



### Progress

For us, development is about fine-tuning processes. A partnership with ProfilGruppen should be uncomplicated and involve personal commitment. That requires a competent organisation which continually strives for efficiency.

**We take that step, every day.**

profilgruppen.se

ANNUAL REPORT **2016**

Profil  
Gruppen.

Innovative aluminium solutions

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## WHY ALUMINIUM?

### FOR THE ENVIRONMENT

Aluminium is a recyclable metal that can be re-used again and again without deterioration of the material's properties. The metal is thus particularly suitable for recycling. Recycling consumes 95 per cent less energy than the primary production process. In lifecycle analyses aluminium is therefore often shown to be a good choice.

The material has a low weight and is very strong. This means that it can be used for low-weight structures which lead to reduced energy use during transport.

### FOR ITS PROPERTIES

Aluminium is light but also strong. The material offers many options for joining. It is easy to form into the desired shape. It has a high corrosion resistance. It can be used in a wide variety of components thanks to its high heat and electrical conductivity.

## BRIEF FACTS ABOUT PROFILGRUPPEN

- Started in 1981 in Åseda, Småland
- Listed on the Stockholm Stock Exchange in 1997 and is included in the Small Cap list
- About half of all deliveries are exported, mainly to northern Europe
- The customers manufacture everything from cars to electronics and interior design details
- Certified under the ISO/TS 16949, ISO 14001 and ISO 50001 standards
- Extrusion of aluminium in three production lines
- Anodising facility for surface treatment
- Further processing of aluminium extrusions in the form of bending, stamping and cutting
- Fully automated facility for processing, coating and packaging of interior design details

## FINANCIAL CALENDAR

Annual General Meeting 2017	25 April 2017, 4 p.m.
Interim report for the first quarter	25 April 2017, 10 a.m.
Interim report for the second quarter	18 July 2017, 2 p.m.
Interim report for the third quarter	24 October 2017, 2 p.m.
Year-end report 2017	February 2018

## GLOSSARY

<b>Anodisation</b>	Electrolytic surface treatment process that produces an insulating and decorative surface
<b>Machining</b>	Generic term for a variety of processes that further refine the aluminium extrusion, for example, bending, milling or surface treatment
<b>Extrusion</b>	Manufacturing of extrusions by pressing an aluminium ingot through a die
<b>Processing</b>	See Machining

# THIS IS PROFILGRUPPEN

Our vision is to be the preferred supplier of innovative aluminium extrusion solutions in northern Europe. That requires a competent organisation which continually strives for efficiency.



## PRODUCT DEVELOPMENT

Together with our customer, we create a customised integrated solution in which product and production processes are optimised. In addition to the technical properties of the product, we incorporate logistical and administrative benefits at an early stage of the process. In our design work we strive for sustainable long-term solutions in which the product's environmental impact over the course of its lifecycle is factored in.

## EXTRUSION

Our solutions are based on extruded aluminium profiles. Each extrusion is created by pressing aluminium ingots through a unique tool matrix. In connection with the extrusion process, the extrusion's mechanical properties are assured. It is then packed and sent for further processing or sent directly to the customer.

## SURFACE TREATMENT

To create or reinforce functions or appearance, many of the extruded solutions are surface-treated. The most common surface treatment methods are anodisation and powder coating, through which colour, corrosion resistance and durability are added to the product. Other surface treatment methods are also used to meet customer requirements.

## PROCESSING SERVICES

We offer a broad range of options for further processing of extrusions, including simple cutting and stamping to advanced milling or bending in fully automated production cells. We can also assemble the product and package it for sale to consumers. Processing is performed both in our own workshops and through a network of subcontractors.



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# A RECORD YEAR

## that paves the way for continued profitable growth

Having reported the best result in the history of the Group, ProfilGruppen has many reasons to be happy with the year that passed.

We are following our plan and doing many things that are taking us in the right direction. We grew faster than the market, we achieved our return and profit targets, and we improved our efficiency at all stages of production. This creates stability for the future and builds a stronger company, and that is something we are proud of!

When we sum up 2016, it's in positive terms. We report the best result so far in the history of the Group and can see that most things are moving in the right direction. Even so, we are not resting here, but strive continuously to get better at what we do.

### **A STRONG COMMITMENT LEADS TO PROGRESS**

The outcome for the year is the fruit of several years of efforts to implement improvements and new measures. It is not due to any single event, but is the result of a journey involving a host of activities in different areas. I would therefore like to highlight the hard work done by all our staff, not just in 2016 but over the last few years, that has taken us to where we are today. Through improved marketing measures, more efficient and stable production, a stronger customer focus as well as a wonderful atmosphere and the commitment shown throughout our organisation, we have together built a very solid and exciting foundation on which to continue to develop our company.

### **EXCEEDED OUR TARGETS – NEW TARGETS DEFINED**

In 2016 we achieved our targets for operating margin and return on capital employed, and we can propose to the AGM a dividend of SEK 3.00 per share for our shareholders.

Looking ahead, we have chosen to increase our operating margin target to eight per cent. This new level of ambition is based on the developments that have taken place in our core business over the last few years and the increase in our level of value added.

Our current targets, return on capital employed and net debt ratio, have been replaced by a new target, net debt/EBITDA. The new target more accurately reflects the Group's overall debt situation in relation to its operating earnings capacity and is widely used by banks and investors. The target is a ratio below two.

### **CONTINUED SOLID GROWTH**

Delivery volumes increased by 18 per cent in 2016, of which 12 per cent refers to Sweden. By comparison, industry trade group EAA reports that total growth was around two per cent in the European aluminium extrusion market and around five per cent in the Swedish market.

Our strong performance in the market was broad-based, covering large, medium-sized and small customers as well as different industries, although construction and interior design accounted for most of the increase during the year.

Sales of new extrusion tools remained at historic highs, which is a good sign that our customers, both new and existing, want to continue to grow and develop together with us.

While increasing our delivery volumes we have also chosen to exit several deals due to insufficient profitability. Instead, we have chosen to focus more on customers which better match our profile and expertise, with the aim of strengthening our customer portfolio and creating a long-term profitability potential.

### **POSITIVE DEVELOPMENTS IN PRODUCTION**

Thanks to the extensive experience and knowledge that exists among our staff at all stages of the production chain, we have a very strong base for continuing to develop our production system. Significantly improved stability at our facilities and increased efficiency are clear signs of this.

Aware that our expertise is crucial to our success, we invested in leadership and skills development programmes in several areas in 2016, including process, material and design theory. We will continue to work on these and other development initiatives, which will become increasingly important as we take on new and younger employees due to our growth.

### **NEW AREA OF RESPONSIBILITY – SUPPLY CHAIN**

In the autumn we established a new area of responsibility that brings our purchasing, logistics, planning, and internal and external processing functions under a single leadership. This functional merger creates a clearer responsibility for the whole supply chain from aluminium ingot to finished product and is aimed at further improving our delivery reliability and optimising the amount of capital tied up in the business.

### **NEW FULLY AUTOMATED PRODUCTION FACILITY**

In 2015 we had the pleasure of concluding our biggest deal to date with what is for us a new customer. We will be delivering pre-packaged interior design details based on processed aluminium extrusions worth around MSEK 200 annually over a number of years.

The deal was concluded through the new subsidiary, PG&WIP AB, which is jointly owned by ProfilGruppen and WIP Industries Sweden AB. They own 30 per cent and we own 70 per cent.

To accommodate the deal, we made a targeted investment, worth around MSEK 60, in a new production facility that is based on new technology and a fully automated production system that is entirely new to the industry.





We are proud to have completed the industrialisation of the facility together with WIP and initiated the contract exactly as planned during 2016. The unique production concept, created by Profilgruppen in collaboration with WIP, will give us a very competitive offer and create opportunities for further expansion.

A token of this trust is the new contract that we received this autumn from the same customer. The new deal also covers interior design details, made from aluminium extrusions which, in a fully automated flow, are processed into a finished product and packaged for the end users. The new contract, which runs for several years starting at the year-end of 2017/2018, is expected to be worth around MSEK 60 annually.

To fulfil the new contract, we are making a targeted MSEK 50 investment, through PG&WIP AB, in a new fully automated production line next to the existing facility.

#### **DEVELOPING OUR FUTURE CAPACITY**

Our volume growth in our core business over the last few years has necessitated a strategic initiative aimed at securing and developing our future production capacity. Against this background, and in view of potential major customer projects, we launched an initiative in 2016 that is aimed at exploring different avenues of action for upgrading our existing production equipment, new installation or purchasing external production capacity.

#### **AN INDUSTRY EMBOLDENED BY CONSTANT NEW AND EXCITING OPPORTUNITIES**

Because of its unique properties, aluminium as a material has the potential to be used in every conceivable application and industry. This, coupled with the knowledge about aluminium, extrusion and processing that exists in Profilgruppen, makes this a fantastic industry in which to operate, as it is constantly throwing up new opportunities for continued growth and success.

#### **CHALLENGES**

There are, of course, challenges, too. The global outlook is uncertain. Rarely have we seen as many financial and political risks around the world as now. A turbulent global environment can, of course, have a negative impact on our markets.

If we fix our gaze exclusively on our own capability things look very good.

Profilgruppen is growing, has a stable footing and the company's strengthened financial position opens up opportunities for new investments.

#### **OUTLOOK**

On the whole, we are happy with the year that passed and we are also experiencing that underlying demand for our services in the market is good. In 2017 we will continue our efforts to improve our profitability and strengthen Profilgruppen's position in the market. We will do this by continuing to concentrate on those things that have got us where we are today: focusing on our customers and developing new business, further improving our processes and our service and developing our core competencies, especially in processing. This requires persistent work, where our collective specialist expertise, our focused efforts to create benefits for our customers and our entrepreneurial spirit are brought together to ensure continued profitable growth.

We look forward to another exciting year with many new opportunities, in which we will continue to work hard to develop Profilgruppen in the best way, generating value in the company and for our customers.

Finally, I would like to say a big thank you to our customers, shareholders and partners for the trust that you showed in Profilgruppen during the year, and to all my colleagues and co-workers for your fantastic work and a great year!

Åseda, February 2017

Per Thorsell  
President and CEO

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# RISKS AND RISK MANAGEMENT

ProfilGruppen's business, like all business activities, is subject to risks. Limiting these risks is therefore a part of our everyday work.

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Overall responsibility for the company's risk management rests with the Board of Directors. The CEO is responsible for ongoing risk management in accordance with the guidelines issued to him by the Board. A number of Group policies have been drawn up to aid this work, including a financial policy and a raw material policy. The ambition is to achieve ProfilGruppen's general objectives through well-considered risk-taking within certain defined limits.

## OPERATIONAL RISKS

### DEPENDENCE ON CUSTOMERS

To minimise its dependence on individual customers, ProfilGruppen strives to ensure that its customer base is not dominated by a small number of customers. In 2016 no individual customer accounted for more than ten per cent of revenues. The Group sells to a large number of customers, which inevitably means that some of these will occasionally experience payment problems. Customer credit risk is managed by each customer being assigned a basic limit based on the scope of their business and its content, its rating from Dun & Bradstreet, and a credit assessment carried out by the Group's Credit Controller.

In 2017 the Group will be credit-insuring the majority of its customers and is expected to take out credit insurance covering around 65 per cent of total net sales. In 2016 91 per cent (89) of the company's customers had a rating between AAA and A.

#### Concentration of credit risk at 31 Dec 2016

	Number of customers	Share of customers
Exposure < MSEK 1	349	90%
Exposure MSEK 1.0-5.0	32	8%
Exposure > MSEK 5	7	2%
	<b>388</b>	<b>100%</b>

### DEPENDENCE ON SUPPLIERS

ProfilGruppen is dependent on a large number of suppliers. The loss of a key supplier may result in costs and problems delivering to our customers. In order to reduce this risk, we have signed delivery agreements with strategic suppliers. In order to ensure that all key input goods are available, we have also developed contact with alternative suppliers.

ProfilGruppen continually evaluates its strategic suppliers to ensure that they meet our customers' requirements with regard to factors such as quality, delivery reliability, financial stability, environment and cost-effectiveness.

### SEASONAL AND CYCLICAL FLUCTUATIONS

Our customers are spread across several industries and geographic markets. This industry spread is a deliberate strategy aimed at reducing sensitivity to seasonal and cyclical fluctuations. Most of our major customers operate globally, which means that they, and indirectly ProfilGruppen, are affected by the strength of the global economy. Our industry soon feels the effects of any general weakening of the economy, and the same is true of a recovery in economic activity.

### RESPONSIBILITY

Delivering to the automotive industry, for example, entails a liability risk. ProfilGruppen has overall liability to the customer, including for components processed by subcontractors. Future risks are covered by separate agreements and insurance policies. We work together with an external advisor on insurance and risk issues with regard to matters such as global product and recall liability.

To prevent risks to health and safety, ProfilGruppen has established an internal reporting system for higher-risk situations that is available to all employees and that is used actively.

### PRODUCTION STOPPAGES

To minimise disruptions in production, risk assessments are made on an ongoing basis along with preventive work at the Group's production facilities. Should such an event occur, the Group has consequential loss insurance that covers loss of contribution margins for up to 24 months.

### ENVIRONMENT

The Group's operations can cause damage to land, water and air and to biological processes. New, stricter environmental directives could increase costs, as the company will need to adapt its operations to the new requirements.

ProfilGruppen's aim is to be well within the ranges specified by legislation. ProfilGruppen is certified under the ISO 14001 standard. The Group's Environmental Manager is responsible for monitoring the environmental work of the Group.

### SKILLS

ProfilGruppen is dependent on its ability to continuously attract, retain and develop individuals with the right skills profile. Working consciously to ensure that we are viewed as an attractive workplace, for existing as well as potential employees, is therefore an important part of the company's strategy. Our effort to ensure continuous skills development through internal and external training programmes is another important factor.

### IT

With IT being a key part of all processes in the company, ensuring a high level of availability is essential. Stoppages can lead to production losses, invoicing losses or reduced efficiency within various parts of the business. Our IT infrastructure is monitored continuously to ensure operational continuity. Redundancy is desirable in all parts of the IT infrastructure, which, along with constant development of the continuity plan, aims to minimise operational disturbances. Internal expertise focuses on business-critical and operationally critical systems.

### CAPACITY

Currently, our extrusion production capacity is not fully utilised. Positive volume growth in our core business and potential major customer projects have necessitated a strategic initiative aimed at ensuring future capacity. A review is therefore underway with the aim of clarifying the company's options in the form of upgrades to existing equipment, new installation or the purchase of new capacity.



For further processing, an external network of subcontractors is used. These were responsible for 55 per cent (69) of the total further processing during 2016. The significant increase in the share of internal processing in 2016 is attributable to the new operation in PG&WIP. At our own facilities machining is largely performed where there are opportunities for a high degree of automation.

#### RAW MATERIALS

ProfilGruppen's main raw material is alloyed aluminium ingots. This expense item accounted for 42 per cent (48) of operating expenses in 2016.

The raw material is priced in US dollars on the London Metal Exchange (LME) and the price has historically been volatile. ProfilGruppen applies raw material clauses in customer contracts, which limit the company's sensitivity to fluctuations in the raw material price. There is always a certain price risk in inventory, however. Raw material purchases are controlled by the Group's raw material policy. Purchases are made in Swedish krona (SEK) and euros (EUR) in order to match the customers' contract currency and thus reduce the currency risk. Raw material purchases are made in proportion to expected customer orders. Purchases for periods longer than six months are based on contracts with customers. ProfilGruppen's raw material committee meets once a week and checks that the policy is being followed. The supply of raw materials is ensured through deliveries from four different suppliers. As they all have a global presence, ProfilGruppen is able to guarantee its supply of raw materials, even if European consumption exceeds the production of aluminium in Europe.

#### ENERGY

ProfilGruppen's energy consumption comprises consumption of electrical energy – around 30 GWh per year – and LPG. In total, energy represents just under two per cent of the operating expenses. The Group had secured the price for most of its 2017 consumption by the end of the year.



### FINANCIAL RISKS

#### CURRENCY RISKS

Currency risk means that a fluctuation in the exchange rate has an impact on the Group's results, cash flow or balance sheet. The foreign subsidiaries have very limited activities, and thus a limited balance sheet, and the Group therefore only protects itself against transaction risk related to currency exposure.

The Group has net inflows in all currencies. The company typically hedges 50-70 per cent of the flow within 6-18 months. This is preferably done through forward contracts.

US dollar fluctuations affect ProfilGruppen's customer prices because raw aluminium is priced in US dollars. Raw material clauses are included in the majority of contracts, which means that exposure can be minimised.

#### EXCHANGE RATE SENSITIVITY

If the exchange rate between the Swedish krona and the most significant currencies moves by ten per cent, and provided that no exchange hedging measures have been taken, the following effects may be seen in the operating profit.

##### Currency effect

Effect on operating profit from changes in exchange rates equivalent to ten per cent excluding hedging activities.

	2016	2015
EUR	MSEK +/- 12	MSEK +/- 10
DKK	MSEK +/- 2	MSEK +/- 2
NOK	MSEK +/- 1	MSEK +/- 1

#### INTEREST RATE RISK

Interest risk is the risk of an impact on the Group's earnings as a result of changes in market interest rates. ProfilGruppen uses interest rate swaps to reduce the risks of such a short-term impact.

According to the financial policy, the interest fixing term is limited to 60 months and at least 30 per cent of the Group's loans must have variable interest rates.

#### CREDIT RISK

ProfilGruppen's credit risks arise when investing in financial instruments. To minimise this risk, trading is only permitted with a few counterparties approved by the Board of Directors.

#### REFINANCING RISK

The company has a permanent need to finance the capital requirements of the business. The company secures its financial requirements through bank loans. The policy is always to have loan promises or agreements for at least twelve months. The current agreement extends over twelve months. The agreement requires certain financial targets to be met.

# DIRECTORS' REPORT

The Board of Directors and CEO of ProfilGruppen AB (publ), corporate identity number 556277-8943, hereby submit the annual report and consolidated accounts for the period 1 January-31 December 2016, which is ProfilGruppen's thirty-sixth year of activity.

ProfilGruppen runs operations in the form of a limited company (publ) and has its registered office in Uppvidinge municipality, Kronoberg county, Sweden. The company address is: Box 36, SE-364 21 Åseda, Sweden.

## THE GROUP

ProfilGruppen AB (publ) is the parent company of the ProfilGruppen Group.

The Group is a supplier of turnkey customised aluminium components and extrusions. The core business is conducted in the subsidiary company ProfilGruppen Extrusions AB. The head office is located in Åseda, Småland, which is also home to most of the sales organisation. The company has sales offices in Stockholm, Skellefteå, Umeå, Norway and Germany. Design, product development, extrusion manufacture and processing are carried out mainly in Åseda. Processing is also performed in close co-operation with a number of subcontractors.

The jointly owned subsidiary PG&WIP AB processes aluminium extrusions into pre-packaged details for a specific customer in the interior design industry. The company is 30 per cent owned by WIP Industries Sweden AB.

## REVENUE AND PROFIT

ProfilGruppen generated revenues of MSEK 1,132.0 (980.2) in 2016, which is an increase of around 15 per cent compared to last year. The improvement is due to an increase in delivery volumes of around 18 per cent to 25,800 (21,950) tonnes of aluminium extrusions, and a higher level of value added. At the same time the price of aluminium fell compared with the previous year, somewhat offsetting the increase in sales. The share of exports amounted to 42 per cent (45) of the volume, and 45 per cent (44) of the revenue. Exports of the subsidiary company PG&WIP, whose products are more highly processed, are the reason why export revenues have increased in relation to the sold volume.

The Group's operating profit amounted to MSEK 69.1 (22.9). This represents an operating margin of 6.1 per cent (2.3), which means that the target of an operating margin of six per cent was reached for the first time in many years. Higher delivery volumes coupled with margin improvements, an increased level of added value and operational efficiencies lay behind the improvement in earnings. In the previous year a sharp fall in the price of aluminium and start-up costs in a new subsidiary had a negative impact on earnings of MSEK 15.9.

The profit before tax was MSEK 65.0 (17.8). The profit after tax was MSEK 51.1 (13.0).

Earnings per share were SEK 6.56 (1.88). The average number of shares in thousands was 7,399 (7,399).

## INVESTMENTS, DEPRECIATION AND DISINVESTMENT

Investments totalled MSEK 50.8 (68.4), of which a significant portion is attributable to the establishment of a new production facility in the subsidiary company PG&WIP AB. Total depreciation according to plan amounted during the year to MSEK 35.0 (21.9).

No impairment losses were recognised in 2016 (0.0) and no previous impairment losses were reversed (MSEK 2.2 in connection with the sale of a property).

Positive volume growth in our core business and potential major customer projects have necessitated a strategic initiative aimed at ensuring future extrusion production capacity. A pilot study is underway with the aim of clarifying the company's options in the form of upgrades to existing equipment, new installation or the purchase of new capacity.

## FINANCIAL POSITION AND CASH FLOW

ProfilGruppen's net debt/equity ratio decreased during the year to 0.33 (0.61). The target was to keep the net debt/equity ratio within a range of 0.75-1.00. Net debt at 31 December 2016 stood at MSEK 88.6 (133.8).

The return on capital employed amounted to 19.0 per cent (7.4). The target for average return on capital employed has been 15 per cent over the course of a business cycle.

The equity ratio amounted to 44.6 per cent (40.8) at the end of the year. Cash and cash equivalents amounted to MSEK 11.3 (9.3) at the end of the year, while the Group's non-utilised credit facilities, in addition to cash and cash equivalents, totalled MSEK 153.8 (98.9). The cash flow from operating activities was MSEK 84.9 (13.2) and the corresponding figure after investments was MSEK 44.0 (-53.0). The improvement in cash flow from operating activities is mainly due to the increased operating profit.

The balance sheet total at 31 December 2016 was MSEK 606.9 (539.7).

## CHANGE OF FINANCIAL TARGETS

In view of the performance of the core business of the past few years and the increase in the level of added value, the Board of Directors decided to introduce new financial targets on 13 February 2017. The return on capital employed and net debt ratio targets will no longer be used. The operating margin target will be kept but the level has been adjusted.

A new target, net debt/EBITDA, is introduced. The new target more accurately reflects the Group's overall debt situation in relation to its operating earnings capacity and is widely used by banks and investors.

### The new targets are:

Operating margin	8 %
Net debt/EBITDA	< 2.0

## MARKET

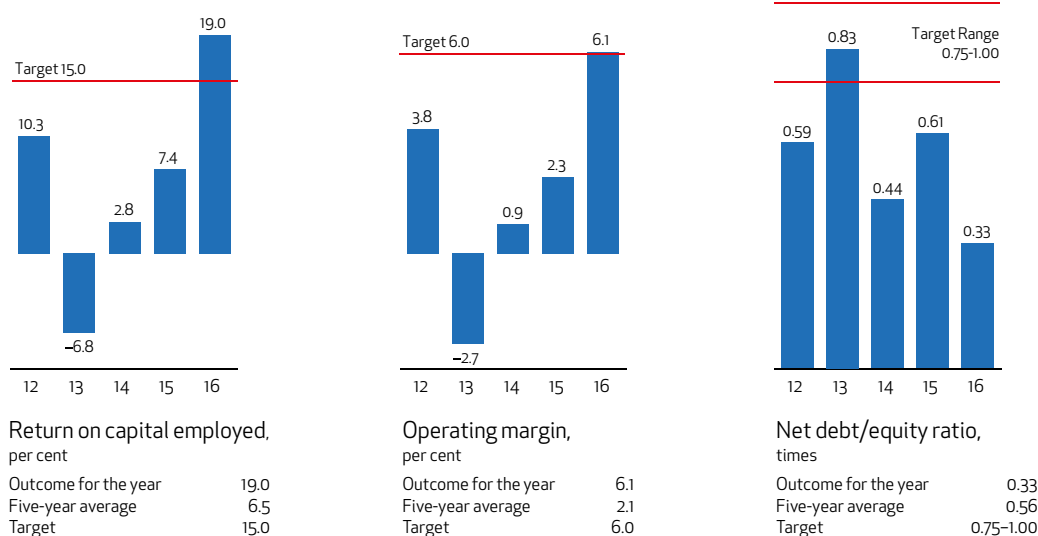
In its latest report European industry trade group EAA reports that total growth in the European aluminium extrusion market was around two per cent while the Swedish market grew about five per cent. Our deliveries to the Swedish market increased by about 12 per cent compared to previous year. Market share increased across all industries and is highest in interior design. This means that ProfilGruppen has continued to capture market share in the Swedish market, as planned.

## MANUFACTURING

All manufacturing activities are based on the extrusion of aluminium. The company has three extrusion lines and a facility for surface treatment of the extrusions. Group production of aluminium extrusions totalled 25,925 tonnes (21,950) in 2016. The extrusions are processed in different ways. The compa-



## FINANCIAL TARGETS



ny's own facilities mainly offer cutting processing and bending, but a wide range of other processing services are sourced from a network of subcontractors. The Group also includes a fully automated production line, including processing, surface treatment and packaging of interior design details for a specific customer. The facility is owned by the subsidiary company PG&WIP AB. In 2017 this operation will be further expanded.

### DEVELOPMENT WORK

Constant improvement of processes and products is an important aspect of the Group's activities. New products and product models for existing or potential customers are created on a daily basis. Close collaboration with the customer helps to broaden knowledge of a customer's products, and constructive ideas can be put forward concerning possible improvements to product properties. During the construction and design phase, ProfilGruppen's designers have excellent opportunities to adapt a product's environmental impact, lifecycle economy and potential for recycling.

Process development is carried out in partnership with customers, raw material suppliers, and tool and machinery manufacturers. The expenditure associated with this work does not normally meet the criteria for reporting as assets, but is recognised as cost of goods sold and selling expenses in the consolidated income statement, see note 6. For each development project, there is an assessment of whether or not the expenditure should be capitalised. During the year no development expenditure has been capitalised.

### QUALITY

ProfilGruppen Extrusions AB was certified in accordance with the quality assurance system ISO 9002 in 1991. In 1999 ProfilGruppen became the first Nordic company in its sector to be certified in accordance with the automotive industry's quality system at the time. We have been certified under the ISO/TS 16949:2009 standard since 2006. Quality standards in the automotive industry are continually being raised and the latest update is IATF 16949:2016, under which ProfilGruppen is planning to certify itself in 2018.

### ENVIRONMENT

ProfilGruppen contributes to positive environmental development by offering customers aluminium extrusions, which is better from a lifecycle perspective and means that environmentally harmful materials and processes are replaced.

The Group's principal environmental goal is to minimise waste in the manufacturing process. A certain amount of aluminium scrap is a natural by-product of the process but ProfilGruppen is working actively to reduce the share while also seeking to minimise scrap that is due to quality issues. The target for 2016 was to reduce the share of scrap by three per cent and the outcome was a reduction of as much as seven per cent. Another target for 2016 was a three per cent reduction in energy use whereas the actual reduction was five per cent. ProfilGruppen's environmental and energy policy is available on the company's website, [www.profilgruppen.se](http://www.profilgruppen.se).

The company has been certified under the ISO 14001 environmental management system since 1998. The company has also been certified under the ISO 50001 energy management system with the aim of improving energy efficiency.

The Group conducts operations that require a permit and are subject to notification requirements under the Swedish Environmental Code. Within the Group

there are plants for the manufacture of aluminium extrusions and for processing using surface treatment and machining. These activities have an impact on the external environment, mainly in the form of discharges into water and noise. All waste water from activities is purified before being discharged.

### RISKS

ProfilGruppen's activities are, like all business activities, exposed to risks, which are described in greater detail in note 19 and on pages 6-7.

### PERSONNEL

The average number of employees in the Group totalled 379 (339). The number of employees in the Group at 31 December 2016 was 393 (353), of whom 26 were attributable to PG&WIP. Women make up 26 per cent (25) of the Group's total workforce. Staff turnover during the year amounted to 3.6 per cent (6.2). Payroll expenses amounted to MSEK 164.6 (139.6).

### SHARES AND SHAREHOLDERS

Each share in the company corresponds to one vote.

The ownership interests that exceed ten per cent are Ringvågen Venture AB's 28.4 per cent, Lars Johansson's 14.5 per cent, and Mats and Kerstin Egeholm's 10.5 per cent.

#### Largest individual shareholders

Shareholder	Number of shares	Holding, % 2016	Holding, % 2015
Ringvågen Venture AB	2,099,983	28.4	28.4
Lars Johansson	1,073,466	14.5	14.5
Mats Egeholm	536,392	7.2	7.2
Hanna Kusterer	260,000	3.5	2.5
Kerstin Egeholm	241,494	3.3	3.3
Nordea Livförsäkring Sverige AB	236,700	3.2	3.2
Försäkringsaktiebolaget, Avanza Pension	189,895	2.6	1.3
Mats Jonson	133,132	1.8	1.8
Rickard Behm	120,451	1.6	2.2
Lars Bergenhem	120,000	1.6	1.3
10 largest individual shareholders	5,011,513	67.7	65.7
Other shareholders	2,387,262	32.3	34.3
<b>Total</b>	<b>7,398,775</b>	<b>100.0</b>	<b>100.0</b>

December 2016

Other share-related information to be provided in the Directors' Report for a listed company in accordance with the Annual Accounts Act can be found in note 15.

## CORPORATE GOVERNANCE

The work of the Board of ProfilGruppen AB is regulated by the formal work plan, which is established annually at the Board meeting following election at the Annual General Meeting. Three of the members of the Board constitute the Remuneration Committee, which deals with remuneration-related matters. The Audit Committee consists of all members of the Board. Prior to the 2017 AGM, the Nominating Committee will be responsible for proposing Board members and auditors, as well as fees for the Board, committees and auditors. More information on the work of the Board and corporate governance at ProfilGruppen is available in the corporate governance report in this annual report and at [www.profilgruppen.se](http://www.profilgruppen.se).

## REMUNERATION OF SENIOR EXECUTIVES

The Board prepares a proposal for guidelines for remuneration of the Group's CEO and other senior executives. The proposal is based on the company's long-term Remuneration Policy, which is evaluated on an ongoing basis. The Board of Directors proposes that the 2017 AGM adopt the following guidelines. The guidelines cover the Chief Executive Officer and other members of the management team, currently six individuals including the CEO. Total remuneration may consist of a fixed basic salary, variable remuneration, pension and other benefits. Variable remuneration, which is capped at 25 per cent of the fixed salary, is linked to the Group's results and only in specific instances to individual targets. Variable remuneration is conditional on a positive net result for the Group and will be retrospectively adjusted if it has been paid on apparently erroneous grounds. Agreements on pension benefits are arranged individually and the pension costs can amount to a maximum of 30 per cent of the fixed salary. Other remuneration and benefits shall be at market rates and shall help to facilitate the senior executive's opportunities to carry out their work. The employment contracts of members of the management team are generally terminable on six months' notice by either party. The Board may depart from the guidelines if there are special reasons in an individual case.

For 2016 the same guidelines have applied, as described in note 4.

## OUTLOOK FOR 2017

Sales-wise, the new year has got off to a good start. The market situation is expected to remain stable over the coming quarters.

## THE PARENT COMPANY

Rental income and payments for services from companies in the Group account for 98 per cent of revenues in the parent company, ProfilGruppen AB. The parent company has no employees (0).

## DIVIDEND

The Board and the CEO propose that standing profits available as per the balance sheet, of SEK 111,823,355, be appropriated in the following manner:

Dividend to shareholders SEK 3.00 * 7,398,775 shares	SEK 22,196,325
To be carried forward	SEK 89,627,030
Total profits according to balance sheet	SEK 111,823,355

Under its dividend policy, the company aims to distribute 40-50 per cent of earnings after tax over a business cycle to the shareholders, having regard to capital requirements and the capital structure.

## THE ANNUAL REPORT

Details of the company's and the Group's profits and overall financial position may be found in the following income statement and balance sheet with the notes to these accounts. The consolidated income statement and balance sheet and the parent company's income statement and balance sheet for 2016 are to be submitted for approval at the Annual General Meeting on 25 April 2017.

## FIVE-YEAR SUMMARY

		2016	2015	2014	2013	2012 <sup>1)</sup>
Net sales/revenue	MSEK	1,132.0	980.2	808.6	730.0	786.0
Profit/loss before depreciation/amortisation and impairment	MSEK	104.1	44.8	28.9	5.5	58.2
Operating profit/loss	MSEK	69.1	22.9	7.1	-20.0	30.1
Operating margin	%	6.1	2.3	0.9	-2.7	3.8
Profit/loss before tax	MSEK	65.0	17.8	0.9	-26.0	23.0
Profit margin	%	5.7	1.8	0.1	-3.6	2.9
Return on equity	%	20.8	6.2	2.2	-12.2	13.6
Return on capital employed	%	19.0	7.4	2.8	-6.8	10.3
Cash flow from operating activities	MSEK	84.8	13.2	27.4	-10.0	51.2
Investments	MSEK	50.8	68.4	26.6	15.1	13.3
Liquidity reserve	MSEK	165.1	108.2	120.2	83.6	105.2
Net debt	MSEK	88.6	133.8	88.9	131.2	104.8
Net debt to EBITDA	times	0.85	2.98	3.08	23.73	1.80
Interest-bearing liabilities and interest-bearing provisions	MSEK	99.9	143.1	90.0	133.5	106.5
Net debt/equity ratio	times	0.33	0.61	0.44	0.83	0.59
Balance sheet total	MSEK	606.9	539.7	478.6	451.2	448.7
Equity ratio	%	44.6	40.8	41.9	35.0	39.9
Capital turnover rate	times	3.1	3.0	2.8	2.5	2.6
Proportion of risk-bearing capital	%	49.2	45.7	46.8	40.4	46.5
Interest coverage ratio	times	14.5	3.8	1.1	-3.1	4.0
<b>Employees</b>						
Average number of employees		379	339	331	333	355
Number of positions at year-end		393	353	324	323	308
Staff turnover	%	3.6	6.2	3.8	3.3	18.9
Average age	years	45	46	47	46	46
Salary costs including social security contributions	MSEK	229.3	195.8	195.3	183.6	181.0
Revenue per employee (average)	KSEK	2,987	2,892	2,443	2,192	2,214
Profit/loss before tax per employee (average)	KSEK	171	52	3	-78	65
<b>Per share</b>						
Average number of shares <sup>1) 4)</sup>	KSEK	7,399	7,399	6,488	5,602	5,602
Earnings per share <sup>4)</sup>	SEK	6.56	1.88	0.62	-3.66	4.10
Cash flow from operating activities per share <sup>4)</sup>	SEK	11.47	1.79	4.23	-1.78	9.14
Net worth per share <sup>4)</sup>	SEK	35.53	29.26	27.07	28.22	31.93
Dividend per share <sup>2)</sup>	SEK	3.00	0.00	0.00	0.00	0.00

<sup>1)</sup> There is no dilution.

<sup>2)</sup> For 2016 this refers to the dividend distribution proposed by the Board.

<sup>3)</sup> Figures for 2012 have been restated with regard to new accounting principles.

<sup>4)</sup> The number of shares has been restated in accordance with IAS 33 after the rights issue that was completed in 2014.

For definitions, see the last page of the annual report.

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(MSEK)	Note	2016	2015
Revenue	2	1,132.0	980.2
Cost of goods sold		-981.2	-885.8
<b>Gross profit</b>		<b>150.8</b>	<b>94.4</b>
Other operating revenue	3	0.0	0.1
Selling expenses		-47.3	-43.8
Administrative expenses		-33.8	-27.1
Other operating revenue	3	-0.6	-0.7
<b>Operating profit/loss</b>	4, 5, 6	<b>69.1</b>	<b>22.9</b>
Financial income	7	0.7	1.2
Financial expense	7	-4.8	-6.3
Net financial income/expense		-4.1	-5.1
<b>Profit/loss before tax</b>		<b>65.0</b>	<b>17.8</b>
Tax	9	-13.9	-4.8
<b>Profit/loss for the year</b>		<b>51.1</b>	<b>13.0</b>
<b>Other comprehensive income</b>			
Items that will be reclassified to net earnings			
Changes in hedging reserve	15	-2.6	2.3
Changes in translation reserve		0.3	-0.1
Deferred tax on the above items		0.5	-0.5
Total items that will be reclassified to net earnings		-1.8	1.7
Items that will not be reclassified to net earnings			
Restatement of defined benefit obligations		-0.5	0.8
Deferred tax on the above items		0.1	-0.1
Total items that will not be reclassified to net earnings		-0.4	0.7
<b>Comprehensive income for period</b>		<b>48.9</b>	<b>15.4</b>
Profit for the year attributable to:			
Parent company shareholders		48.5	13.8
Non-controlling interests		2.6	-0.8
Comprehensive income attributable to:			
Parent company shareholders		46.3	16.2
Non-controlling interests		2.6	-0.8
<b>Earnings per share, SEK</b>	16	<b>6.56</b>	<b>1.88</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(MSEK)	Note	31 Dec 2016	31 Dec 2015
<b>Assets</b>			
Intangible assets	10	10.0	10.0
Property, plant and equipment	11	268.5	252.9
Financial fixed assets	12	1.2	1.3
<b>Total fixed assets</b>		<b>279.7</b>	<b>264.2</b>
Inventories	13	146.3	130.3
Trade receivables	14	155.1	122.0
Prepaid expenses and accrued income	18	6.2	5.5
Current tax assets		0.0	4.3
Other receivables	19	8.3	4.1
Cash and cash equivalents	22	11.3	9.3
<b>Total current assets</b>		<b>327.2</b>	<b>275.5</b>
<b>Total assets</b>	2	<b>606.9</b>	<b>539.7</b>
<b>Equity</b>			
Share capital		37.0	37.0
Other paid-up capital		29.5	29.5
Reserves		-3.7	-1.9
Retained earnings incl. profit/loss for the year		200.0	151.9
<b>Total equity, controlling interests</b>		<b>262.8</b>	<b>216.5</b>
Non-controlling interests		7.8	3.7
<b>Total equity</b>	15	<b>270.6</b>	<b>220.2</b>
<b>Liabilities</b>			
Non-current interest-bearing liabilities	17, 19	42.6	57.6
Provisions for pensions	4	17.8	17.4
Deferred tax liabilities	9	28.0	26.4
<b>Total non-current liabilities</b>		<b>88.4</b>	<b>101.4</b>
Current interest-bearing liabilities	17, 19	39.5	68.0
Trade payables		120.0	91.7
Current tax liabilities		6.9	2.0
Other liabilities	19	15.2	12.4
Accrued expenses and deferred income	18	66.3	44.0
<b>Total current liabilities</b>		<b>247.9</b>	<b>218.1</b>
<b>Total liabilities</b>		<b>336.3</b>	<b>319.5</b>
<b>Total equity and liabilities</b>		<b>606.9</b>	<b>539.7</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(MSEK) Consolidated equity Note 15	Share capital	Other paid-up capital	Translation reserve	Hedging reserve	Retained earnings incl. profit for the year	Non-controlling interests	Total equity	Number of shares
<b>Opening 1 Jan 2015</b>	<b>37.0</b>	<b>29.5</b>	<b>0.0</b>	<b>-3.7</b>	<b>137.5</b>	<b>0.0</b>	<b>200.3</b>	<b>7,398,775</b>
<b>Comprehensive income</b>								
Profit/loss for the year					13.8	-0.8	13.0	
Other comprehensive income			0.0	1.8	0.6	0.0	2.4	
<b>Transactions with shareholders</b>								
Rights issue					0.0	4.5	4.5	
Dividend					0.0	0.0	0.0	
<b>Closing 31 Dec 2015</b>	<b>37.0</b>	<b>29.5</b>	<b>0.0</b>	<b>-1.9</b>	<b>151.9</b>	<b>3.7</b>	<b>220.2</b>	<b>7,398,775</b>
<b>Opening 1 Jan 2016</b>	<b>37.0</b>	<b>29.5</b>	<b>0.0</b>	<b>-1.9</b>	<b>151.8</b>	<b>3.7</b>	<b>220.2</b>	<b>7,398,775</b>
<b>Comprehensive income</b>								
Profit/loss for the year					48.5	2.6	51.1	
Other comprehensive income			0.2	-2.0	-0.4	0.0	-2.2	
<b>Transactions with shareholders</b>								
Shareholders' contributions					0.0	1.5	1.5	
Dividend					0.0	0.0	0.0	
<b>Closing 31 Dec 2016</b>	<b>37.0</b>	<b>29.5</b>	<b>0.2</b>	<b>-3.9</b>	<b>200.0</b>	<b>7.8</b>	<b>270.6</b>	<b>7,398,775</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

(MSEK)	Note	2016	2015
<b>Current operations</b>	22		
Operating profit/loss		69.1	22.9
Adjustment for non-cash items		35.0	19.0
Interest received		0.7	1.2
Interest paid		-4.2	-6.1
Dividend		0.0	0.0
Paid income tax		-2.6	-0.1
<b>Cash flow from operating activities prior to change in working capital</b>		<b>98.0</b>	<b>36.9</b>
<b>Cash flow from changes in working capital</b>			
Inventories		-16.0	-3.3
Operating receivables		-38.2	-5.4
Operating liabilities		41.0	-15.0
<b>Cash flow from operating activities</b>		<b>84.8</b>	<b>13.2</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment		-40.8	-68.4
Sale of property, plant and equipment		0.0	2.1
<b>Cash flow from investing activities</b>		<b>-40.8</b>	<b>-66.3</b>
<b>Financing activities</b>			
Rights issue/shareholders' contributions		1.5	4.5
Change in bank overdraft facility utilised		-46.5	32.1
Loans raised		22.0	30.0
Repayment of loans		-15.7	-1.8
Repayment of lease liabilities		-4.0	-2.4
<b>Cash flow from financing activities</b>		<b>-42.7</b>	<b>62.4</b>
<b>Cash flow for the year</b>		<b>1.3</b>	<b>9.3</b>
Cash and cash equivalents, opening balance		9.3	1.1
Translation differences in cash and cash equivalents		0.7	-1.1
<b>Cash and cash equivalents, closing balance</b>		<b>11.3</b>	<b>9.3</b>

## PARENT COMPANY INCOME STATEMENT

(MSEK)	Note	2016	2015
Revenue	2	22.3	22.3
Cost of goods sold		-3.3	-3.5
<b>Gross profit</b>		<b>19.0</b>	<b>18.8</b>
Administrative expenses		-3.3	-2.8
Other operating revenue	3	0.0	0.1
<b>Operating profit/loss</b>	4, 5	<b>15.7</b>	<b>16.1</b>
Income from participations in subsidiaries	7	0.0	0.4
Interest income and similar income and expense items	7	0.3	0.4
Interest income and similar income and expense items	7	-0.1	-0.4
<b>Profit/loss after financial items</b>		<b>15.9</b>	<b>16.5</b>
Appropriations	8	14.6	-3.0
<b>Profit/loss before tax</b>		<b>30.5</b>	<b>13.5</b>
Tax	9	-6.7	-2.9
<b>Profit/loss for the year</b>		<b>23.8</b>	<b>10.6</b>

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

(MSEK)	Note	2016	2015
Profit/loss for the year		23.8	10.6
<b>Other comprehensive income</b>			
Items that will be reclassified to net earnings		0.0	0.0
Items that not will be reclassified to net earnings		0.0	0.0
<b>Comprehensive income for period</b>		<b>23.8</b>	<b>10.6</b>

## PARENT COMPANY BALANCE SHEET

(MSEK)	Note	31 Dec 2016	31 Dec 2015
<b>Assets</b>			
Property, plant and equipment	11	77.7	80.1
Financial fixed assets	21	88.0	84.5
<b>Total fixed assets</b>		<b>165.7</b>	<b>164.6</b>
Receivables from Group companies		51.1	16.0
Other receivables		0.1	0.1
Current tax assets		0.0	0.0
Cash and bank balances	22	0.4	0.4
<b>Total current assets</b>		<b>51.6</b>	<b>16.5</b>
<b>Total assets</b>		<b>217.3</b>	<b>181.1</b>
<b>Equity and liabilities</b>			
Restricted equity			
Share capital		37.0	37.0
Non-restricted equity			
Share premium reserve		29.5	29.5
Retained earnings		88.0	77.4
Profit/loss for the year		23.8	10.6
<b>Total equity</b>	15	<b>178.3</b>	<b>154.5</b>
<b>Untaxed reserves</b>	8	<b>25.2</b>	<b>17.8</b>
<b>Deferred tax liabilities</b>	9	<b>3.6</b>	<b>4.1</b>
<b>Non-current interest-bearing liabilities to credit institutions</b>	17, 19	<b>0.3</b>	<b>0.7</b>
Interest-bearing liabilities to credit institutions	17, 19	0.5	0.5
Non-interest bearing liabilities			
Trade payables		0.8	0.1
Other liabilities		7.7	2.4
Accrued expenses and deferred income	18	0.9	1.0
<b>Total current liabilities</b>		<b>9.9</b>	<b>4.0</b>
<b>Total equity and liabilities</b>		<b>217.3</b>	<b>181.1</b>

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

(MSEK)	Restricted equity	Non-restricted equity		Total equity
	Share capital	Share premium reserve	Retained earnings	
<b>Opening equity 1 Jan 2015</b>	<b>37.0</b>	<b>29.5</b>	<b>77.4</b>	<b>143.9</b>
Profit/loss for the year			10.6	10.6
<b>Transactions with shareholders</b>				
Dividend			0.0	0.0
<b>Closing equity 31 dec 2015</b>	<b>37.0</b>	<b>29.5</b>	<b>88.0</b>	<b>154.5</b>
<b>Opening equity 1 Jan 2016</b>	<b>37.0</b>	<b>29.5</b>	<b>88.0</b>	<b>154.5</b>
Profit/loss for the year			23.8	23.8
<b>Transactions with shareholders</b>				
Dividend			0.0	0.0
<b>Closing equity 31 Dec 2016</b>	<b>37.0</b>	<b>29.5</b>	<b>111.8</b>	<b>178.3</b>
Proposed dividend for the financial year 2016			22.2	22.2

## PARENT COMPANY STATEMENT OF CASH FLOWS

(MSEK)	Note	2016	2015
<b>Current operations</b>	22		
Operating profit/loss		15.7	16.1
Adjustment for non-cash items		3.3	3.3
Interest received		0.3	0.4
Interest paid		-0.1	-0.4
Dividend		0.4	0.4
Paid income tax		-1.8	-0.4
<b>Cash flow from operating activities prior to change in working capital</b>		<b>17.4</b>	<b>19.4</b>
<b>Cash flow from changes in working capital</b>			
Operating receivables		-35.1	8.8
Operating liabilities		-0.2	-1.1
<b>Cash flow from operating activities</b>		<b>4.1</b>	<b>27.1</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment		-0.1	-0.4
Sale of property, plant and equipment		0.0	1.9
Shareholders' contributions, subsidiaries		-3.5	-10.5
<b>Cash flow from investing activities</b>		<b>-3.6</b>	<b>-9.0</b>
<b>Financing activities</b>			
Rights issue		0.0	0.4
Group contributions		22.0	0.0
Change in bank overdraft facility utilised		0.0	-17.6
Repayment of loans		-0.5	-0.5
<b>Cash flow from financing activities</b>		<b>21.5</b>	<b>-18.1</b>
<b>Cash flow for the year</b>		<b>0.0</b>	<b>0.0</b>
Cash and cash equivalents, opening balance		0.4	0.4
<b>Cash and cash equivalents, closing balance</b>		<b>0.4</b>	<b>0.4</b>

# NOTES

## 1 ACCOUNTING PRINCIPLES

### COMPLIANCE WITH SET STANDARDS AND LEGISLATION

The consolidated accounts have been drawn up in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as approved by the EC Commission for application within the EU. In addition, RFR 1 Supplementary Accounting Regulations for Groups has also been applied.

Unless otherwise stated under the heading The parent company's accounting principles, the same principles are applied to the parent company as to the Group. Any deviations that occur are due to restrictions in the ability to apply IFRS to the parent company as a result of the Swedish Annual Accounts Act (ÅRL) and the Act on Safeguarding of Pension Obligations (Tryggandelagen) and, in some instances, are for tax purposes.

### ASSUMPTIONS DURING PREPARATION OF THE PARENT COMPANY'S AND THE GROUP'S FINANCIAL STATEMENTS

The parent company's functional currency is Swedish krona, which is the reporting currency for both the parent company and the Group. The financial statements are therefore presented in Swedish krona (SEK). All amounts, unless stated otherwise, are rounded off to the nearest million kronor. Assets and liabilities are recognised at historical cost, with the exception of certain financial assets and liabilities that are measured at fair value. Financial assets and liabilities measured at fair value comprise derivative instruments.

The accounting principles set out below for the Group have been applied consistently to those periods included in the consolidated financial statements, unless otherwise stated below. The Group's accounting principles have been applied consistently to any reporting and consolidation of subsidiaries.

### REVISED ACCOUNTING PRINCIPLES

The accounting principles applied are consistent with those that were applied the previous year with the exceptions indicated below.

The following standards, amendments and interpretations which became effective in 2016 have been applied but have no or no material impact on the consolidated financial statements.

- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – amendment. The amendment is effective for financial years beginning on 1 January 2016 or later. The standard forbids revenue-based depreciation of property, plant and equipment. The amendment has not had any impact on ProfilGruppen's financial reporting.
- Annual Improvements to IFRSs 2010-2012 cycle. According to the EU, the improvements were to become applicable for financial years beginning after 1 February 2015 and have not affected the consolidated financial statements.
- Annual Improvements to IFRSs 2012-2014. This improvement project became effective for financial years beginning on 1 January 2016 or later. The improvements have not affected the consolidated financial statements.

In 2016 the Group has not applied any standard, amendment or interpretation with the possibility for early adoption.

The following standards, amendments and interpretations, which will apply from 1 January 2017, could have an impact on the consolidated or parent company financial statements.

- IAS 12 Impairment – Amendment. The amendments clarify how deferred tax should be accounted for when debt instruments are measured at fair value and that any limitations on the ability to use tax losses must be taken into account in determining deferred tax assets. The standard must be applied retroactively for financial years beginning on 1 January 2017 or later. The amendment does not affect the consolidated financial statements.
- IAS 7 Statement of Cash Flows (Amendment). A new disclosure requirement has been introduced that will enable users of financial statements to assess

the change in liabilities arising from financing activities. The amendments must be applied prospectively for financial years beginning on 1 January 2017 or later. The amendments are not expected to have a material impact on the financial statements.

- IFRS 9 Financial instruments. This standard takes effect for financial years beginning on 1 January 2018 or later and replaces the current standard, IAS 39. It was approved by the EU in 2016. The standard changes the measurement categories for financial instruments. It will also require enhanced disclosures relating to hedge accounting, which is likely to affect the consolidated financial statements. The company is preparing a reporting structure for this.
- IFRS 15 Revenue from Contracts with Customers. The standard becomes effective on 1 January 2018. The standard contains an integrated model for identification of revenue linked to customer contracts and points in time for recognition of such revenue. For this standard an amendment was also published in April 2016 which clarifies some points in the standard. The Group's ongoing assessment of the effects of the new standard has not yet pointed to any material impact on the recognition of revenue, although it is thought that the amendment may require the Group to publish further disclosures.
- IFRS 16 Leases. The standard will replace IAS 17 from 1 January 2019. Lessees should recognise most leased assets in the balance sheet and divide lease payments into interest payments and amortisation. For the lessor the standard does not involve any significant changes. The EU is expected to approve the standard in 2017. ProfilGruppen will assess the effects closer to the effective date of the standard.

### CRITICAL ESTIMATES

Drawing up the financial reports in accordance with IFRS requires the company's management to make estimates and assumptions that affect the application of the accounting principles as well as the reported amounts. Any estimates and assumptions are based on historical experience and a number of other factors that under current circumstances appear reasonable. The result of these estimates and assumptions is then used to determine the carrying amounts of assets and liabilities that cannot be clarified by other means or sources. The actual outcome may differ from these estimates and assessments.

The following important estimates have been made when applying the Group's accounting principles.

#### Inventories

Inventories are measured at the lower of cost and net realisable value, which usually means measurement at cost. See also the heading Inventories.

The net realisable value is to some extent an estimate based on forecasts from customers but also on historical data.

#### Unsecure trade debtors

On each closing day the Group assesses whether there is any indication of a write-down requirement for credit risks. The assessment is made individually per customer, initially in consultation between the Sales Customer Manager and the Group's Credit Controller.

#### Write-down review of goodwill

When calculating the recoverable amount of cash-generating units for the assessment of any write-down requirement for goodwill, several assumptions about future relationships and other parameter estimates were necessary. Please refer to note 10.

#### Assumptions concerning pensions

To calculate pension assumptions, management has made estimates of the discount rate and other parameters. The assessment of these parameters is based on expectations. If the actual values of the parameters were to differ from the expected values an actuarial gain or loss will be recognised in other comprehen-



sive income in the consolidated financial statements. For a sensitivity analysis of the most significant of these assumptions, see Note 4.

### CLASSIFICATION ETC.

Fixed assets and non-current liabilities consist largely of amounts that are expected to be recovered or for which there is a right to payment more than twelve months after the closing date.

Current assets and current liabilities essentially consist of amounts that are expected to be recovered or for which there is a right to payment within twelve months of the closing date.

For each balance-sheet item that includes amounts expected to be recovered or paid both within and after twelve months from the closing date, this information is provided in a note to the relevant balance-sheet item.

### CONSOLIDATION PRINCIPLES

All companies in which the Group has a controlling interest are classified as subsidiaries. Subsidiaries are included in the consolidated financial statements as of the date on which the controlling interest is transferred to the Group. They are excluded from the consolidated financial statements as of the date on which the controlling interest ceases to exist.

The purchase method is applied in accounting for the Group's business combinations (see note 21).

Intra-Group receivables and liabilities, revenue or expenses and unrealised gains or losses that arise through intra-Group transactions between Group companies are eliminated in their entirety during preparation of the consolidated accounts.

### FOREIGN CURRENCY

#### Transactions in a foreign currency

Transactions in a foreign currency are converted to the functional currency at the exchange rate on the transaction day. Functional currencies are the currencies in the primary economic environments where companies in the Group operate. Monetary assets and liabilities in foreign currencies are converted to the functional currency at the closing date rate. Exchange rate differences that arise during conversion are recognised in the income statement. Non-monetary assets and liabilities that are recognised at historical cost are converted at the exchange rate on the transaction day. Non-monetary assets and liabilities that are recognised at fair value are converted to the functional currency at the exchange rate in effect at the time the fair value is measured, at which point exchange rate changes are recognised together with other changes in the value of the asset or liability.

#### Financial reports concerning foreign operations

Assets and liabilities in foreign operations are translated to Swedish krona at the closing rate. Revenue and expenses from a foreign operation are converted to Swedish krona at an average exchange rate that is an approximation of the rates on each transaction day. Translation differences that arise through currency conversion for foreign operations are recognised in other comprehensive income.

### INCOME

The Group's revenue essentially consists of sales of goods. Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to third parties in accordance with agreed terms of delivery. The timing of recognition of revenue therefore varies depending on the terms of delivery. The revenue is recognised at the fair value of what was received or will be received less discounts allowed. Revenue is not recognised if it is likely that the Group will not gain from the economic benefits.

### FINANCIAL INCOME AND EXPENSES

Financial income and expenses comprise interest income from bank balances and receivables and interest expenses on loans, dividend income, exchange rate differences, unrealised and realised gains and losses on interest rate swaps used within financial activities.

Dividend income is recognised once the right to receive payment has been determined. Borrowing costs directly attributable to the purchase, construction or production of a qualified asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised and included in the cost of the asset. Other borrowing costs are accounted for in accordance with the effective interest method.

### FINANCIAL INSTRUMENTS

Financial instruments recognised in the statement of financial position include, on the asset side, cash and cash equivalents, trade receivables and derivatives. Items regarded as liabilities and equity include trade payables, loans and derivatives.

IAS 39 classifies financial instruments into categories. Classification depends on the intended purpose of the acquisition of the financial instrument.

A financial asset or financial liability is taken up in the accounts when the company becomes party to the instrument's contractual terms. Any liability is taken up once the other party has performed their contractual obligations for which payment is required, even if no invoice has been received.

A financial asset is removed from the balance sheet once the rights as per the contract are realised or fall due, or the company loses control of them. The same applies to part of a financial asset. A financial liability is removed from the balance sheet once the obligation under the contract has been fulfilled or has otherwise expired. The same applies to part of a financial liability. The acquisition and sale of financial assets is recognised on the trade date, which is the day on which the company commits itself to acquire or sell the asset, except in those instances when the company acquires or sells listed securities, which are instead recognised on the settlement date.

Financial instruments are initially recognised at fair value. Subsequent measurement then depends on how instruments are classified in accordance with the following.

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

The fair value of financial assets and liabilities is calculated based on the hierarchy described in IFRS 13. A majority of Profilgruppen's financial assets and liabilities are measured in accordance with Level 2 of this hierarchy, i.e. based on observable inputs such as market prices. For additional information, see note 19.

On each reporting date, the company assesses whether there are any objective indications that a financial asset or a group of financial assets is in need of impairment.

The IAS 39 categories used by the Group are as follows:

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. Receivables arise when companies provide money, goods or services direct to the debtor with no intention of trading the receivable. Assets in this category are measured at amortised cost. Amortised cost is determined based on the effective interest rate as calculated on the acquisition date.

Trade receivables belong to the Loans and receivables category. Trade receivables are taken up in the balance sheet once an invoice has been issued. Trade receivables are expected to have a short maturity, so the value is recognised without discounting. Trade receivables are recognised at the amount that is expected to be received. Impairment of trade receivables is recognised in the operating expenses. Trade receivables in foreign currencies are converted to the functional currency at the closing date rate.

### Other financial liabilities

Financial liabilities that are not held for trading are measured at amortised cost. Amortised cost is determined based on the effective interest rate as calculated when the liability was taken up. This means that surplus and deficit values, such as direct financing and issue expenses, are allocated over the term of the liability by applying the effective interest method.

### Assets and liabilities valued at fair value through profit or loss.

All derivatives are reported at fair value in the balance sheet. For cash flow hedges, value changes are recognised in comprehensive income pending the hedged item being recognised in profit/loss for the year. Hedge accounting is described in greater detail below.

### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with banks.

### Liabilities

Liabilities are classified as Other financial liabilities. Non-current liabilities mature later than one year from the closing date while current liabilities have a maturity of less than one year.

### Trade payables

Trade payables belong to the Other financial liabilities category. Trade payables are taken up once an invoice has been received. Trade payables have a short expected maturity and are measured without discounting.

## DERIVATIVES AND HEDGE ACCOUNTING

The Group's derivative instruments have been procured in order to hedge the risks associated with interest and currency exposure to which the Group will be subjected. A derivative is recognised initially at fair value, meaning that transaction costs burden the profit/loss for the year. After the initial reporting, the derivative instrument is measured at fair value and value changes are reported as described below.

ProfilGruppen does not apply hedge accounting in accordance with IAS 39. In order to meet the requirements for hedge accounting, an unambiguous link to the hedged item is required. It must also be the case that hedging effectively protects the hedged item, that hedge documentation must be created and that effectiveness is measurable. Gains and losses associated with hedging are recognised in profit/loss for the year at the same time as gains and losses are recognised for hedged items.

In cases where the conditions for hedge accounting are no longer fulfilled, the derivative instrument is recognised at fair value with the value change through profit/loss for the year in net financial income/expense.

### Transaction exposure – cash flow hedges

Currency exposure regarding future contracted and forecast flows is hedged through currency futures. The currency future that protects the forecast flow is recognised in the balance sheet at fair value. Changes in the fair value of the forward contract are recognised in other comprehensive income and accumulated in equity as long as the hedge is effective. If the hedge is ineffective or if the hedged forecast transaction is no longer expected to occur, accumulated gains or losses are recognised in profit or loss immediately.

The amount recognised in equity through other comprehensive income is reclassified to profit or loss in the same period in which the hedged item affects profit or loss. When a hedging instrument falls due, is sold, liquidated or redeemed, or the company modifies identification of the hedge relationship before the hedged transaction has occurred and the forecast transaction is still expected to occur, the reported cumulative gain or loss in the hedging reserve remains as equity and is recognised in a similar way to that above when the transaction occurs.

### Hedging of the Group's fixed interest – cash flow hedges

Interest rate swaps are used to hedge interest risks. These interest rate swaps are measured at fair value in the balance sheet. In the profit/loss for the year, the interest coupon part is continuously recognised as interest income or interest expense; any other value change in the interest rate swap is recognised in other comprehensive income, provided the criteria for hedge accounting and effectiveness are met.

## PROPERTY, PLANT AND EQUIPMENT

### Owned assets

Property, plant and equipment are reported as assets in the balance sheet if it is likely that future financial advantages will be available to the company and the cost of the asset can be calculated in a reliable way. Tangible fixed assets are recognised for the Group at cost after deductions for accumulated depreciation

and any impairment losses. The cost includes the purchase price and expenses directly attributable to the asset in order to acquire it in a condition where it can be utilised in accordance with the aim of the acquisition. Principles for impairment losses are dealt with below.

The cost of fixed assets produced in-house includes material costs, expenditure on employee remuneration, if applicable, other manufacturing costs that are thought to be directly attributable to fixed assets, as well as estimated expenditure on disassembly and removal of assets and restoration of the site or area where required.

Property, plant and equipment that comprise elements with different useful lives are treated as separate components of property, plant and equipment. The carrying amount of a tangible fixed asset is removed from the balance sheet when the asset is scrapped or sold off or when no future economic benefits are expected from use or scrapping/selling of the asset. Any gain or loss arising from the sale or scrapping of an asset comprises the difference between the sales price and the asset's carrying amount less direct selling expenses. Gains and losses are reported as other operating income/expense.

### Leased assets

Leases where the Group assumes or transfers all essential risks and benefits associated with a fixed asset are classified as finance leases. When the Group is the lessee the asset is capitalised and a corresponding interest-bearing current or non-current liability is recognised in the statement of financial position. The capitalised value is subject to planned depreciation/amortisation in the same way as purchased assets.

Leasing of assets where the Group does not assume all significant risks and benefits is classified as an operating lease and is not capitalised but the lease payments are recognised as a current expense.

Under finance leases in which the Group is the lessor, future lease payments and any residual values guaranteed by the Group are recognised as a financial asset. Lease payments are recognised as interest income and repayment of lease receivables.

### Depreciation methods

Depreciation is performed linearly over the asset's estimated useful life. The Group applies component depreciation, which means that the components' assessed useful life forms the basis for depreciation, see Note 11. Real estate is divided chiefly into land and buildings. No depreciation is performed for land, the useful life of which is judged to be indeterminable.

An asset's residual value and useful life are assessed annually.

## INTANGIBLE ASSETS

### Goodwill

Goodwill represents the difference between the cost for a business combination and the fair value of acquired assets, assumed liabilities and contingent liabilities.

Goodwill is measured at cost minus any cumulative impairment losses. Goodwill is divided among cash-generating units and is tested annually for impairment. Goodwill is not amortised.

### INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Inventories comprise a raw material portion (aluminium) and a processing portion.

The cost of raw materials and direct materials is determined based on the first-in, first-out principle. The cost of the processing portion consists of direct manufacturing costs and a reasonable proportion of indirect manufacturing costs. During measurement, consideration is paid to normal capacity utilisation.

Net realisable value is the estimated sale price less selling expenses.

### IMPAIRMENT

The reported values of the Group's assets, with the exception of inventories, are reviewed on each closing date to assess whether there is any indication of impairment. If an impairment indicator exists, the asset's recoverable amount is calculated. The valuation of assets that are exempt as per the above is tested as per the relevant standard. For goodwill the recoverable amount is calculated at least once a year.

If it is not possible to establish essentially independent cash flows for an individual asset, the assets are grouped at the lowest level at which it is possible to identify essentially independent cash flows (a cash-generating unit). An impairment loss is recognised when an asset or cash-generating unit's carrying amount exceeds the recoverable amount. An impairment loss burdens the profit/loss for the year.

The recoverable amount is the higher of the fair value less selling expenses and value in use. When calculating the value in use, future cash flows are discounted

using a discount factor that takes into consideration risk-free interest and the risk that is associated with the specific asset.

#### **Impairment test of financial assets**

On each reporting date, the company assesses whether there is any objective indication of impairment of a financial asset or a Group of assets. Objective evidence consists partly of observable circumstances that have arisen and that have a negative impact on the ability to recover the cost, and partly of a significant or protracted decrease in the fair value of an investment in a financial investment classified as an available-for-sale financial asset.

#### **Reversal of impairment**

An impairment loss is reversed if there is an indication that the 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, goodwill impairment losses are never reversed. A reversal is only performed to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that would have been recognised, less depreciation/amortisation where appropriate, if no impairment had been made.

### **EMPLOYEE BENEFITS**

#### **Defined-contribution pension schemes**

Obligations regarding contributions to defined-contribution pensions are reported as an expense in the income statement as they occur.

#### **Defined-benefit pensions**

Commitments for old-age pensions and family pensions for salaried employees in Sweden are met through insurance with Alecta. In accordance with UFR 10, this is a multi-employer defined-benefit pension plan. The company has not had access to such information that makes it possible to report this pension as a defined-benefit scheme. The pension plan as per ITP that is met through insurance with Alecta is therefore reported as a defined-contribution pension.

In Norway, all employees are covered by defined-benefit pension schemes. In Sweden, some employees are covered by defined-benefit pensions; however, there are no new earned pension entitlements in these schemes.

The Group's net obligation regarding defined-benefit pensions is calculated separately for each pension scheme by estimating future benefits earned by employees through their employment during both current and earlier periods; this benefit is discounted to a present value and the fair value of any plan assets is deducted. The discount rate is the interest rate on a risk-free investment in an active market with a maturity corresponding to the plan's pension obligations. The calculation is performed by qualified actuaries using the projected unit credit method.

When the benefits associated with a pension improve, the proportion of the increased benefit that is attributed to employees' employment during earlier periods is recognised as an expense in the profit/loss for the year on a straight-line basis over the average period until the benefits are earned completely. If the benefit is earned completely, an expense is recognised directly in profit/loss for the year.

When there is a difference in how the pension expense is established in a legal entity and group, a provision or claim is reported in relation to special employer's contributions based on this difference. The provision or claim is not calculated as a present value.

#### **Taxes**

Income tax consists of both deferred and paid tax. Income tax is recognised in profit/loss for the year unless the underlying transaction is recognised in other comprehensive income, in which case the related tax effect is recognised in the same way.

Current tax is tax that must be paid or received in relation to the current year, with application of the tax rates that have been adopted or adopted in practice as of the closing date; this also includes adjustment of current tax attributable to earlier periods.

Deferred tax is calculated in accordance with the balance sheet method based on temporary differences in the carrying amount of assets and liabilities and the value for tax purposes. A temporary difference that occurred during initial recognition of goodwill is not taken into consideration, and neither are temporary differences attributable to participations in subsidiaries that are not expected to be reversed within the foreseeable future. The valuation of deferred tax is based on how carrying amounts of assets or liabilities are expected to be realised or regulated.

Deferred tax is calculated with application of the tax rates and tax rules that have been adopted or adopted in practice as of the closing date. Deferred tax assets regarding deductible temporary differences and tax loss carry-forwards are recognised only to the extent it is likely these can be utilised. The value of deferred tax assets is reduced when it is assessed to be no longer likely that these can be utilised.

Any additional income tax that arises through dividends is recognised at the same time as the dividend is recognised as a liability.

#### **CONTINGENT LIABILITIES (GUARANTEES)**

A contingent liability is recognised when there is a possible obligation arising from events whose occurrence is dependent only on one or more uncertain future events, or there is a commitment that is not recognised as a liability or provision because it is unlikely that an outflow of resources will be required.

## PARENT COMPANY'S ACCOUNTING PRINCIPLES

The parent company has drawn up its annual accounts in accordance with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for Legal Entities. RFR 2 means that the parent company in the annual accounts for the legal entity must apply all IFRS and amendments approved by the EU, provided this is possible within the framework of the Annual Accounts Act and with regard to the connection between accounting and taxation. The recommendation states which exemptions from and additions to IFRS are to be made.

The accounting principles mentioned below for the parent company have been applied consistently in all periods recorded in the parent company's financial reports.

#### **Property, plant and equipment**

Property, plant and equipment in the parent company are reported at cost after deductions for accumulated depreciation and any write-downs in the same way as for the Group. Leased assets are accounted for in accordance with the rules for operating leases.

#### **Financial instruments**

The parent company does not apply the measurement rules in IAS 39. In the parent company financial fixed assets are measured at cost less any

impairment. Current financial assets are accounted for by applying the lower of cost or market method.

#### **Dividends**

Anticipated dividends from subsidiaries are reported in those instances where the parent company alone has the right to determine the size of the dividend, and where the parent company has made a decision on the size of the dividend before it has published its financial reports.

#### **Taxes**

The parent company reports untaxed reserves including deferred tax liability.

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

The parent company reports Group contributions and shareholders' contributions in accordance with the statement from the Swedish Financial Reporting Board and applies its main rule, under which Group contributions are accounted for as appropriations.

## 2 INCOME

### Information on operating segments

The Group's chief operating decision-maker follows the outcome of activities on a consolidated basis with no breakdown by segment or branches. The chief operating decision-maker uses the company's aggregate operating profit or loss as the basis for decisions about resource allocation and assessing performance. ProfilGruppen thus consists of only one segment. For financial information on the segment, please refer to the statement of comprehensive income and the statement of financial position, note 11 (for investments and depreciation/amortisation) and note 22 (for cash flow effects).

### Information on geographical markets

Sales are mainly to customers in Europe, where the market conditions are similar. Goods are sold for export partly through sales staff who are integrated in the Swedish organisation and based in Sweden and partly through a small number of sales representatives who report directly to the Swedish organisation but are employed in sales companies in each export market. In the first instance, the Group's opportunities and risks are not affected by the location of our customers, but conditions do differ somewhat on the home and export markets. Information on external sales refers to geographical areas grouped according to customer location.

External sales by market	2016	2015
Sweden	624.4	556.2
Germany	195.1	114.3
Other exports	312.5	309.7
	<b>1,132.0</b>	<b>980.2</b>

All of the Group's non-current assets are located in Sweden. No one customer accounted for more than ten per cent of revenues in 2016 (none).

Revenue for the Group refers to the revenue source sale of goods. Rents for commercial premises from Swedish companies in the Group account for 98 per cent of the parent company's revenue.

## 3 OTHER OPERATING REVENUE AND EXPENSES

	Group		Parent company	
Other operating revenue	2016	2015	2016	2015
Profit on sale of fixed assets	0.0	0.1	0.0	0.1
Other operating expenses				
Loss on sale and scrapping of fixed asset	0.6	0.7	0.0	0.0

## 4 EMPLOYEES AND PERSONNEL COSTS

	2016		2015	
Average number of employees	Total	Men	Total	Men
Parent company	0	0	0	0
Group companies in Sweden	377	271	337	251
Group companies outside Sweden				
Norway, sales company	1	1	1	1
Germany, sales company	1	1	1	1
	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
Total Group	<b>379</b>	<b>273</b>	<b>339</b>	<b>253</b>

### Gender distribution of the Board and management

The Board of Directors of ProfilGruppen AB (the parent company) is made up of 86 per cent (86) men. The Group's management team (including CEO) at the end of the year was made up of 67 per cent (60) men. The Group's other company boards and management teams are made up of 71 per cent (71) men.

### Salaries, other remuneration and payroll overheads

	2016		2015	
	Salaries and other remuneration	Social security contributions (of which pension costs)	Salaries and other remuneration	Social security contributions (of which pension costs)
Parent company	0.9	0.2 (0.0) <sup>1)</sup>	1.0	0.3 (0.0) <sup>1)</sup>
Group companies	163.7	64.5 (15.6)	138.6	55.9 (14.0)
<b>Total Group</b>	<b>164.6</b>	<b>64.7 (15.6)<sup>2)</sup></b>	<b>139.6</b>	<b>56.2 (14.0)<sup>2)</sup></b>

1) Of which MSEK 0.0 (0.0) relates to the Board and CEO of the parent company.

2) Of which MSEK 0.9 (0.9) relates to the Board and CEO in the Group's different companies.

### Salaries and other remuneration, divided between Board, CEO and other employees

	2016		2015	
	Board and CEO	Other employees	Board and CEO	Other employees
Parent company	0.9	0.0	1.0	0.0
Group companies in Sweden	2.3	159.5	1.9	134.8
Group companies outside Sweden				
Norway, sales company	0.0	0.9	1.0	0.0
Germany, sales company	0.0	1.0	0.0	0.9
	<b>0.0</b>	<b>1.9</b>	<b>1.0</b>	<b>0.9</b>
<b>Total Group</b>	<b>3.2</b>	<b>161.4</b>	<b>3.9</b>	<b>135.7</b>

### Profit sharing

In 2016 the Board decided to apply profit sharing for all permanent employees (there was no profit sharing plan in 2015). Consolidated earnings after financial items constituted the basic criterion for profit sharing and the cost for 2016 was kSEK 2,451 (0) including social security contributions.

### Pensions

	Group		Parent company	
Cost of defined-contribution plans recognised in income statement	2016	2015	2016	2015
as cost of goods sold	7.2	6.5	0.0	0.0
as selling expenses	4.2	4.0	0.0	0.0
as administrative expenses	3.5	3.0	0.0	0.0
	<b>14.9</b>	<b>13.5</b>	<b>0.0</b>	<b>0.0</b>

### Defined-benefit pension schemes

For salaried employees in Sweden the defined benefit pension obligations for retirement and family pensions are secured through an insurance policy with Alecta. As per a statement from the Swedish Financial Reporting Board, UFR 10, this is a multi-employer defined-benefit pension plan. For the financial year 2016 the company has not had access to information that would enable it to account for its proportionate share of the plan's obligations, assets and expenses. It has therefore not been possible to report the plan as a defined benefit plan. The ITP2 pension plan that is secured through an insurance policy with Alecta is therefore accounted for as a defined contribution pension. The premium for defined benefit retirement and family pensions is calculated individually and depends on factors such as salary, previously earned pension and expected remaining period of service. Expected fees in the next reporting for ITP2 insurance policies with Alecta are MSEK 2.0 (1.7) excluding employer's contributions. The Group's share of the total contributions to the plan and of the total number of active members is 0 and 0 per cent, respectively.

The collective funding ratio comprises the market value of Alecta's assets as a percentage of insurance commitments calculated in accordance with Alecta's actuarial methods and assumptions, which do not correspond to IAS 19. The collective funding ratio is normally permitted to vary within a range of 125 and 155 per cent. If Alecta's collective consolidation level were to fall below 125 per cent or exceed 155 per cent it would be necessary to take measures to create conditions under which the level can return to the normal range. In case of a low consolidation level one measure that can be taken is to raise the agreed price for new subscriptions and an increase in the existing benefits. A high consolidation level can be addressed by introducing premium reductions. At the end of 2016, Alecta's surplus in the form of the collective funding ratio amounted to 149 per cent (153).



Wholly or partly funded obligations	Group				
	2016	2015	2014	2013	2012
Obligation balance, 1 January	19.1	23.4	25.9	25.6	19.5
Change as at 1 January due to change of accounting principles	-	-	-	-	4.3
Change due to change of line in balance sheet for employer's contribution	0.0	0.0	0.0	2.6	1.1
Cost for pensions earned during the year	0.1	0.1	0.1	0.8	1.1
Interest expense	0.6	0.4	0.9	0.7	0.7
Outgoing payments	-0.7	-3.8	-1.8	-0.8	-0.7
Actuarial gains/losses	0.0	0.0	0.0	0.0	-0.7
Actuarial gains/losses recognised through other comprehensive income	0.4	-0.9	-1.7	-2.4	0.2
Translation differences	0.2	-0.1	0.0	-0.6	0.1
Obligation balance 31 December of which, unrecognised actuarial losses	19.7	19.1	23.4	25.9	25.6
Plan assets balance, 1 January	1.7	2.1	6.0	7.2	7.0
Expected return on plan assets	0.1	0.1	0.2	0.1	0.3
Costs	0.0	0.0	0.0	0.0	-0.1
Incoming payments	0.1	-0.3	-0.2	0.6	0.2
Actuarial gains/losses	0.0	0.0	0.0	0.0	-0.3
Actuarial gains/losses recognised through other comprehensive income	-0.1	0.0	-3.9	-1.2	0.0
Translation differences	0.1	-0.2	0.0	-0.7	0.1
Plan assets balance, 31 December	1.9	1.7	2.1	6.0	7.2
<b>Net debt recognised in the balance sheet relating to defined benefit pension plans</b>	<b>17.8</b>	<b>17.4</b>	<b>21.3</b>	<b>19.9</b>	<b>18.4</b>
Cost recognised in profit/loss for the year of which selling expenses	0.7	0.5	0.8	1.6	1.7
of which administrative expenses	0.1	0.2	0.2	1.1	0.2
of which financial expenses	0.0	0.0	0.0	0.0	1.0
Cost recognised in other comprehensive income of which caused by experience-based adjustments	0.6	0.3	0.6	0.5	0.5
of which caused by changed assumptions	0.4	-0.8	2.3	-1.3	-0.4
	-1.1	0.3	0.1	0.2	-
	1.5	-1.1	2.2	-1.5	-

#### Sensitivity analysis for estimated net debt at balance sheet date

Change in obligation for discount rate -0.5 percentage points	1.4
Change in obligation for discount rate +0.5 percentage points	-1.3
Change in obligation for inflation assumption -0.5 percentage points	-1.2
Change in obligation for inflation assumption +0.5 percentage points	1.4
Change in obligation for duration assumption -1 year	-0.7
Change in obligation for duration assumption +1 year	0.7

#### The most important actuarial assumptions as of the closing day

	Sweden		Norway	
	2016	2015	2016	2015
Discount rate	2.5%	3.2%	1.4%	1.9%
Long-term inflation assumption	1.5%	1.5%	-	-
Expected return on plan assets	-	-	1.4%	1.9%
Future salary increases	-	-	2.3%	2.5%
Future increases in pensions	1.5%	1.5%	2.3%	2.3%
Staff turnover	-	-	0.0	0.0
Expected remaining employment period	-	-	7 years	8 years
Average remaining term of the obligation	16 years	25 years	26 years	26 years
Average life expectancy, women	89 years	90 years	89 years	89 years
Average life expectancy, men	87 years	88 years	86 years	86 years

The discount rate for the Norwegian plan is based on the market yield on mortgage bonds with a maturity corresponding to the remaining term of the obligation, 26 years. For the Swedish plan the discount rate has been based on the market yield on mortgage bonds with a maturity corresponding to the remaining term of the obligation, in this case 16 years.

Plan assets only exist in the Norwegian scheme and consist chiefly of interest-bearing securities, which account for 86 per cent (73). Other assets are shares 7 per cent (6), real estate 7 per cent (15) and other 0 per cent (6).

The actual return on plan assets in the Norwegian plan in 2016 is not known (2015: not known).

Our best estimate of payments to defined benefit pension plans in 2017 is MSEK 0.7.

#### Guidelines for remuneration for senior executives

The members of the Board receive remuneration in accordance with the decisions of the Annual General Meeting.

The Board prepares a proposal for guidelines for remuneration of the Group's CEO and other senior executives. The guidelines are based on the company's long-term Remuneration Policy, which was revised in February 2016.

The 2016 Annual General Meeting adopted a set of guidelines for the CEO and other members of management, a group comprising five persons at the time of the AGM. The decision encompasses guidelines as follows. Total may consist of a fixed basic salary, variable remuneration, pension and other benefits. Variable remuneration, which is capped at 25 per cent of the fixed salary, is linked to the Group's results and only in specific instances to individual targets. Variable remuneration is conditional on a positive net result for the Group and will be retrospectively adjusted if it has been paid on apparently erroneous grounds. Agreements on pension benefits are arranged individually and the pension costs can amount to a maximum of 30 per cent of the fixed salary. Other remuneration and benefits shall be at market rates and shall help to facilitate the senior executive's opportunities to carry out their work. The employment contracts of members of the management team are generally terminable on six months' notice by either party. The Board may depart from the guidelines if there are special reasons in an individual case.

The guidelines which the Board intends to propose to the 2017 AGM are presented in the Directors' Report.

#### Directors' fees and other remuneration to senior executives, kSEK

		2016	2015
Kåre Wetterberg	Chairman	340	340
Mats Egeholm	Board member	125	125
Susanna Hilleskog	Board member	125	125
Bengt Stillström	Board member	125	125
Thomas Widstrand	Board member	125	125
Employee representatives	two members and two deputies	-	-
<b>Total fees</b>		<b>840</b>	<b>840</b>

During the year, the CEO of Profilgruppen AB has received kSEK 1,848 (1,644) in fixed and variable remuneration, including benefits.

Other senior executives, totalling five people, including those who have joined and left during the period (five), have received kSEK 4,163 (3,967) in fixed and variable remuneration, including benefits.

During the year, the cost for variable remuneration, excluding social security contributions, to executive management (six persons) amounted to a total of kSEK 1,453 (six persons, SEK 0), of which kSEK 414 (0) was paid out to the CEO.

The current CEO's employment contract is terminable on six months' notice by the CEO and on twelve months' notice by the company. One other senior executive has a contract terminable on twelve months' notice by the company. Other senior executives' contracts are terminable on six months' notice.

#### Pension benefits and pension agreements for senior executives

For the CEO a defined benefit pension provision of 30 per cent of his total salary has been made. The annual pension costs for the CEO amounted to kSEK 506 (499), excluding special employer's contributions of kSEK 123 (121). There are no agreements for early retirement.

Other senior executives during the year, five people (six), are covered by the pension plan for salaried employees in Sweden (ITP). The annual pension costs for these people amounted to kSEK 897 (746), excluding employer's contributions of kSEK 218 (181). The pensions are transferable and so are not conditional on future employment.

There are no other agreements on severance pay.

## 5 AUDITORS' FEES AND EXPENSES

	Group		Parent company	
	2016	2015	2016	2015
<b>Ernst &amp; Young AB</b>				
Audit assignments	0.5	0.5	0.0	0.0
Other assignments	0.1	0.1	0.0	0.0
<b>Other auditors</b>				
Audit assignments	0.1	0.1	-	-

## 6 OPERATING EXPENSES BY TYPE OF COST

	Group	
	2016	2015
Raw materials	444.8	460.7
Personnel costs	229.3	195.8
External processing services	151.6	124.0
Depreciation and amortisation	35.0	21.9
Impairment of property, plant and equipment and intangible assets	0.0	0.0
Other operating expenses	202.2	155.0
	<b>1,062.9</b>	<b>957.4</b>

Other operating expenses include lease payments for the Group of MSEK 5.1 (4.5). The total sum of future non-redeemable leasing payments amounts to MSEK 9.0, of which MSEK 3.1 is due within one year. The remaining MSEK 6.0 falls due in one to five years. Leasing costs comprise operating lease contracts concerning IT equipment and means of transport. The parent company is not a lessee.

The cost of developing products and the business amounts to MSEK 6.8 (6.5) and is included in the operating expenses divided into personnel costs and other operating expenses. During the year, none of these costs have been capitalised in accordance with IAS 38.

## 7 FINANCIAL ITEMS

	Group	
	2016	2015
Interest income	0.7	1.2
<b>Financial income</b>	<b>0.7</b>	<b>1.2</b>
Interest portion of pension expenses for the year	0.6	0.4
Interest expenses, other	3.0	3.8
Other expenses	1.2	2.1
<b>Financial expenses</b>	<b>4.8</b>	<b>6.3</b>
	Parent company	
	2016	2015
Dividends from subsidiaries	0.0	0.4
Interest income, Group companies	0.3	0.4
<b>Financial income</b>	<b>0.3</b>	<b>0.8</b>
Interest expenses, Group companies	0.0	0.0
Interest expenses, other	0.1	0.4
<b>Financial expenses</b>	<b>0.1</b>	<b>0.4</b>

## 8 APPROPRIATIONS AND UNTAXED RESERVES

	Appropriations		Untaxed reserves	
	2016	2015	2016	2015
<b>Parent company</b>				
<b>Accumulated depreciation above plan</b>				
<b>Allocated (+) / dissolved (-)</b>				
buildings	-0.1	0.0	0.1	0.1
equipment	-0.1	-0.2	1.6	1.7
	<b>-0.2</b>	<b>-0.2</b>	<b>1.7</b>	<b>1.8</b>
<b>Tax allocation reserves</b>				
<b>Allocated (+) / dissolved (-) per tax year</b>				
2010	-2.7	0.0	0.0	2.7
2011	0.0	0.0	4.2	4.2
2012	0.0	0.0	5.8	5.8
2015	0.0	3.2	3.2	3.2
2016	10.3	0.0	10.3	0.0
	<b>7.6</b>	<b>3.2</b>	<b>23.5</b>	<b>16.0</b>
<b>Group contribution received</b>	<b>-22.0</b>	<b>0.0</b>	<b>-</b>	<b>-</b>
	<b>-14.6</b>	<b>3.0</b>	<b>25.2</b>	<b>17.8</b>

## 9 TAXES

	Group		Parent company	
	2016	2015	2016	2015
<b>Reported tax expense</b>				
Current tax	11.8	2.5	7.4	2.3
Deferred tax relating to temporary differences	2.1	2.3	-0.7	0.6
Review of earlier year's tax assessment	0.0	0.0	0.0	0.0
<b>Total reported tax expense</b>	<b>13.9</b>	<b>4.8</b>	<b>6.7</b>	<b>2.9</b>

	Group		Parent company	
	2016	2015	2016	2015
<b>Reconciliation effective tax, per cent</b>				
Tax as per applicable tax rate for the parent company	22	22	22	22
Effect of review of earlier year's tax assessment	0	0	0	0
Effect of sold property	0	2	0	3
Effect of deficit in subsidiaries	0	4	-	-
Deficit from previous years	-1	-1	0	-2
Standard interest on tax allocation reserve	0	0	0	0
Other non-tax-deductible expenses and taxable income	0	0	0	-2
<b>Reported effective tax</b>	<b>21</b>	<b>27</b>	<b>22</b>	<b>21</b>

	1 Jan 2016	Recognised through profit or loss	Recognised through comprehensive income	31 Dec 2016
<b>Group</b>				
Property, plant and equipment	21.2	0.5	0.0	21.7
Pension provisions	-0.8	0.0	-0.1	-0.9
Tax allocation reserves	6.6	2.0	0.0	8.6
Items recognised in hedging reserve	-0.5	0.0	-0.5	-1.0
Other	-0.1	-0.2	0.0	-0.4
	<b>26.4</b>	<b>2.3</b>	<b>-0.6</b>	<b>28.0</b>
<b>Parent company</b>				
Property, plant and equipment	4.1	-0.5	0.0	3.6
Other	0.0	0.0	0.0	0.0
	<b>4.1</b>	<b>-0.5</b>	<b>0.0</b>	<b>3.6</b>

	1 Jan 2015	Recognised through profit or loss	Recognised through comprehensive income	31 Dec 2015
<b>Group</b>				
Property, plant and equipment	19.9	1.3	0.0	21.2
Pension provisions	-1.0	0.0	0.2	-0.8
Tax allocation reserves	5.7	0.9	0.0	6.6
Items recognised in hedging reserve	-1.0	0.0	0.5	-0.5
Other	-0.2	0.1	0.0	-0.1
	<b>23.4</b>	<b>2.3</b>	<b>0.7</b>	<b>26.4</b>
<b>Parent company</b>				
Property, plant and equipment	3.3	0.8	0.0	4.1
Other	0.0	0.0	0.0	0.0
	<b>3.3</b>	<b>0.8</b>	<b>0.0</b>	<b>4.1</b>

# 10 INTAGINABLE ASSETS FROM BEGINNING TO END OF YEAR

	Group	
	2016	2015
<b>Goodwill</b>		
<b>Accumulated cost</b>		
At beginning of year	12.8	12.8
New acquisitions	0.0	0.0
Sales	0.0	0.0
<b>At end of year</b>	<b>12.8</b>	<b>12.8</b>
<b>Acc. impairment losses</b>		
At beginning of year	2.8	2.8
Impairment losses for the year	0.0	0.0
<b>At end of year</b>	<b>2.8</b>	<b>2.8</b>
<b>Carrying amount at end of year</b>	<b>10.0</b>	<b>10.0</b>

## Impairment test for cash-generating units containing goodwill

ProfilGruppen tests the value of goodwill at least once a year and when there is an indication of impairment. The impairment test for goodwill is based on a calculation of the value in use. Goodwill is attributable to the activities of ProfilGruppen Extrusions AB, which is also the cash-generating unit tested. A cash flow statement has been used as the basis for the valuation and the first three years are based on the budget and strategic plans, which are adopted by management. The margin is expected to improve as a result of increased demand and measures to improve efficiency. The cash flows forecast after the first three years are based on an annual growth rate of 2.0 per cent (2.0), which in turn is based on the expected rate of GDP growth, which the market for extrusions normally follows. The new present value of forecast cash flows has been estimated using a discount rate of 11.95 per cent before tax (15.3), which has been calculated using a weighted average cost of capital. A sensitivity analysis of the impairment test has been made, showing that reasonable changes in the discount rate, weighted average cost of capital, rate of growth and gross margin calculation parameters do not result in an impairment loss.

# 11 PROPERTY, PLANT AND EQUIPMENT

	Group		Parent company	
	2016	2015	2016	2015
<b>Buildings and land</b>				
<b>Accumulated cost</b>				
At beginning of year	156.9	160.9	125.5	129.5
New acquisitions	0.7	0.4	0.7	0.4
Sales and disposals	0.0	-4.4	0.0	-4.4
<b>At end of year</b>	<b>157.6</b>	<b>156.9</b>	<b>126.2</b>	<b>125.5</b>
<b>Acc. depreciation according to plan</b>				
At beginning of year	62.1	58.9	44.5	42.0
Sales and disposals	0.0	-0.5	0.0	-0.5
Depreciation for the year according to plan	3.7	3.7	2.9	3.0
<b>At end of year</b>	<b>65.8</b>	<b>62.1</b>	<b>47.4</b>	<b>44.5</b>
<b>Acc. write-downs</b>				
At beginning of year	2.7	4.9	2.7	4.9
Reversal of impairment losses	0.0	-2.2	0.0	-2.2
Impairment losses for the year	0.0	0.0	0.0	0.0
<b>At end of year</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>
<b>Carrying amount at end of year</b>	<b>89.1</b>	<b>92.1</b>	<b>76.1</b>	<b>78.3</b>
of which buildings	82.5	86.1	69.9	72.7
land	3.0	3.0	2.6	2.6
land improvements	3.5	2.9	3.5	2.9

In the previous year one property in the parent company was sold, as a result of which impairment losses of MSEK 2.2 from previous years were reversed.

	Group		Parent company	
	2016	2015	2016	2015
<b>Machinery and equipment</b>				
<b>Accumulated cost</b>				
At beginning of year	495.6	479.5	4.9	5.4
New acquisitions	19.6	14.0	0.0	0.0
Reclassifications	53.7	5.4	0.0	0.0
Translation differences	0.0	-0.1	0.0	0.0
Sales and disposals	-16.4	-3.2	0.0	-0.5
<b>At end of year</b>	<b>552.5</b>	<b>495.6</b>	<b>4.9</b>	<b>4.9</b>
<b>Acc. depreciation according to plan</b>				
At beginning of year	375.5	359.6	3.1	3.2
Sales and disposals	-16.3	-2.2	0.0	-0.4
Translation differences	0.0	-0.1	0.0	0.0
Depreciation for the year according to plan	31.3	18.2	0.2	0.3
<b>At end of year</b>	<b>390.5</b>	<b>375.5</b>	<b>3.3</b>	<b>3.1</b>
<b>Acc. impairment losses</b>				
At beginning of year	14.0	14.0	0.0	0.0
Impairment losses for the year	0.0	0.0	0.0	0.0
<b>At end of year</b>	<b>14.0</b>	<b>14.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Carrying amount at end of year</b>	<b>148.0</b>	<b>106.1</b>	<b>1.6</b>	<b>1.8</b>

The Group possesses machinery held through finance lease contracts with a carrying amount of MSEK 11.3 (12.4).

The Group's accumulated cost includes capitalised interest of MSEK 3.1 (3.1). No interest has been capitalised during this year or the previous year. Equipment belonging to the parent company refers to land equipment and permanent equipment.

The cost of the fixed assets that are fully depreciated but are still used in the business is MSEK 260.1 (269.6).

	Group		Parent company	
	2016	2015	2016	2015
<b>Construction in progress and advance payments regarding property, plant and equipment</b>				
At beginning of year	54.7	6.2	0.0	0.0
Reclassifications	-53.7	-5.4	0.0	0.0
New acquisitions	30.4	53.9	0.0	0.0
<b>Carrying amount at end of year</b>	<b>31.4</b>	<b>54.7</b>	<b>0.0</b>	<b>0.0</b>
<b>Total reported value, tangible fixed assets</b>	<b>268.5</b>	<b>252.9</b>	<b>77.7</b>	<b>80.1</b>

	Group	Parent company
<b>Useful lives</b>		
<b>Buildings and land</b>		
Real estate, depending on component	30-50 years	30-50 years
Permanent equipment	10-40 years	10-40 years
Land improvements	20 years	20 years
Land equipment	10 years	10 years
<b>Machinery and equipment</b>		
Extrusion presses	20 years	
Anodising equipment and other press equipment	10-15 years	
Spare parts for machinery	5-10 years	
Processing and measuring machinery	5-7 years	
Equipment	5-10 years	
Means of transport	5 years	
IT investments	4 years	

Depreciation is on a straight-line basis, based on expected useful life.

	Group		Parent company	
	2016	2015	2016	2015
<b>Depreciation by function</b>				
Cost of goods sold	34.9	21.7	3.1	3.3
Selling expenses	0.0	0.1	0.0	0.0
Administrative expenses	0.1	0.1	0.0	0.0
	<b>35.0</b>	<b>21.9</b>	<b>3.1</b>	<b>3.3</b>

## 12 FINANCIAL FIXED ASSETS

Of financial fixed assets, MSEK 1.0 (1.2) refers to a lease receivable. The receivable arose in 2012 when a contract for the lease of property was concluded. The contract runs over ten years. The lessee has an option to purchase the property at any time during the term of the lease. The intention is that the property will be purchased after five years. The net present value of future lease payments is MSEK 5.1 (5.3). A provision for doubtful receivables has been made and a receivable of MSEK 1.0 (1.2) has been recognised in the balance sheet.

Financial lease receivables, due date	Group	
	2016	2015
Within one year	0.5	0.5
Between one and five years	2.7	2.4
Later than five years	1.9	2.4
	<b>5.1</b>	<b>5.3</b>

## 13 INVENTORIES

	Group	
	2016	2015
Raw materials and consumables	44.5	40.8
Work in progress	75.3	65.3
Finished products and goods for resale	26.5	24.2
	<b>146.3</b>	<b>130.3</b>

No portion of inventories has been measured at net realisable value. In 2016 the inventory of consumables was written down by MSEK 0.9 (0.0) due to obsolescence.

## 14 TRADE RECEIVABLES

Trade receivables are reported as net following deductions for doubtful receivables. Doubtful receivables are assessed individually and provisions of MSEK 0.0 (0.0) were made during the year for feared bad debt losses.

Realised bad debts amounted to MSEK 0.2 (0.0) and arose in connection with insolvency affecting customers.

For other information on customer credits, see note 19.

## 15 EQUITY

Specification of reserves	2016	2015
Hedging reserve, opening balance	-1.9	-3.7
Cash flow hedges	-1.8	1.0
Reversal of cash flow hedges through profit or loss	-0.6	1.3
Tax attributable to hedges for the year	0.4	-0.5
Hedging reserve, closing balance	-3.9	-1.9
Translation reserve, opening balance	0.0	0.0
Translation differences for the year	0.2	0.0
Translation reserve, closing balance	0.2	0.0
<b>Total reserves</b>	<b>-3.7</b>	<b>-1.9</b>

### Share capital and votes

All shares have a fair value of SEK 5 per share. All shares are fully paid up. All existing shares are series B shares and have equal rights to a share in the company's assets and profits. During the year there has been no change in the number of shares, which has remained at 7,398,775.

### First refusal and conversion

There is no pre-emption clause in the articles of association.

### Other paid-up capital

This item refers to equity that has been put up by the owners. This includes a portion of share premium reserves transferred to the statutory reserve as at 31 December 2005. Any future transfers to the share premium reserves will also be accounted for as paid-up capital.

### Translation reserve

The translation reserve includes all exchange rate differences that arise during translation of financial reports from foreign operations which have prepared their reports in a currency other than that used in the Group's financial reports. The parent company and the Group prepare their financial reports in Swedish krona.

### Hedging reserve

The hedging reserve contains the effective share of the accumulated net change in fair value of a cash flow hedging instrument attributable to hedging transactions that have not yet occurred.

### Own shares and repurchases

No individual shares are owned by the company itself or its subsidiaries and the repurchase of individual shares is currently not relevant. There are no programmes of convertibles or options that involve the dilution of share capital.

### Dividend

After the closing day, the Board has proposed a dividend for the 2016 financial year of SEK 3.00 per share, equivalent to MSEK 22.2. The calculated average number of shares in 2016 is 7,398,775 (7,398,775). The dividend is subject to approval by the Annual General Meeting on 25 April 2017.

During the year no dividend was paid.

It is proposed that the available profits be appropriated as follows:

Dividend to shareholders SEK 3.00 * 7,398,775 shares	SEK 22,196,325
To be carried forward	SEK 89,627,030

**Total profits according to balance sheet** **SEK 111,823,355**

### Parent company

#### Restricted funds

Restricted funds refers to share capital and other restricted equity. Restricted funds are not available for dividend payment.

#### Non-restricted equity

The balanced profit is formed by the preceding year's non-restricted equity after any dividend has been paid. Retained earnings, together with the profit for the year, make up the total non-restricted equity, i.e. the sum available for dividends to shareholders.

## 16 EARNINGS PER SHARE

The calculation of earnings per share is based on the consolidated profit/loss for the year, attributable to the parent company's shareholders, amounting to MSEK 48.5 (13.8) and a weighted average number of shares in 2016 amounting to 7,398,775 (7,398,775), which is calculated in accordance with IAS 33. There is no dilution.

## 17 INTEREST-BEARING LIABILITIES

Interest-bearing liabilities	Group			
	Non-current		Current	
	2016	2015	2016	2015
Bank loans	38.5	49.9	35.2	17.7
Bank overdraft facility	-	-	0.0	46.5
Finance lease liabilities	4.1	7.7	4.3	3.8
	<b>42.6</b>	<b>57.6</b>	<b>39.5</b>	<b>68.0</b>

The parent company's liabilities to credit institutions comprise bank loans, all of which mature within five years from the balance sheet date.

That portion of the bank loans which is payable within twelve months from the balance sheet date is classified as current. The lender agreement contains key performance indicators that the company must meet, see note 19. All interest-bearing liabilities are in Swedish kronor.

Finance lease liabilities, due dates	Group	
	2016	2015
Within one year	4.3	3.8
Between one and five years	4.1	7.7
Later than five years	0.0	0.0
	<b>8.4</b>	<b>11.5</b>

The Group's finance lease payments amounted to MSEK 4.2 (2.6) during the year.

## 18 PREPAID AND ACCRUED EXPENSES AND INCOME

Prepaid expenses and accrued income	Group		Parent company	
	2016	2015	2016	2015
Prepaid salaries	1.1	0.5	0.0	0.0
Other prepaid expenses	5.2	5.0	0.0	0.0
	<b>6.2</b>	<b>5.5</b>	<b>0.0</b>	<b>0.0</b>

Accrued expenses and deferred income	Group		Parent company	
	2016	2015	2016	2015
Holiday pay and other personnel expenses	48.5	39.6	0.0	0.2
Accrued Directors' fees	0.6	0.6	0.6	0.6
Deferred income	9.1	0.0	0.0	0.0
Other prepaid expenses	8.1	3.8	0.3	0.2
	<b>66.3</b>	<b>44.0</b>	<b>0.9</b>	<b>1.0</b>

## 19 FINANCIAL INSTRUMENTS

The Group's financial instruments include bank loans, trade payables, finance leases and derivatives, which may constitute a liability or asset depending on the fair value of the instrument. The purpose of the liabilities is to fund the Group's operations. The Group's financial instruments also include assets in the form of trade receivables and cash and cash equivalents generated in the operations. The Group's derivatives may also constitute assets at the closing date.

As a result of its activities, the Group is exposed to various types of financial risk. Financial risk refers to fluctuations in the company's profit and cash flow as a result of changes in exchange rates, interest rates, raw material prices and refinancing and credit risks.

The company's Board of Directors examines and approves policies for handling these risks as described below. The Group's central finance department is responsible for handling financial transactions and risks in accordance with established policies.

### Currency risks

Currency risks primarily arise when the Group sells products on export. Sales in foreign currencies represent about 40 per cent of all revenue. The currency in which the greatest share of export sales is done is EUR, but since raw materials are in part purchased in EUR, exposure is considerably reduced.

Under ProfilGruppen's currency policy, 50-70 per cent of the expected net inflow in each currency over the next six to eighteen months should be hedged. Hedge accounting is used for the forward exchange contracts, and during the year, no (no) amounts for ineffective hedges have been recognised in the income statement. The effects of the forward contracts in the income statement can be found on the revenue line, MSEK -1.5 (-0.6), and the financial expenses line, MSEK 0.0 (0.2).

Receivables in a foreign currency amounted as of 31 December to MSEK 41.7 (43.2) and liabilities in a foreign currency to MSEK 16.8 (23.5). Of the liabilities in a foreign currency, none (none) are interest-bearing, see note 17.

The transaction exposure below is based on an estimated payment surplus 12 months ahead from 31 December 2016.

Currency	Estimated net inflow, MSEK	Hedge portion (per cent)	Average forward rate
EUR	120	80	9.30 SEK/EUR
DKK	17	61	1.25 SEK/DKK
NOK	12	58	1.02 SEK/NOK
GBP	1	30	11.52 SEK/GBP

Translation exposure associated with the Group's overseas sales companies, which consists of each company's equity and liabilities to the parent company, is marginal.

Where a net flow is unsecured, changes in exchange rates affect profit before tax and equity as per the following.

	Profit/loss before tax, MSEK	Equity, MSEK
EUR Change +/- 10%	+/- 12	+/- 9
DKK Change +/- 10%	+/- 2	+/- 1
NOK Change +/- 10%	+/- 1	+/- 1
GBP Change +/- 10%	+/- 0	+/- 0

### Interest risk

Interest rate risk refers to the risk that changes in market interest rates will have a negative impact on ProfilGruppen's earnings. To minimise this risk, the Group borrows at fixed rates and enters into interest rate swaps. During reporting, hedge accounting is applied when there is an effective link between a hedged loan and an interest rate swap. Interest rates for all non-current interest-bearing liabilities are hedged in one of the ways described above for the periods and levels specified in the following table.

Fixed term year	Non-current interest-bearing liabilities, MSEK	Interest rate incl. margin (per cent)
2018-2019	14.8	1.3
2020-2021	27.8	3.6

Of the above, MSEK 0.2 consists of the parent company's interest-bearing liabilities at an average interest rate of 4.0 per cent.

If interest rates in 2017 were to rise by one percentage point this would increase the interest expense by SEK 0.8 on a full-year basis.

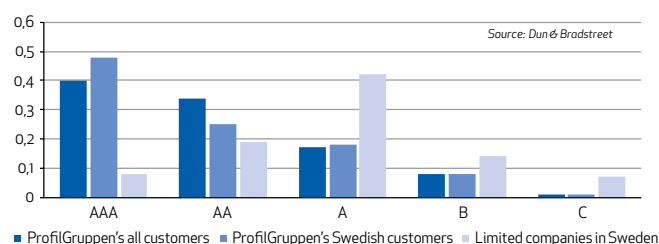
### Market risks

Market risks consist primarily of declining demand and changes in raw material prices. ProfilGruppen's production is characterised by a high proportion of fixed costs, meaning activities are highly volume-dependent. Small variations in demand thus have a relatively large impact on profit. Aluminium prices have historically shown significant mobility. The price risk that does exist is reduced by including raw material clauses in contracts with customers. There is a certain price risk in inventory, however. The raw material policy means that raw materials are mainly purchased in proportion to orders in hand. Raw material purchases for periods longer than six months are based on contracts with customers. Raw materials are purchased in Swedish krona or euro. Follow-ups and checks are performed by a raw materials group made up of representatives from the purchasing, finance and marketing organisations at management level.

### Credit risks

Customer credits in ProfilGruppen must be handled in accordance with the Group's credit policy. The company's management is responsible for ensuring that the credit policy is familiar to all parties involved in the sales process and for it being adapted where necessary.

Credit assessment and credit monitoring are performed by the Group's Credit Controller in accordance with the applicable policy, under which all credits exceeding SEK 1,000,000 are subject to approval by the CFO and CEO. See the following diagram for information on the creditworthiness of the company's customers.



All ProfilGruppen customers refer to markets where credit ratings are available.

Maximum exposure to credit risks as of 31 December 2016 amounts to MSEK 156.3 (123.1). The largest individual receivable amounts to 10 per cent (8) of the total credit risk. The distribution of the credit risk is shown in the following table.

Concentration of credit risk as at 31 Dec 2016	Per cent of number of customers
Exposure < MSEK 1.0	90%
Exposure MSEK 1.0-5.0	8%
Exposure > MSEK 5	2%
	<b>100%</b>

Out of the total amount of trade receivables, 2.9 per cent (3.4) refers to overdue receivables, of which 1.4 per cent (1.3) is more than 30 days overdue. Of trade receivables which over 30 days past due, 1.2 per cent refers to a corporate reorganisation in which a bank guarantee was paid in January and a composition agreement is expected.



## Liquidity risks

No significant liquidity risks are included in the company's financial instruments. In addition to the Group's cash and cash equivalents, on the closing date there were unutilised credit facilities to a value of MSEK 153.7 (98.9).

For due dates for interest-bearing liabilities, refer to note 17. The agreement with lenders contains key performance indicators that the company is required to meet. These had been met at 31 December 2016.

## Maturity analysis

financial liabilities	On demand	<3 mths	3-12 mths	1-5 yrs	>5 yrs
Interest-bearing liabilities	0.0	5.5	34.0	31.0	11.6
Other liabilities	23.0	157.6	3.0	3.3	0.0
Derivatives	0.0	0.5	1.8	3.2	0.0
<b>Total at 31 Dec 2016</b>	<b>23.0</b>	<b>163.6</b>	<b>38.8</b>	<b>37.5</b>	<b>11.6</b>
Interest-bearing liabilities	46.5	1.0	20.5	44.5	13.1
Other liabilities	24.6	115.2	2.7	2.5	0.0
Derivatives	0.0	0.1	0.0	3.0	0.0
<b>Total at 31 Dec 2015</b>	<b>71.1</b>	<b>116.3</b>	<b>23.2</b>	<b>50.0</b>	<b>13.1</b>

## Carrying amount and fair value of financial instruments

Class	Group				Category
	Carrying amount		Fair value		
	2016	2015	2016	2015	
Financial assets	1.2	1.3	1.2	1.3	Loan receivables and trade receivables
Trade receivables	155.1	122.0	155.1	122.0	Loan receivables trade receivables
Accrued income	0.0	0.0	0.0	0.0	Loan receivables and trade receivables
Other receivables	8.3	4.1	8.3	4.1	Loan receivables and trade receivables
of which forward contracts	0.4	0.6	0.4	0.6	Derivatives used for hedging
Cash and cash equivalents	11.3	9.3	11.3	9.3	Loan receivables and trade receivables
Interest-bearing liabilities	82.1	125.6	82.1	125.6	Other financial liabilities
Trade payables	120.0	91.7	120.0	91.7	Other financial liabilities
Accrued expenses	57.2	44.0	57.2	44.0	Other financial liabilities
Other liabilities	15.2	12.4	15.2	12.4	Other financial liabilities
of which forward contracts	2.3	0.1	2.3	0.1	Derivatives used for hedging
interest rate swaps	3.2	3.0	3.2	3.0	Derivatives used for hedging

Class	Parent company				Category
	Carrying amount		Fair value		
	2016	2015	2016	2015	
Accrued income	0.0	0.0	0.0	0.0	Loan receivables and trade receivables
Cash and cash equivalents	0.4	0.4	0.4	0.4	Loan receivables and trade receivables
Receivables from Group companies	51.1	16.0	51.1	16.0	Loan receivables and trade receivables
Interest-bearing liabilities	0.8	1.2	0.8	1.2	Other financial liabilities
Trade payables	0.8	0.1	0.8	0.1	Other financial liabilities
Liabilities to Group companies	0.0	0.0	0.0	0.0	Other financial liabilities
Accrued expenses	0.9	1.0	0.9	1.0	Other financial liabilities
Other liabilities	7.7	2.4	7.7	2.4	Other financial liabilities

No reclassification between categories has been carried out during the year. For interest-bearing liabilities the nominal amount is deemed to represent fair value. Forward contracts have been measured at observable market prices at the balance sheet date, i.e. in accordance with Level 2 under IFRS 13.

Valuation models or techniques for discounted cash flows are used to determine the rate for interest rate swaps. The discount rate used is a market-based rate for similar instruments on the closing date. The value thus agrees with Level 2 under IFRS 13.

## Capital administration

The main goal of the Group's capital administration is to maintain a high credit rating and a well-balanced capital structure. In order to retain or change the capital structure, the Group can adjust the dividend to the shareholders, return capital to the shareholders or conduct a new issue.

The goal for the capital structure is to have a net debt/equity ratio of 0.75-1.00 on average over one business cycle. The net debt/equity ratio is defined as interest-bearing liabilities and provisions less cash and cash equivalents in relation to equity. The debt/equity ratio at the end of the year amounted to 0.33 (0.61).

	Group	
	2016	2015
Interest-bearing liabilities	82.1	125.6
Interest-bearing provisions	17.8	17.4
Cash and cash equivalents	-11.3	-9.3
<b>Total net debt</b>	<b>88.6</b>	<b>133.7</b>
Equity	270.6	220.2
Reserves in equity	3.9	1.9
Equity to manage	274.5	222.1
<b>Total capital to manage</b>	<b>363.1</b>	<b>355.8</b>
<b>Net debt/equity ratio</b>	<b>0.33</b>	<b>0.61</b>

## 20 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent company	
	2016	2015	2016	2015
<b>Pledged assets for Group companies' liabilities to credit institutions</b>				
Property mortgages	84.2	84.2	78.0	78.0
Floating charges	241.5	221.5	0.0	0.0
Pledged trade receivables	0.0	0.0	0.0	0.0
Shares in subsidiaries	131.7	118.8	73.9	73.9
<b>Contingent liabilities</b>				
Guarantees for Group companies	-	-	40.0	31.8
Guarantees for other companies	0.7	0.7	0.0	0.0
Guarantee commitments FPG/PRI	0.2	0.2	0.0	0.0

## 21 PARTICIPATIONS IN GROUP COMPANIES

Company	Corp. ID no.	Number of shares	Share, per cent	Equity incl. portion of untaxed reserves <sup>1</sup>	Carrying amount <sup>2</sup>
<b>Subsidiaries</b>					
Bergströms Utveckling AB	556568-6440	1,000	100	0.1	0.1 (0.1)
PG&WIP AB	556248-8949	1,000	70	18.2	14.1 (10.6)
Profilgruppen Extrusions AB	556206-5119	940,000	100	112.8	73.7 (73.7)
Profilgruppen Manufacturing AB	556262-3990	1,000	100	2.0	0.1 (0.1)
					<b>88.0 (84.5)</b>

### Subsidiaries of Profilgruppen Extrusions AB

Profilgruppen GmbH, Germany	-	-	100
Profilgruppen Norge AS, Norway	-	100	100

<sup>1</sup> Represents that portion of equity over which the Group has a controlling interest  
<sup>2</sup> The value for the previous year is stated in parentheses.

The Boards of all the Swedish companies, including the parent company, have their registered offices in Uppvidinge Municipality.  
 Bergströms Utveckling AB was dormant at year-end.

**Non-controlling interests in PG&WIP AB**

	2016	2015
Fixed assets	20.9	15.9
Current assets	10.6	3.1
Equity	7.8	3.7
Non-current liabilities	6.6	9.0
Current liabilities	17.0	6.3
Revenue	33.6	0.0
Profit/loss	2.6	-0.8
Comprehensive income	2.6	-0.8

## 22 CASH FLOW STATEMENT

No cash and cash equivalents other than cash and bank balances exist; therefore, the definition of cash and cash equivalents is the same in both the statement of cash flows and the balance sheet.

Adjustment for non-cash items	Group		Parent company	
	2016	2015	2016	2015
Depreciation, amortisation and impairment of assets	35.0	21.9	3.2	3.3
Capital gain/loss on sale of fixed assets	0.0	-0.1	0.0	-0.1
Unrealised exchange rate differences	-0.1	0.3	0.0	0.0
Provisions for pensions	0.0	-3.8	0.0	0.0
Other income and expense items not affecting liquidity	0.1	0.7	0.1	0.1
	<b>35.0</b>	<b>19.0</b>	<b>3.3</b>	<b>3.3</b>
<b>Investments in property, plant and equipment</b>				
Capitalised in balance sheet	50.7	68.4	0.7	0.4
Acquired through finance leases	-0.9	0.0	0.0	0.0
Unpaid	-9.9	-0.9	-0.6	0.0
Investments from previous years, paid this year	0.9	0.9	0.0	0.0
	<b>40.8</b>	<b>68.4</b>	<b>0.1</b>	<b>0.4</b>
<b>Translation differences in cash and cash equivalents</b>				
Exchange rate gains (+)/-losses(-) in opening cash and cash equivalents	0.7	-0.1	0.0	0.0
Exchange rate gains (+)/-losses(-) in change in cash and cash equivalents	0.0	-1.0	0.0	0.0
	<b>0.7</b>	<b>-1.1</b>	<b>0.0</b>	<b>0.0</b>

## 23 RELATED PARTIES AND TRANSACTIONS

The parent company has associated relations which involve a decisive influence over its subsidiaries, see note 21. For information on liabilities to and receivables from subsidiaries, see the parent company balance sheet. The parent company's revenue comprises revenues for services and rents, of which 98 per cent is earned from subsidiaries. These rents are determined based on market terms.

Out of the total votes of ProfilGruppen AB the Board members Bengt Stillström and Mats Egeholm control 28.4 per cent (28.4) and 10.5 per cent (10.5), respectively.

The other Board members together control 0.04 per cent (0.04) of the votes. One of the Board's deputies holds 0.7 per cent (0.7) of the votes. Senior executives control a total of 0.12 per cent (0.06) of the votes in ProfilGruppen AB.

For salaries and other remuneration, as well as costs and obligations related to pensions and similar benefits for the Board, CEO and other senior executives, see note 4.

The undersigned affirm that the Group and annual accounts have been prepared in accordance with the IFRS international accounting standards as adopted by the EU and with generally accepted accounting principles and provide a fair representation of the Group's and the company's position

and profits and that the Group Directors' Report and the Directors' Report provide a fair summary of the development of the Group's and company's activities, position and profits and describe significant risks and factors of uncertainty that the companies that form part of the Group face.

ÅSEDA, 22 FEBRUARY 2017

Kåre Wetterberg  
**Chairman of the Board**

Per Thorsell  
**CEO**

Kurt Nilsson  
**Board member**  
**Employee Representative**

Ulf Näslund  
**Board member**  
**Employee Representative**

Mats Egeholm  
**Board member**

Susanna Hilleskog  
**Board member**

Bengt Stillström  
**Board member**

Thomas Widstrand  
**Board member**

Our auditor's report was submitted on 22 February 2017  
**Ernst & Young AB**

**Franz Lindström, Authorised Public Accountant**

# AUDITOR'S REPORT

To the general meeting of the shareholders of ProfilGruppen AB (publ), corporate identity number 556277-8943

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### Opinions

We have audited the annual accounts and consolidated accounts of ProfilGruppen AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 8-28 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

### Basis for Opinions

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

### Key Audit Matters

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

### Inventory valuation

Inventories amount to 146.3 MSEK and represent a significant share of the Group's total assets. Inventories consist of both raw materials, products in progress and finished products. Inventory valuation is based on manually prepared calculations, in which there are elements of assessments by management that may affect the valuation significantly. There is also a risk of inventory obsolescence due to price sensitivity in both raw materials and finished products, which requires assessments when determining the obsolescence allowance. The inventory valuation thus includes key estimates and assessments made by the company, see note 1. Overall, this means that inventories have been a key audit matter of the audit.

We have attended the inventory taking where we tested and assessed the inventory routine and test checked products in stock. Furthermore, we have audited the company's calculations through test checks and analysis of significant parameters. We have also audited management's assessment of obsolescence through analysis of slow-moving products, analysis of gross profit margins and test checks of purchase and selling prices in accordance with contracts. We have audited the appropriateness of the disclosures in the annual report.

### Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-7 and 31-36. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

### Responsibilities of the Board of Directors and the Managing Director

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

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

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

### Auditor's responsibility

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

A further description of our responsibilities for the audit of the annual accounts and the consolidated accounts is located at Revisorsnämnden's (the Supervisory Board of Public Accountants) website at:

[http://www.revisorsinspektionen.se/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf). This description forms part of our auditor's report.

*This description forms part of our auditor's report.*

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of ProfilGruppen AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

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

### Basis for Opinions

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

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

### Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management

of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibility

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

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

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

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

A further description of our responsibilities for the audit of the administration is located at Revisorsnämnden's (the Supervisory Board of Public Accountants) website at:  
[http://www.revisorsinspektionen.se/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf).

*This description forms part of our auditor's report.*

KALMAR, 22 FEBRUARY 2017

**Ernst & Young AB**

Franz Lindström, Authorized Public Accountant

# CORPORATE GOVERNANCE REPORT FOR PROFILGRUPPEN 2016

ProfilGruppen is a Swedish public company, whose shares are listed on the Stockholm Stock Exchange's SmallCap list. Corporate governance at ProfilGruppen is therefore based on the Swedish Corporate Governance Code (the Code), the Companies Act, the Annual Accounts Act, the Market Abuse Regulation, the rules and regulations of the Stockholm Stock Exchange, the Articles of Association, adopted formal work plans, and other applicable laws and regulations.

## DEVIATIONS FROM THE SWEDISH CORPORATE GOVERNANCE CODE

One deviation from the Code has been made. The deviation relates to the Nominating Committee and is explained under "Nominating Committee" below.

### ANNUAL GENERAL MEETING 2016

The Annual General Meeting was held on 19 April 2016 in Åseda. The AGM was attended by shareholders, personally or by proxy, representing 55.9 per cent of the total number of votes in the company. The meeting was attended by the CEO, Per Thorsell, and the Group's management, the company's auditors and the Board of Directors. The Chairman of the Board, Kåre Wetterberg, was appointed to chair the meeting. The minutes from the meeting have been published on the company's website. It was resolved to re-elect Mats Egeholm, Bengt Stillström, Thomas Widstrand, Susanna Hilleskog and Kåre Wetterberg to the Board. Kåre Wetterberg was also elected Chairman of the Board.

### ANNUAL GENERAL MEETING 2017

The Annual General Meeting 2017 will be held on 25 April 2017 at 4 p.m. in Folkets Hus in Åseda. Shareholders wishing to submit proposals to the Nominating Committee may contact the Nominating Committee by e-mail at [valberedningen@profilgruppen.se](mailto:valberedningen@profilgruppen.se) or by writing to Valberedningen, ProfilGruppen AB, Box 36, SE-364 21 Åseda, Sweden. Shareholders wishing to submit an issue for discussion at the AGM may do so by writing to the Chairman of ProfilGruppen at the above address or by sending an e-mail to [styrelsen@profilgruppen.se](mailto:styrelsen@profilgruppen.se). Information about the date, place and deadline for submission of proposals to the Board was notified in connection with the interim report for the third quarter.

## NOMINATING COMMITTEE

At the 2016 Annual General Meeting it was resolved that the Nominating Committee should consist of four members and to charge the Chairman of the Board with the task of contacting the three largest shareholders before the end of the third quarter and, in consultation with the same, appoint members who, along with the Chairman of the Board, will constitute the Nominating Committee. The nominating committee appoints a chairman from among its members.

In preparation for the Annual General Meeting 2017, representatives of the company's largest shareholders were contacted, in accordance with a resolution of a previous shareholders' meeting, and invited to appoint one member each to the Nominating Committee. The composition of the Nominating Committee was published on the company's website on 25 October 2016.

### The Nominating Committee for the 2017 Annual General Meeting comprises

Bengt Stillström, Ringvägen Venture AB, chairman of the Nominating Committee	28.4%
Lars Johansson, shareholder	14.5%
Mats Egeholm, shareholder	7.2%
Kåre Wetterberg (Chairman of the Board)	

Under the Code, a majority of the members of the Nominating Committee must be independent in relation to the company and its management. At least one of the members must be independent in relation to the shareholder, or group of shareholders acting in concert in respect of the management of the company, which holds the largest share of votes. The Chairman of the Board or another Board member should not be chairman of the Nominating Committee. The company's major shareholders have appointed the Nominating Committee and its chairman based on what they believe is appropriate and are aware that this constitutes a deviation from the Code in the sense that a majority of the members of the Nominating Committee are also Board members.

Since its appointment the Nominating Committee has held three meetings at which minutes have been taken. The members of the Committee have also had contacts with each other and with the members of the Board and have studied the Board's evaluation of its work.

## BOARD COMPOSITION AND REMUNERATION

At ProfilGruppen the Board of Directors shall comprise at least three and not more than seven members elected by a general meeting of shareholders, as well as a maximum of three deputies elected by a general meeting of shareholders. At the 2016 Annual General Meeting it was decided that the number of members should be five, with no deputies. In addition, the Board comprises two members and two deputies appointed by the employees.

The composition of the Board since the Annual General Meeting 2016 is presented on page 33. All Board members were independent in relation to the company in 2016. Bengt Stillström and Mats Egeholm are major shareholders of the company. The major shareholders are independent of each other.

In accordance with decisions made at the AGM, the fee paid to Board members for the period until the next AGM amounts to a total of SEK 840,000 (840,000). Fees are paid only to Board members elected by a general meeting of shareholders, as shown below. The Chairman of the Board has not received any remuneration in addition to his Directors' fees.

Member	Role	Remuneration
Kåre Wetterberg	Chairman	340,000
Mats Egeholm	Member	125,000
Bengt Stillström	Member	125,000
Susanna Hilleskog	Member	125,000
Thomas Widstrand	Member	125,000
Total fees		840,000





## THE WORK OF THE BOARD OF DIRECTORS

Following the election of its members, the Board of Directors holds an inaugural Board meeting, at which the formal work plan for the coming year is adopted. The Board's mandate to the CEO is formulated in a set of instructions for the CEO.

Since the 2016 AGM the Board has held six meetings, all of which were held in accordance with the rules of procedure for the Board. Attendance at these is shown in the table below. Key issues at these meetings are drawn from the formal work plan. The following items have been dealt with during the year:

April	inaugural meeting, interim report for the first quarter, review of investments and market conditions
June	strategy meeting with management
July	interim report for the second quarter
September	customer visit, market situation
October	interim report for the third quarter, evaluation of the work of the Board, forecast for 2016 and Audit Committee matters
December	adoption of budget and business matters
February 2017	closing of the books, year-end report, annual report and auditor's report

### Board member attendance and number of meetings

Board of Directors	Board meetings
Kåre Wetterberg	6
Mats Egeholm	6
Susanna Hilleskog	5
Thomas Widstrand	5
Bengt Stillström	6
Tage Johansson <sup>2</sup>	6
Emelie Bergström <sup>2</sup>	5
Ulf Näslund <sup>1</sup>	4
Kurt Nilsson <sup>1</sup>	6
<b>Total number of meetings since 2016 AGM</b>	<b>6</b>

1) Appointed by the employees, ordinary  
2) Appointed by the employees, deputy

Members of the Board of Directors receive monthly reports from the management team on the company's current financial and operational development. A procedure for annual evaluation of the work of the Board exists. In 2016 all Board members completed written questionnaires covering the work of the Board in general, their own performance and the work of the Board Chairman. The Chairman has not been involved in compiling the questionnaires concerning his work. The evaluation serves as a basis for an action plan for improvements and contributes to the work of the Nominating Committee.

## REMUNERATION COMMITTEE AND AUDIT COMMITTEE

Since the constituent Board meeting in 2016 the Audit Committee consists of all members of the Board. The actions taken to quality-assure the company's finan-

cial statements and audits, contacts with the auditors and internal control have been monitored and have thus been evaluated by all members of the Board. The work of the external auditors has been evaluated and the Board has made a recommendation to the Nominating Committee ahead of the appointment of auditors at the 2017 Annual General Meeting.

At the constituent meeting the Board appointed a Remuneration Committee consisting of Thomas Widstrand, Susanna Hilleskog and Kåre Wetterberg. Guidelines and levels of remuneration for the management team are drafted by the Remuneration Committee and adopted by the Board. The committee also produces a draft set of principles for remuneration of senior executives, which is submitted for adoption by the Annual General Meeting. Neither the CEO nor the HR Manager are members of the committee, but are invited to attend meetings when their presence is appropriate. Since the Annual General Meeting 2016 the committee has held two meetings, which were attended by all members of the committee.

Salary for management in 2016 consisted of one fixed element and one variable element. The size of variable remuneration has been linked to the consolidated operating profit. For the financial year 2016 variable remuneration of SEK 1,452,650 (0) was paid. The principles for remuneration define a ceiling for variable pay of 25 per cent of the fixed salary.

## CEO AND SENIOR MANAGEMENT

ProfilGruppen's senior management comprises the CEO and five different Functional Managers. The composition of the management team is presented on page 34.

Senior management is responsible for planning, managing and following up on day-to-day operations. The CEO runs the business in accordance with the framework established by the Board, which includes a set of work instructions. The CEO is responsible for keeping the Board informed on operations and for ensuring that the Board has the necessary data for decisions.

The senior management team holds regular management meetings. These meetings focus on the Group's strategic and operational progress and on assessments of results.

## AUDITORS

At the 2016 Annual General Meeting the registered accountancy Ernst & Young was appointed auditors for the period until the 2017 AGM. At the same meeting Franz Lindström was appointed chief auditor.

For the purpose of examining the Board of Directors' management of the company and meeting the Board's need for information, the auditors have since the 2016 AGM participated in two meetings with the Board. Apart from the audit and consultancy tasks on auditing and tax issues, the auditors have no other tasks at the ProfilGruppen group. Information on remuneration for the auditors can be found in note 5 to the financial statements.

## ARTICLES OF ASSOCIATION

The Articles of Association are available on the company's website and can only be amended by a resolution of a general shareholders' meeting.

## SHARE INFORMATION

Each share in ProfilGruppen corresponds to one vote. Information on major shareholders is found in the Directors' Report.

## THE BOARD'S REPORT ON INTERNAL CONTROL FOR 2016

The Board is responsible for the company having good internal control. Responsibility for maintaining an effective control environment and the ongoing work on internal control and risk management has been delegated to the Group's management team. The five main activities included in ProfilGruppen's work on internal control are creation of a control environment, risk assessment, control activities, information and communication, and follow-up.

### CONTROL ENVIRONMENT

An important element of the Board's work is creating a relevant and effective control environment. The Board's formal work plan and instructions for the company's CEO aim to ensure clear allocation of roles and division of responsibility, which promotes effective management of operational risks.

The Board has also established a number of governing documents that are important for internal control. Examples of such documents include policies for the granting of credit, raw material purchases, currency hedging, remuneration and information security.

The Board evaluates the company's operational performance and results through monthly reports submitted by management, assessing economic outcomes and key performance indicators against targets.

ProfilGruppen has a simple legal and operational structure, which facilitates clarification of division of responsibility and swift action in the event of changed conditions. A clear delegation of responsibilities and authority form the basis for the Board's work to ensure compliance with internal control principles and applicable laws and regulations. All decisions concerning, for example, the overall strategy, acquisitions, major investments and general financial issues are prepared by management and made by the Board.

### RISK ASSESSMENT

The company's CFO is responsible for annually assessing the risks in the financial reporting presented to the Board. An annual general risk assessment is a part of the Board's strategy work. The assessment and management of the most significant risks for ProfilGruppen are described in greater detail in the risk section of the annual report.

### CONTROL ACTIVITIES

The principal means of control are the detailed financial follow-up reports that are compiled each month. Work to prepare these includes analysis of deviations from, among other things, set goals and budgets. In addition to these general quality checks, there are daily checks of authorisations, access rights for IT systems and similar.

### INFORMATION AND COMMUNICATION

The governing documents are distributed via the intranet, internal meetings, etc. There are guidelines for external communication which ensure that ProfilGruppen meets the stringent requirements concerning provision of accurate information to the financial markets.

### FOLLOW-UP

The Board has the task of evaluating how the company's internal control system functions, as well as keeping up to date on important evaluations and assessments that provide the basis for the financial statements. The company's CFO is responsible for regular follow-up of the internal control and reports her findings to the Board at least once a year. The basis for financial governance and control is produced by the company's finance department.

At least once a year the Board meets with the external auditors to discuss the auditors' assessment of the company's internal control. The auditors report their findings to the Board through regular reviews and a year-end audit of the third quarter's interim report and the annual accounts. In view of the above the Board has determined that there is currently no need for a separate internal audit or review function.

Åseda, 22 February 2017  
The Board of ProfilGruppen AB

## AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

To the general shareholders' meeting of ProfilGruppen AB (publ.) Corp. ID 556277-8943

### *Assignment and allocation of responsibility*

The Board of Directors is responsible for the corporate governance report for 2016, which is found on pages 30–32, and for this being prepared in accordance with the Annual Accounts Act.

### *Focus and scope of the audit*

We have conducted our audit in accordance with FAR's statement RevU 16. The auditor's examination of the corporate governance report. Our review of the Corporate Governance Report has a different focus and significantly narrower scope than a eventual full audit conducted in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. We believe our review provides a sufficient basis for our opinion.

### *Opinion*

A corporate governance report has been prepared. Disclosures pursuant to Ch. 6 § 6 second para. points 2–6 of the Annual Accounts Act and Ch. 7 § 31 second para. of the same Act are consistent with the annual report and consolidated financial statements and comply with the Annual Accounts Act.

KALMAR, 22 FEBRUARY 2017

**Ernst & Young AB**

Franz Lindström, Authorised Public Accountant

# BOARD OF DIRECTORS



## 1. Ulf Näslund<sup>1</sup>

Born 1952  
Employed at ProfilGruppen since 1990  
Employee Representative  
Board member since 2006  
Shareholding in ProfilGruppen: 0

## 2. Susanna Hilleskog<sup>2</sup>

Born 1963  
B.Sc.Econ.  
CEO of Trelleborg Wheel Systems Nordic AB  
Board member since 2009  
Other directorships: Board member of Trelleborg Wheel Systems Nordic AB, Bim Kemi AB, Gullberg & Jansson AB (publ) and Svensk Däckåtervinning AB  
Shareholding in ProfilGruppen: 500

## 3. Tage Johansson<sup>1</sup>

Born 1951  
Employed at ProfilGruppen since 1981  
Employee Representative  
Deputy since 2001  
Shareholding in ProfilGruppen: 49,864

## 4. Kåre Wetterberg<sup>1</sup>

Born 1949  
M.Sc.Eng  
Board member since 2013  
Other directorships/positions: Consultant in the international aluminium industry and industrial advisor in the venture capital industry.  
Shareholding in ProfilGruppen: 3,213

## 5. Bengt Stillström<sup>2</sup>

Born 1943  
M.Sc.Eng  
Formerly CEO and founder of AB Traction, currently Chairman of the same company.  
Board member since 2012  
Other directorships/principal positions: Chairman of Hifab Group AB. Board member of Ringvägen Venture AB and Feelgood AB.  
Shareholding in ProfilGruppen: 2,099,983

## 6. Thomas Widstrand<sup>3</sup>

Born 1957  
B.Sc.Econ.  
President and CEO of Troax Group AB, Hillerstorp  
Board member since 2012  
Shareholding in ProfilGruppen: 0

## 7. Kurt Nilsson<sup>1</sup>

Born 1956  
Employed at ProfilGruppen since 1981  
Employee Representative  
Board member since 2006  
Shareholding in ProfilGruppen: 0

## 8. Emelie Bergström<sup>1</sup>

Born 1982  
Employee of ProfilGruppen since 2002  
Appointed by the employees  
Deputy since 2012  
Shareholding in ProfilGruppen: 0

## 9. Mats Egeholm<sup>2</sup>

Born 1945  
B.Sc.Econ.  
Former CFO of ProfilGruppen (1980-2004)  
Board member since 2010  
Other directorships: CEO of Östers Support AB (publ)  
Shareholding in ProfilGruppen: 777,913

<sup>1</sup> According to the Swedish Code of Corporate Governance, a Board member is to be regarded as dependent in relation to the company and management.

<sup>2</sup> This Board member is a major shareholder of the company.

<sup>3</sup> Independent in relation to the company and its management, and in relation to major shareholders of the company.

The shareholdings include any indirect holdings through companies or related parties.

# SENIOR MANAGEMENT



## 1. Per Thorsell

President and CEO  
Born 1967  
Employed since 2014  
Shareholding in ProfilGruppen: 2,000

## 2. Per Owe Isacson

Marketing and Sales Manager  
Born 1956  
Employed since 2013  
Shareholding in ProfilGruppen: 2,700

## 3. Ulrika Bergmo Sköld

CFO  
Born 1967  
Employed since 2015  
Shareholding in ProfilGruppen: 2,000

## 4. Ulrika Svensson

Manager HR  
Born 1974  
Employed since 2000  
Shareholding in ProfilGruppen: 1,000

## 5. Torgny Magnusson

Production Manager  
Born 1961  
Employed since 1982  
Shareholding in ProfilGruppen: 1,000

## 6. Andreas Lindberg

Supply Chain Manager  
Born 1975  
Employed since 2016  
Shareholding in ProfilGruppen: 2,000

## CONTACTS

### Per Thorsell

President and CEO  
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### Ulrika Bergmo Sköld

CFO  
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ulrika.bergmo.skold@profilgruppen.se

## OTHER INFORMATION

This is a translation of the Swedish version of the annual report. In case of any discrepancies, the Swedish version shall prevail.

The relevant information is always available on our website  
[www.profilgruppen.se](http://www.profilgruppen.se)

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## FINANCIAL TERMS

TERM	DESCRIPTION	REASON FOR USE
<b>Proportion of risk-bearing capital</b>	Equity and deferred tax liabilities expressed as a percentage of the balance sheet total.	Relevant from a credit perspective, shows the ability to sustain losses.
<b>Return on equity</b>	Profit/loss for the year expressed as a percentage of average equity during the period. In reporting interim periods, the results are extrapolated to cover a twelve-month period.	Relevant from a shareholder perspective, as it reflects the return on the shareholders' capital for the period.
<b>Return on capital employed</b>	Earnings before tax and financial expense as a percentage of average capital employed for the period. See the definition of capital employed below.	Relevant for investors and lenders, as it shows the return on capital that requires a return. Used for optimising capital allocation.
<b>Balance sheet total</b>	The value of all assets, such as property, plant and equipment, inventories, trade receivables, and cash and cash equivalents.	Relevant for giving stakeholders a simple means of monitoring changes in consolidated total assets.
<b>Equity per share</b>	Equity excluding non-controlling interests divided by the number of shares.	A relevant measure for investors which shows the size of the debt to the owners that is related to each share.
<b>Investments</b>	Non-current assets acquired during the period.	Relevant for showing the overall size of the investments that are made to maintain the existing capacity and generate growth.
<b>Capital turnover rate</b>	Revenue divided by average capital employed.	Relevant for assessing how quickly capital is used on average. A type of measure of capital efficiency.
<b>Cash flow from operating activities</b>	Cash flow from operating activities excluding financing and investments.	Relevant for enabling investors to monitor the capacity of the company's operating activities to generate cash flow for financing new investments, repayments of debt and dividends, and for assessing the need for new financing.
<b>Cash flow per share</b>	Cash flow from operating activities divided by average number of shares.	Relevant for relating cash-generating capacity to the number of shares.
<b>Liquidity reserves</b>	Cash and bank balances and non-utilised credit commitments from banks at end of period.	Relevant for assessing the company's ability to finance its future operations and variations in monetary flows through the company.
<b>Net debt/EBITDA</b>	Net interest-bearing debt divided by earnings before depreciation, amortisation and impairment.	Relevant for assessing the company's ability to repay loans, which is of interest to lenders and investors.
<b>Net interest-bearing debt</b>	Interest-bearing liabilities and interest-bearing provisions (provisions for pensions) less cash and cash equivalents.	Relevant for assessing the total interest-bearing debt used by the company.
<b>Net debt/equity ratio</b>	Net interest-bearing debt divided by equity.	Relevant for assessing the capital structure, the breakdown between equity and debt capital.
<b>Profit/loss before depreciation and write-downs (EBITDA)</b>	Operating profit/loss before depreciation according to plan and impairment losses.	Relevant as a measure of the company's operational capacity to generate cash flow before capital tied up in operating activities and financial flows.
<b>Earnings per share</b>	Profit or loss for the period excluding earnings attributable to non-controlling interests divided by average number of shares.	Relevant for enabling investors to assess the return on and valuation of the shares.
<b>Profit margin</b>	Profit/loss before tax expressed as a percentage of revenue.	Relevant for assessing how large a share of revenue is retained as profits. Can also be used for comparisons between companies. The measure also shows the company's ability to sustain negative deviations.
<b>Interest coverage ratio</b>	Profit/loss before tax and financial expense divided by financial expense.	Relevant for lenders as a measure of the company's ability to meet interest expenses.
<b>Operating margin</b>	Operating profit/loss as a percentage of revenue.	Relevant for assessing how large a share of revenue is retained as profits from the company's operating activities. Can also be used for comparisons between companies.
<b>Operating profit/loss</b>	Profit/loss before tax and financial items.	Relevant as a measure of the earnings generated by the company's operating activities.
<b>Equity ratio</b>	Equity expressed as a percentage of total assets.	Relevant as a measure of current self-financing, as it shows how large a portion of the assets are equity-funded.
<b>Net worth per share</b>	See equity per share.	
<b>Capital employed</b>	Equity and interest-bearing liabilities.	Relevant for showing the share of total capital that is used in the operating activities, one component for measuring the operational return.

The key performance indicators are based on figures for the Group, including non-controlling interests, except for earnings per share and net worth per share.



*ProfilGruppen is a supplier of turnkey  
customised aluminium  
components and extrusions.*

**ProfilGruppen AB**

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