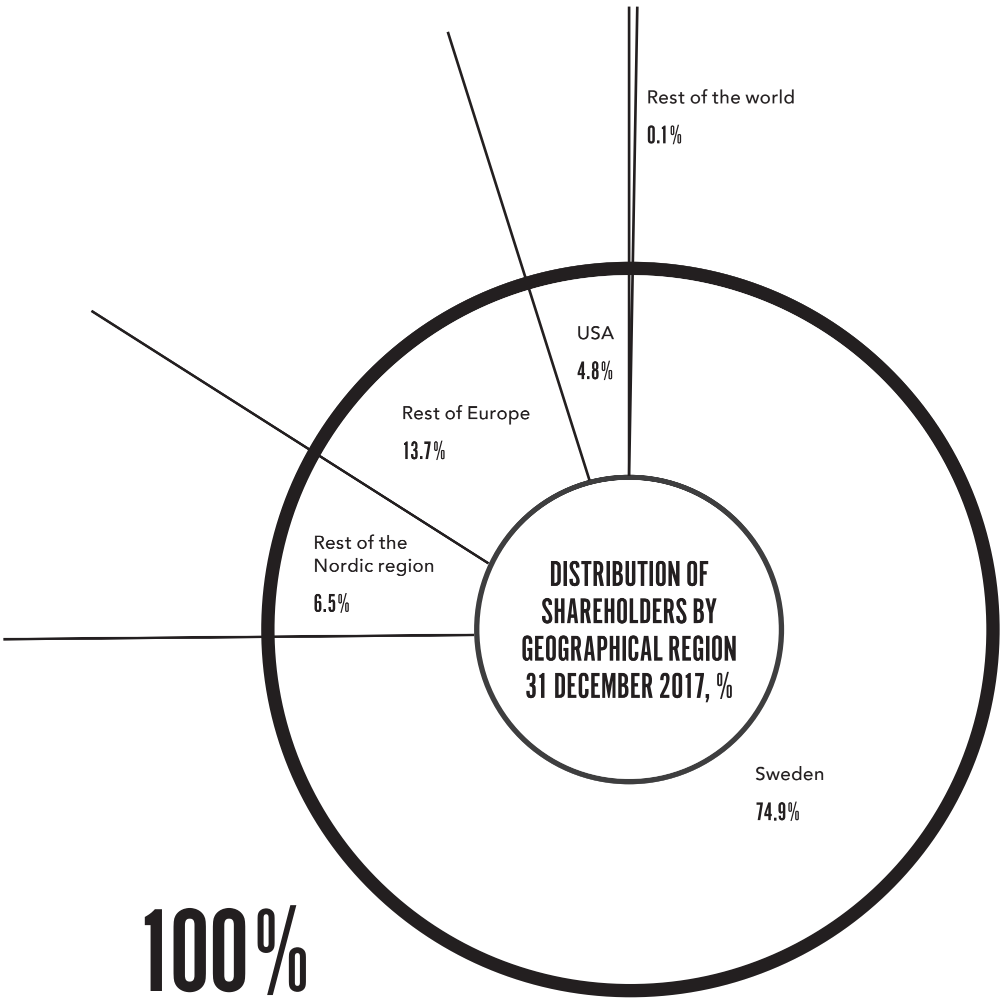
Income statement, EUR million	2017	2016 [1]	2015	2014 [2]
Net sales	152.1	115.8	103.7	91.2
Operating costs	–121.5	–90.5	–81.3	–76.3
Operating profit	30.6	25.3	22.4	14.9
Net financial income/expense	–5.2	–3.9	–4.1	–4.4
Profit before tax	25.4	21.4	18.3	10.5
Tax	–8.4	–5.1	–4.6	–1.8
Profit for the year	17.0	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, EUR million	2017	2016	2015	2014
Non-current assets	114.8	121.5	102.5	96.7
Other current receivables	43.4	38.8	30.8	26.5
Cash and cash equivalents	14.1	12.2	10.8	13.2
Total assets	**172.3**	**172.5**	**144.1**	**136.4**
Equity	69.2	65.9	60	43.2
Non-current liabilities and provisions	77.1	83.4	64.5	73.2
Other current liabilities	26.0	23.2	19.6	20
Total equity and liabilities	**172.3**	**172.5**	**144.1**	**136.4**

Cash flow, EUR million				
Cash flow from operating activities	19.2	16.1	13.2	11.2
Cash flow from investing activities	–3.3	–27.3	–5.6	–18.2
Cash flow from financing activities	–14.9	12.9	–10	5.7
Cash flow for the period	**1.0**	**1.7**	**–2.4**	**–1.3**

TROAX ON THE STOCK EXCHANGE



Listing: **NASDAQ STOCKHOLM**
Number of shares: **20,000,000**
Ticker code: **TROAX**
ISIN code: **SE000673 2392**

DIVIDENDS AND DIVIDEND POLICY

The Board is proposing a dividend to shareholders of SEK 4.25 per share (previous year SEK 3.75). Total SEK 85 million. The dividend corresponds to 51% of profit after tax. The record date for dividend payments is 4 May 2018.

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

Owners	Holding, %
Investment AB Latour	30.1
Nordea Investment Funds	9.6
Svolder AB	6.5
Widstrand, Thomas	5.7
Spiltan Fonder AB	4.4
Catella Fondförvaltning	4.4
Österberg, Ola	2.7
KBC Equity Fund (UCITS)	1.8
Bnymsanv RE Bnymsanvlux RE SLI	1.8
State Street Bank Client Omnibus	1.6
Total ten largest shareholders	**68.6**
Other shareholders	31.4
Total	**100.0**

Holding	Number of shareholders	Holding, %
1–500	2,751	1.44
501–1,000	185	0.76
1,001–5,000	155	1.83
5,001–10,000	35	1.27
10,001–15,000	17	1.13
15,001–20,000	3	0.27
20,001–	65	93.3
Number of shareholders	**3,211**	

Share data	2017	2016
Earnings per share, EUR	0.85	0.81
Exchange rate on balance sheet date, SEK/EUR	9.85	9.57
Proposed dividend, SEK	4.25	3.75
Dividend as proportion of profit, %	51	48
Share price at end of year, SEK	278.5	194
Dividend yield on closing price, %	1.5	1.9
Highest share price in 2017, SEK (29 Nov)	307	
Highest share price in 2016, SEK (30 Dec)		194
Lowest share price in 2017, SEK (2 Feb)	177	
Lowest share price in 2016, SEK (8 Feb)		99.75
Number of shareholders	3,211	2,724
Market capitalisation at end of year, SEK million	5,570	3,880

DEFINITIONS OF KEY PERFORMANCE INDICATORS

NUMBER OF EMPLOYEES
Average number of full-time employees in the financial year.

GROSS MARGIN, %
Gross profit as a percentage of net sales in the reporting period.

EBITDA
Operating profit before amortisation/depreciation and impairment.

EBITDA MARGIN, %
Operating profit before amortisation/depreciation and impairment as a percentage of net sales in the reporting period.

OPERATING MARGIN, %
Operating profit as a percentage of net sales in the reporting period.

ADJUSTED NET MARGIN, %
Adjusted profit after tax as a percentage of net sales in the reporting period.

NET BORROWINGS
Interest bearing liabilities less cash and cash equivalents and interest-bearing assets as at the end of the period.

DEBT/EQUITY RATIO, %
Net borrowings divided by equity, as at the end of the period.

WORKING CAPITAL
Total current assets less cash and cash equivalents less current non interest-bearing liabilities, excluding liabilities relating to additional consideration, as at the end of the period.

EQUITY/ASSETS RATIO, %
Equity as a percentage of total assets, as at the end of the period.

EARNINGS PER SHARE
Profit for the period divided by the average number of ordinary shares.

KEY PERFORMANCE INDICATORS

NOT DEFINED ACCORDING TO IFRS

Troax uses some performance measures that are not defined in the financial reporting framework applied by Troax. The purpose of these performance measures is to create a better understanding of the performance of the business. It must be additionally stressed that these alternative performance measures, as they are known, are not fully comparable with measures of similar description used by other companies.

NET BORROWINGS/EBITDA
Net borrowings in relation to EBITDA.

ORGANIC GROWTH
Because Troax has activities is several countries with different currencies, it is essential to create understanding of how the company is performing excluding the currency impact when translating foreign subsidiaries' financial statements. As result, under the Organic growth concept, growth is reported excluding the currency impact when translating foreign subsidiaries' financial statements and excluding acquired businesses. This key performance measure is reported as a percentage of the previous year's net sales.

NET DEBT
Outstanding loans less cash and cash equivalents.

BOARD OF DIRECTORS

SHAREHOLDING, 31 DEC 2017

JAN SVENSSON

Chairman of the Board since 2016

BORN: 1956

EDUCATION: Mechanical engineer and Master of Science in Business and Economics

WORK EXPERIENCE: Group CEO and CEO, Investment AB Latour

OTHER SIGNIFICANT BOARD APPOINTMENTS: Chairman of AB Fagerhult, Nederman Holding AB, Tomra Systems ASA and Oxeon AB, board member of 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), OEM International AB (publ) and A Advisory AB

SHAREHOLDING: 3,000

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 and San Sac Group 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

SHAREHOLDING: 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, CEO Theodor Heimeier Metallwerk GmbH, Tour & Andersson AB and Uponor AB

OTHER SIGNIFICANT BOARD APPOINTMENTS: Board member of Nederman Holding AB and Louis Poulsen Lighting A/S, board member of Wallvision AB

SHAREHOLDING: 2,250

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

SHAREHOLDING: 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

SHAREHOLDING: 101

BENGTH 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

SHAREHOLDING: 1,375

MANAGEMENT

SHAREHOLDING, 31 DEC 2017

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 and San Sac Group AB

SHAREHOLDING: 1,149,260

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

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: 72,405

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: Different positions within sales and marketing at ABB, Fichet Bauche and Gunnebo

SHAREHOLDING: 60,000

DAVID TEULON

Managing Director and Regional Manager for Great Britain/Ireland since 2008

BORN: 1953

EDUCATION: Education in politics and economics

WORK EXPERIENCE: Sales management and marketing of engineering and building products

SHAREHOLDING: 45,000

ANDERS EKLÖF

CFO since 2017

BORN: 1970

EDUCATION: Graduate in Business Administration from Växjö University

WORK EXPERIENCE: Finance Director, Strömsholmen AB, authorised public accountant and director of PWC

SHAREHOLDING: 0

CHRISTIAN HELLMAN

Supply Chain Manager since 2017

BORN: 1976

EDUCATION: Within technology, management, logistics and finance

WORK EXPERIENCE: Site Manager/Factory manager at Expert's Nordic region warehouse and AQ Enclosures Systems AB

SHAREHOLDING: 0

AUDITORS

Öhrlings PricewaterhouseCoopers AB (PwC)

Magnus Brändström (born 1962)

Öhrlings PricewaterhouseCoopers AB

Torsgatan 21, SE-113 21 Stockholm

ANNUAL GENERAL MEETING 2018

The Annual General Meeting in Troax Group AB (publ) will be held on Wednesday, 2 May 2018, 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 25 April 2018,
- notify the company not later than 25 April 2018 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 to 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 2018.

For those who wish to be represented by a 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 25 April 2018, shareholders must inform the nominee to carry out such a registration in good time before this date.

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