Annual Report 2016

INWIDO
Great Windows & Doors

Contents

See Inwido's website, www.inwido.com, for more information.

This is Inwido

Inwido is Europe's largest supplier of windows and a leading door supplier. We have become this by delivering innovative products and services with attractive designs that create a better life at home.

But we must never become complacent. We will continue to develop new, smart products to improve life at home. We will continue to streamline our operations. And we will continue to grow profitably in both existing and new markets.

Our brands

Our vision

To be the consumer-driven leading role model within windows and doors with accessories in Europe.

Our mission

Improving life at home.

Our business concept

Inwido offers windows and doors with related services and accessories to European consumers, building companies and manufacturers of prefabricated homes. With the customers' and end-users' needs in focus, we develop and deliver innovative products with attractive design and associated services to improve people's life at home by lowering the cost of living, contributing to a better environment and by increasing security and comfort.

Our values

- Consumer in mind
- Courage to improve
- Competent people at hand

Our operating segments

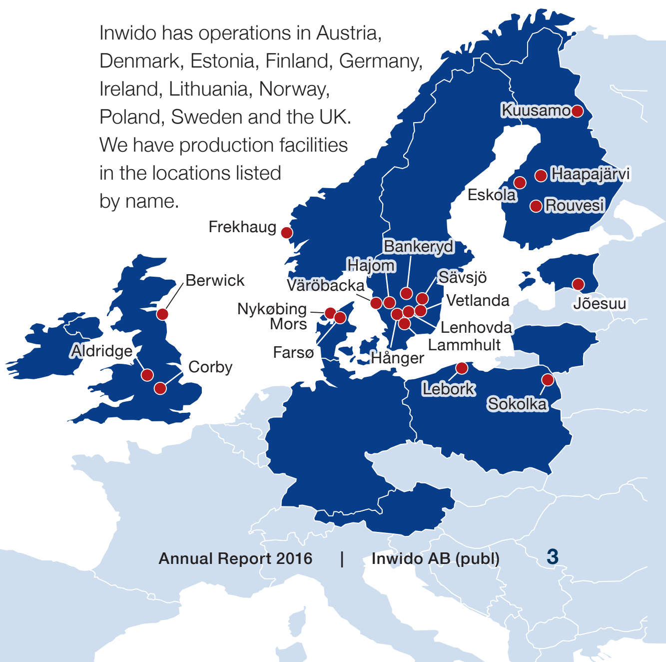
Inwido divides its operations into the following operating segments:

Sweden — Finland — Denmark — EBE — Norway

In the Nordic markets, Inwido holds strong positions and is the Nordic market leader in windows. EBE (Emerging Business Europe) is our growth segment that includes business units Austria, Ireland, Poland, the UK and e-Commerce. The latter includes Inwido's e-commerce operations in Denmark, Germany, Ireland, Norway, Sweden and the UK.

Where we are

Inwido has operations in Austria, Denmark, Estonia, Finland, Germany, Ireland, Lithuania, Norway, Poland, Sweden and the UK. We have production facilities in the locations listed by name.



Operations in 2016

Sales growth, %	Net sales, SEK million	Operating EBITA, SEK million	Operating EBITA margin, %
9	5,672	673	11.9

Key ratios, 2014-2016

SEK million (unless otherwise stated)	2014	2015	2016
Net sales	4,916	5,220	5,672
EBITA	376	480	664
Operating EBITA	502	589	673
Earnings per share, after dilution, SEK	3.12	5.10	7.37
Sales growth, %	14	6	9
EBITA margin, %	7.7	9.2	11.7
Operating EBITA margin, %	10.2	11.3	11.9
Net debt/Operating EBITDA, multiple	1.9	1.2	2.1
Net debt	1,131	877	1,667
Average number of employees	3,340	3,370	3,741

2016 in brief

For Inwido, 2016 was the best year to date in the Group's history. Consolidated net sales rose by 9 percent from SEK 5,220 million to SEK 5,672 million, and the operating EBITA margin rose from 11.3 percent to 11.9 percent. The year ended with our strongest quarter to date.

Four acquisitions were made:

- 25 percent of the shares in **Outrup Vinduer & Døre** in Denmark (the remainder of the shares to be acquired by 2019). The acquisition strengthens Inwido's offering in the Danish market, particularly towards installers.
- 83 percent of the shares in **Värmelux** in Finland, which owns and operates the Lämpölux brand. The acquisition strengthens Inwido's position in the Finnish consumer market.
- 100 percent of **Klas1** in Finland. This acquisition complements Inwido's offering in Finland, allowing Inwido to meet demand from architects for challenging architectural solutions.
- 100 percent of **CWG Choices**, a leading manufacturer of windows and doors in PVC and aluminium in the UK. This acquisition complements Inwido's product range in the UK market and is Inwido's first acquisition of a company producing windows and doors in PVC.

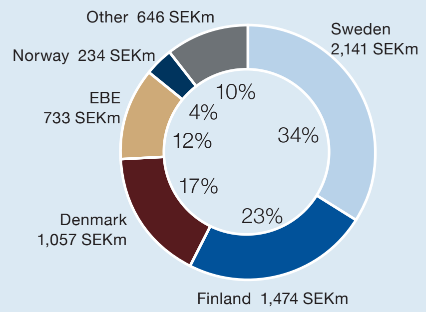
New Business Area Managers. In January 2016, Asger Drewes Jørgensen, became the new Business Area Manager of operations in Denmark, and Philip Isell Lind af Hageby became the new Business Area Manager of operations in Norway.

Investments to increase efficiency and the rate of innovation were announced. Inwido is investing, initially SEK 80 million until mid-2017, to increase production efficiency and the pace at which new products are developed.

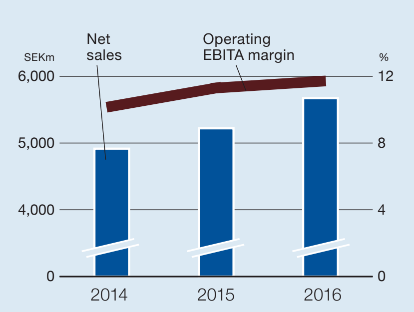
e-Commerce. The e-commerce concept grew and was launched in the UK and Ireland, and Spar Vinduer won Gazelle awards in both Denmark and Norway.

New financial ambition. In early 2017, Inwido launched a new financial ambition of increasing operating EBITA by an average 10 percent annually, to bring it up to at least SEK 1 billion by 2020.

Net sales by operating segment



Net sales and operating EBITA margin



An intense and successful year

On the whole, 2016 was a record year for Inwido. Several acquisitions, product launches and aggressive initiatives laid a solid foundation for continued strong development in Inwido.

It is highly gratifying to be able to summarize 2016 as the strongest year in Inwido's history. Virtually all key ratios moved in the right direction, and we largely achieved our long-term financial target. The year also concluded with our best quarter to date.

For us, 2016 was an intensive year of acquisitions that made Inwido both larger and stronger. The integration of the acquired companies Värmelux and Klas1 in Finland, and of CWG Choices in the UK progressed as planned and the operations began contributing positively to our earnings. In addition, we acquired 25 percent of Outrup in Denmark. Through the acquisition of CWG Choices, we brought PVC windows and doors into our product portfolio for the first time. PVC is the dominant material in the European window market outside the Nordic region. The acquisition gives us a much greater market potential if we are to succeed in our ambition to grow in Europe.

Our e-commerce initiative continued to be successful, with good growth, increasing order bookings and positive development in profitability. We entered two new markets, the UK and Ireland, and are now present with e-commerce operations in seven markets. Our plan is to continue to grow, both in existing and new markets.

We launched several new solutions for the smart home, including a door concept by the Diplomat brand in several markets and an integrated smart window through Hemmafönster in Sweden. The initiative has great potential and is in line with our mission – improving life at home.

Customer satisfaction increased among both customers and consumers. This applies to virtually all of our brands, in all channels and in all countries. After a few years with a cautious trend, 2016 was a breakthrough year with significant improvement.

In this connection, I want to highlight our continuous efforts to improve quality in all areas of operations. All operations in Sweden underwent an ISO 9001 certification audit, and we made major investments to modernize and automate production. Extensive efforts to improve production efficiency are yielding results. We are generally seeing gradually improved profitability with an increasing gross margin.

Comments on financial development. For Inwido, 2016 was the strongest year to date, with good growth, improved margins, good order bookings and improved efficiency. Net sales rose by 9 percent to SEK 5,672 million and operating profit rose by 14 percent to SEK 673 million. The operating EBITA margin rose to 11.9 percent, in principle meaning that we achieved our long-term profitability target of 12 percent.

Inwido Denmark reported very strong results. Sweden remained stable with very good profitability even if sales were not satisfactory in the second half of the year. In Norway, the extensive measures undertaken are showing results and we saw improvement with strengthened confidence among customers. We also began to see signs of a positive turnaround of market demand and improved order booking in Finland. EBE (Emerging Business Europe) experienced somewhat weaker development than expected, due to weaker development in the UK operations. The recently acquired CWG Choices developed positively, however, and we see the UK as a highly important growth market for Inwido.

Challenges. Naturally, there are challenges and areas for improvement. Growth in Sweden, profitability in the UK, employee satisfaction and the time it takes to develop and launch new products and concepts on the market are areas in which we are working to improve.

The increased volatility in demand requires flexibility and quick adaptation to changing market conditions. International developments, both political and financial, remain uncertain. An uncertain business environment can have a negative impact on consumer confidence, which is a key driver for Inwido.

Håkan Jeppsson,
President and CEO

However, I am highly confident in Inwido's ability to handle any challenge. Inwido is growing and stable, and its strong financial position provides scope for continued investments in both new products, investments and acquisitions.

Comments on sustainability work. Here, I wish to highlight our prominent focus on health and safety, throughout 2016. Thanks to better monitoring and more accurate reporting, safety awareness in the Group increased. We also made substantial investments in production for more efficient, more sustainable and safer processes, with fewer manual actions. During 2017, we will develop our sustainability work, including by drafting a new sustainability strategy.

Future prospects. I take a positive view of Inwido's future development, and I am optimistic as we move further into 2017. Underlying demand for energy-efficient windows and doors remains high in our markets due to urbanization, housing shortages, renovation needs, increasing demands on energy savings and environmental awareness.

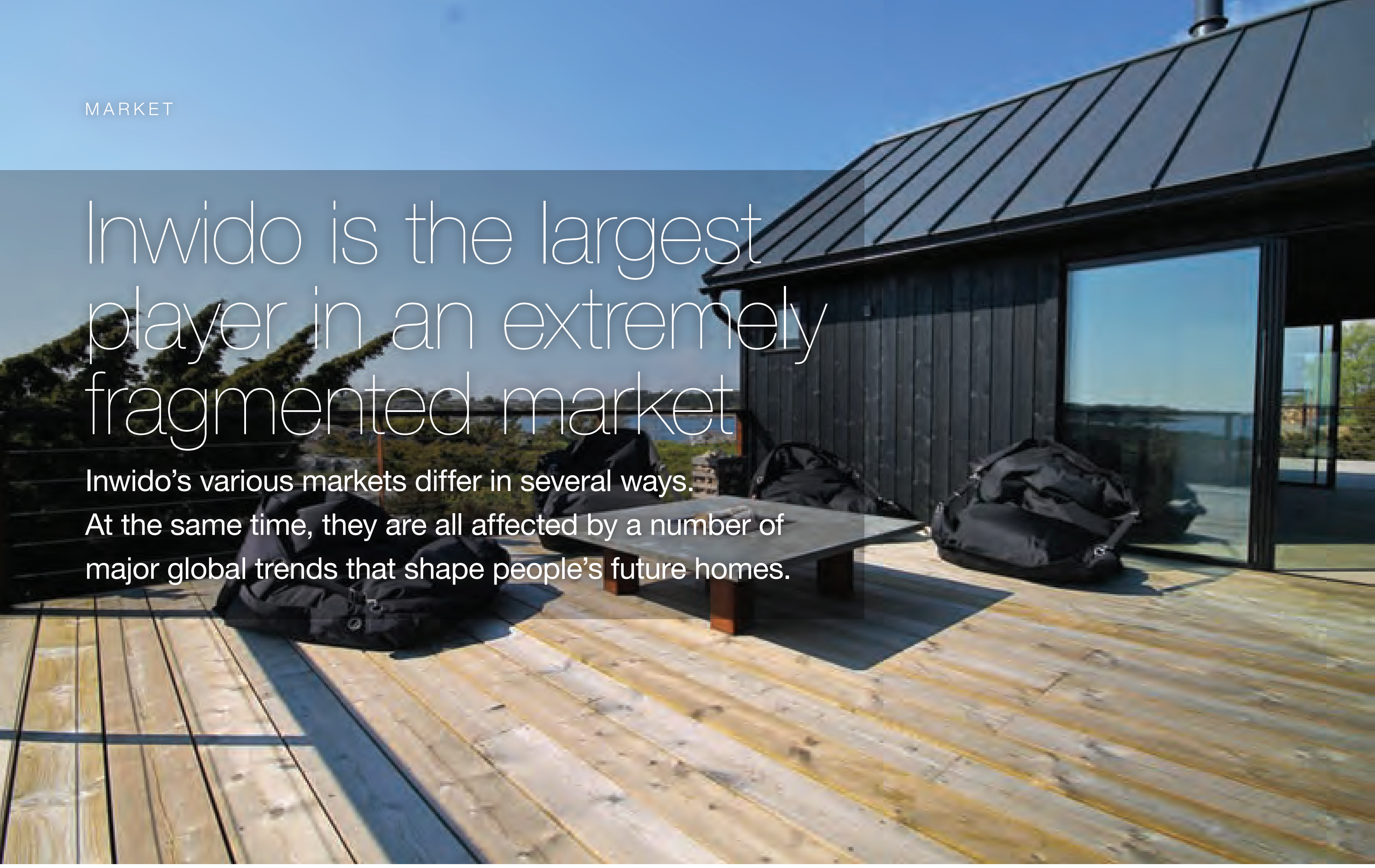
We are now strengthening our focus on profitable growth. Our intention is to grow, both organically and through acquisitions to become substantially larger. Accordingly, in early 2017, we introduced a new financial ambition of increasing operating EBITA by an average of 10 percent annually, to reach SEK 1 billion by 2020.

Finally, I would like to state that Inwido's success is ultimately the result of our employees' excellent work and dedication. Having competent employees and managers is critical to a company's success and it is particularly important in a decentralized organization like Inwido. I would like to thank all employees for their splendid efforts over the year. I also want to thank all of our shareholders for the trust they have shown in us by investing in Inwido. We will persist in working hard to ensure that Inwido continues to develop strongly, generating value for shareholders.

MALMÖ, MARCH 2017

Håkan Jeppsson,
President and CEO

"For us, 2016 was an intensive year of acquisitions that made Inwido both larger and stronger.



Inwido is the largest player in an extremely fragmented market

Inwido's various markets differ in several ways. At the same time, they are all affected by a number of major global trends that shape people's future homes.

nwido operates in the European market for windows and doors, which is characterized by large national and regional disparities in terms of building standards, regulations, design preferences, materials and sales channels. The market is extremely fragmented, with many small, local producers – estimated to number about 100,000. Product ranges, production, sales and distribution are largely local.

Inwido's principal markets are Austria, Denmark, Finland, Germany (e-commerce), Ireland, Norway, Poland, Sweden and the UK. Since about three quarters of Inwido's sales are for windows, we focus on the window market in the market statistics presented in this section.

The value of the total European window and door market in Europe amounts to about EUR 25 billion*, of which approximately 60 percent is sold to the consumer market and 40 percent to the industry market. For external doors, the share is estimated at about one-fifth of the total market.

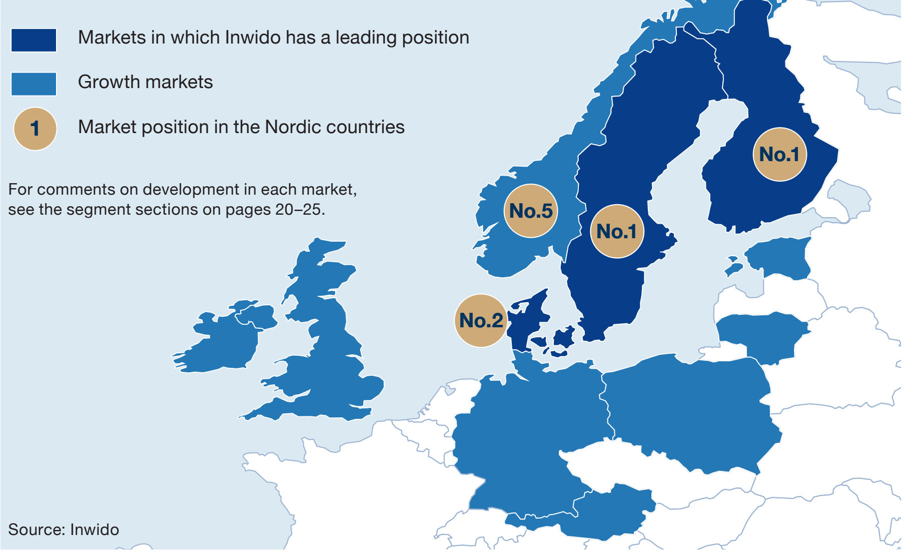
* Figures from Interconnection Consulting's survey of the European window and door market.

Window market

In the Nordic countries, wooden windows and aluminium-clad wood windows predominate while PVC windows predominate in the rest of Europe. As a material, PVC is also increasing somewhat in Central Europe. In certain European regions – such as northern Italy, Switzerland, southern Germany and Austria, also known as the European "wood belt" – wooden windows account for a larger share of the market. Our assessment is that composite materials, including aluminium-clad wooden windows, plastic windows with wooden components and fibreglass-reinforced windows, represent growth segments, driven by increased consumer demand for maintenance-free windows and larger, heavier glazing sections, for example. In the Nordic countries, aluminium-clad wooden windows are capturing market share from wooden windows.

Windows are predominantly custom-made and comprize several different components and materials. Each order is unique and extensively customized, resulting in a high degree of complexity in production and logistics. Inwido has production in all countries where we have sales, except Ireland, Germany and Austria.

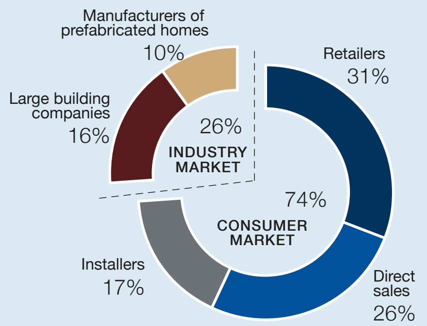
Inwido's market presence in Europe



For comments on development in each market, see the segment sections on pages 20–25.

Source: Inwido

Net sales by market segment



Excluding consumer and industry sales as part of external exports.

Significant trends for the modern home

A number of trends affect modern accommodation. **Urbanization** is fuelling demand for **smaller houses**. The trend toward smaller homes is, in turn, increasing the need for light, and demand for **large windows**. The technology is gradually affecting our entire daily lives, with more and more "so-called" **smart products** in the home. Interest in old things and **genuine craftsmanship** continues to grow and more people increasingly dream of a life beyond the stresses of the city. Personal energy has become the new currency and hard-pressed consumers are attracted to solutions that **simplify everyday life** and allow them to invest their energy into the things they really like. In turbulent times, people seek a sense of **affinity** and **security** – having a **cozy home** becomes increasingly important.

The industry is characterized by major seasonal variations. While the consumer market experiences the greatest variations, sales to industry customers also vary according to the season and weather. Approximately 60 percent of Inwido's sales are made in April–June and August–October. The weakest period is the first quarter, which normally accounts for about 20 percent of Inwido's total sales.

The market is divided into residential and non-residential construction which are, in turn, divided into renovation and new construction. The residential sector accounts for about two-thirds of the total Nordic window market and renovation sector for about two thirds of that share. Inwido operates primarily in the residential market sector. The new building market is more cyclical than the renovation market.

Most of Inwido sales (74 percent) are made to the consumer market. Sales are made mainly through retailers, installers, own sales organizations that also offer installation, or through e-commerce. The remainder (26 percent) of Inwido's sales are made to industry customers, large building companies and manufacturers of prefabricated homes.

Market players

The European window market is extremely fragmented with many small local manufacturers and a few large players. Over the past decade, the Nordic markets have been consolidated somewhat, with smaller players being acquired by larger ones. Inwido is one of the companies that has led the consolidation process in the Nordic region through acquisitions and organic growth, and is a market leader in windows in the Nordic region with a share of about 25 percent. Combined, it is estimated that the three largest players in the Nordic window market, Inwido, Dovista and NorDan, hold slightly more than half of the Nordic market. The remainder consists of smaller, local players.

Driving forces in the market

The external driving forces that affect the market most are household confidence, trends in disposable income, the price trend and turnover rate in the housing market, interest rate trends, renovation and new construction developments in the construction sector, as well as regulatory and political control.

Since most of our products end up in the home environment, we keep a careful watch on the trends that determine people's investments in the home. Accordingly, for us, consumer insight is essential. Despite the differences between our markets, there are a number of common megatrends, such as urbanization, security awareness, environmental regulations, interior design trends, housing standards and new technologies that influence how we choose to live, furnish and renovate.

We are aware that environmental impact, cost efficiency, attractive design, comfort and security are factors that are important to the consumer. These are important things to keep in mind as we develop new products and solutions. We are continually carrying out larger and smaller analyses into customer and consumer satisfaction with us and our products, and we work towards a number of measurable satisfaction targets.

Inwido's foremost competitors in the Nordic region

Market	Inwido's position	Foremost competitors	Brands	
Sweden	No. 1	Dovista	SP Fönster Traryd Fönster	Snidex Mockfjärds
		NorDan	NorDan	
Finland	No. 1	Skaala	Skaala	
		Domus	Domlux	
		Kaskipuu	Kaski	
Denmark	No. 2	Dovista	VELFAC Krone Vinduer	Rationel Vinduer
		Idealcombi	Idealcombi	
Norway	No. 5	NorDan	NorDan	
		Dovista	Lian	Natre Vinduer
		Gilje	Gilje	

Inwido's route to the market

We get to know our consumers

Inwido proceeds from the consumer's perspective, and we let seven consumer archetypes guide us in our product development, as well as in our sales and marketing efforts. These archetypes are generalized character types, meaning that an individual consumer may display aspects of several archetypes simultaneously.

The biggest bunch

My home is my castle

Wants to feel safe and relaxed, and be close to family and friends. Born 1950-1960s.

Accounts for: 66%

The ruralist

Real quality of life is in the countryside

Prefers an older house and enjoy conversations about homes. Born 1950-1960s.

Accounts for: 35%

The social gatherer

Welcome to my home

They see their homes as extensions of themselves and like to impress. Born 1970s or later.

Accounts for: 33%

Several channels to the market

Inwido's customers want to buy their products in different ways, depending on which market, which segment and which archetype they belong to. This is why we use a number of different sales channels.

Industry market

Sales channels where industry players take the initiative.

Large building companies
Large companies that carry out new building or major renovation projects

Manufacturers of prefabricated homes
Build small houses often based on standardized house types

Strong local brands

Inwido has a locally-centred brand strategy. We use the following brand archetypes to meet the various expectations of consumers effectively.

The price fighter

Market segment: Low-end brand

Promise: Always low price.

Position: Low-price options for the consumer who is willing/capable of doing everything him/herself.

Value for money

Market segment: Low-/mid-end brand

Promise: Basic and it works fine.

Position: Often holds the position of challenger in the market.

The economist

Energy waste is a sin

A smaller energy bill is a good reason to make modifications to their home. Born 1950-1960s.

Accounts for: 33%

The status seeker

One day my home will stun you all

Always on the house hunt, to find their own style and identity. Born 1970s or later.

Accounts for: 27%

The indifferent

More important things in life than the home

As long as the house is clean and rational, they are happy. Born 1950-1960s.

Accounts for: 22%

The home connoisseur

I set the trend

Quite obsessed house hunters with home improvement as a constant topic with friends. Born 1970s or later.

Accounts for: 13%

Consumer market

Sales channels where the consumer takes the initiative in making a purchase.

Retailers

The consumer buys Inwido's products via, for example, builders' merchants and DIY stores

Direct sales

Inwido sells direct to the consumer via e-commerce or home visits to the customer

Installers

The consumer buys Inwido's products via local, smaller operators such as craftsmen

Popular reassurance

Market segment: Mid-end brand

Promise: High performance, excellent function and good design.

Position: Often holds market leading position.

Personal statement

Market segment: High-end brand

Promise: Demonstrating that you can afford and appreciate the very best.

Position: Often a niche or a specialist brand.

Ready to use

Market segment: Mid-end brand

Promise: Best comfort in the most comfortable way.

Position: When the consumers wants to buy both service and products in one package/from one supplier.

B2B-brands

Position: Serves industry customers only or is a branded distribution channel for Inwidos windows and doors.

A quick guide to Inwido

We sell through many different channels

Consumer behaviour differs, depending on the market. It is for this reason that we sell locally adapted brands via several different channels. The products can also be purchased direct from one of Inwido's businesses and via manufacturers of prefabricated homes, large building companies, DIY stores, builders' merchants and installers.

We produce to order

Inwido does not have large window warehouses. Our products are made almost exclusively to order. This is because most homes are different, with varying window dimensions and character. A typical order comprizes two to three uniquely adapted products, which are supplied to an individual who is carrying out improvements. Since most people prefer to replace windows during the summer months, Inwido is affected by seasonal variations.

A young Group with a long history

Timeline

1811
Allan Bros. of the UK, the Group's oldest brand, is founded.

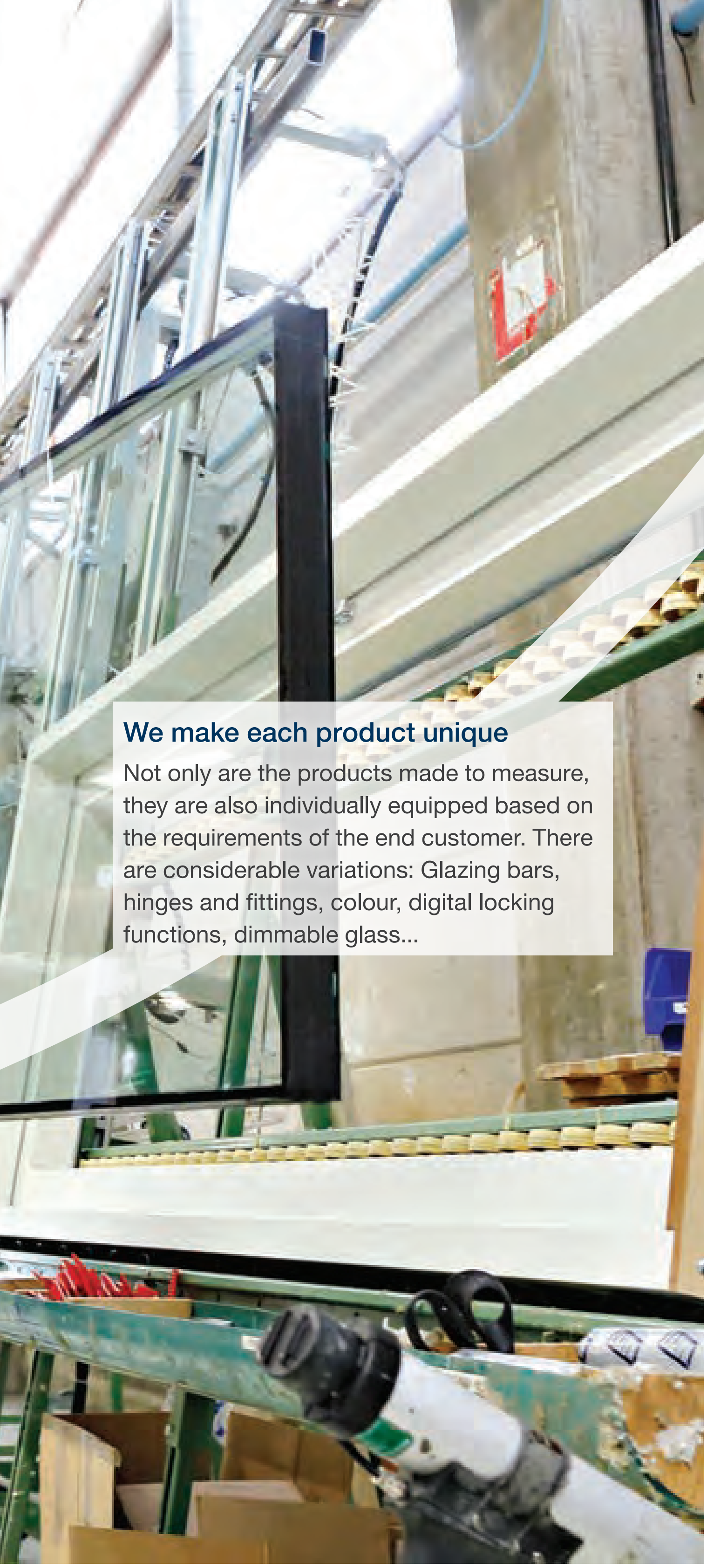
1924
Lenhovda Snickerifabrik begins operations in Småland.

1996
Myresjöfönster and Elitfönster merge to form Elitfönstergruppen.

2000
Venture capital company Triton acquires the Elitfönster Group and establishes the Elite Group.

2000-2004
The Elite Group expands in Sweden by acquiring local brands including Bruksdörren, adding external doors to the product portfolio

2004
Ratos buys Elitgruppen to form Inwido.



We make each product unique

Not only are the products made to measure, they are also individually equipped based on the requirements of the end customer. There are considerable variations: Glazing bars, hinges and fittings, colour, digital locking functions, dimmable glass...

We combine local presence with large-scale operations

Products that are made to measure and that are uniquely configured entail complex production processes and logistics, and we facilitate the process through our local presence. At the same time we can utilize Group synergies within functions such as purchasing, transportation and product development.

From carpentry firm to listed company

I Local wooden window specialists

The love of wood and good craftsmanship is deeply rooted in Inwido's history. Several of the Group's modern factories began life as local joineries, before specializing in windows and doors.

II Growth in Sweden and the Nordic region

Between 2005 and 2009, Inwido carried out around 30 acquisitions of leading local brands, primarily in the Nordic region. The Group quickly adopted leading market positions in several countries.

III Consolidation and listing

The process of consolidating and refining the company began in 2009. In September 2014, Inwido's share was listed on the Nasdaq Stockholm exchange, marking the beginning of a new chapter in the company's history.

IV Listed company and expansion in Europe

In 2015, former principal owner Ratos sold its remaining holdings. Inwido entered a new phase: Strengthening its position in the Nordic region and expanding in Europe while maintaining profitability. A number of acquisitions were made in 2015–2016.

2005-2009
Inwido grows through the acquisition of more than 30 brands in the Nordic region. Also enters European markets.

2010-2015
Focusing of operations. One Group with a consumer-oriented strategy is created.

2014
Inwido is listed on the Nasdaq Stockholm exchange. E-commerce is added as a sales channel through the acquisition of JNA Vinduer & Døre and SPAR Vinduer.

2015
Ratos sells its remaining holdings in Inwido. Acquisition of Jack Brunsdon & Son in the UK.

2016
Acquisition of Värmelux and Klas1 in Finland, Outrup in Denmark and CWG Choices in the UK.

Hemmafönster launches the market's first integrated smart window

At the end of 2016, Hemmafönster in Sweden launched one of the biggest innovations in the market in years – a smart window with all of the technology integrated into the handle. Hemmafönster is thus the first to market with integrated smart windows and doors. Sensors in the handle ascertain the window's position and notify the user whether it is open or closed. The information is transmitted to the homeowner via a mobile app. The technology is fully integrated into the handle so that it looks like a normal window.

"The smart window makes life easier, safer and more convenient for homeowners. Instead of worrying about whether you closed the window or not when you left home, you can easily check using your mobile," says Magnus Tinglöf, Sales Manager at Hemmafönster.

In addition to checking whether the window is open or closed, you can also measure humidity and indoor temperature via the mobile app. Via a remotely controlled wall socket and the mobile app, you can also switch an iron, coffee-maker or lamp on or off.

"This initiative demonstrates that we are building long-term relationships with end-consumers. It creates new sales opportunities for the future since we remain in contact with the customer after installation, to upgrade the system or offer new solutions, for example," says Magnus Tinglöf.

The smart window is the result of intensive development efforts within the Inwido Group over a number of years. Inwido is first to market with integrated sensors in windows and doors, and is initially launching the smart window in Sweden through Hemmafönster.

MAGNUS TINGLÖF
Sales Manager,
Hemmafönster
in Sweden

Profitable growth with the consumer in focus

With a consumer-driven strategy, our mission is improving life at home.

Our strategy for profitable growth builds on a number of cornerstones. We will further strengthen our position in the Nordic region and grow both organically and through acquisitions in Europe. In addition, we will develop innovative new products for the smart home, while maintaining a high level of cost-efficiency and flexibility in the value chain. The foundation is a decentralized structure where decisions, but also responsibilities, rest as much as possible with our business areas.

To achieve our business objectives, we are focusing on three areas: markets, products and efficiency. The overview below briefly describes some of the activities that took place over the year.

How we achieve our business targets

FOCUS AREAS		
MARKET	PRODUCTS	EFFICIENCY
STRATEGIC AMBITIONS		
To create a consumer-driven company with top-class sales and marketing. To grow with profitability in selected European markets and in selected segments and distribution channels.	From an end-user perspective develop the next generation of smart and innovative window and door concepts together with accessories for: • Lower cost of living • Green environment • Smart design • Higher security • Enhanced user friendliness	Together, in one coordinated Group with the right leadership, cooperation and a lean approach, reach maximum operational efficiency. Strive to have the best people and competences for the business.
ACTIVITIES IN 2016		
• Carried out several acquisitions (see page 18): - Outrup Vinduer & Døre in Denmark, which has a strong position among Danish craftsmen and installers. - Värmelux of Finland, which owns and operates the Lämpölux brand, adding expertise in sales and marketing, as well as installation. - Klas1 in Finland, providing expertise and products meeting architects' requirements for challenging solutions. - CWG Choices in the UK (see also page 26), strengthens Inwido's position in the sales channel towards installers and is Inwido's first acquisition in the PVC segment. • Launched the e-commerce concept in the UK and Ireland under the Sparwindows brand. • Successful launch of a new brand campaign "Hela Sveriges fönster" (A window for all of Sweden) for Elitfönster. • The Diplomat brand launched smart doors in Norway and Sweden in cooperation with Yale Doorman and Verisure.	• Hemmafönster pre-launched the first integrated smart window at the end of the year (see page 14). • Art Andersen launched Copenhagen Blinds – attractively designed, automatic, intelligent and remotely-controlled blinds that can be operated using a mobile phone. Visit www.byartandersencph.com. • JNA launched a premium product in the direct sales market in Denmark. • In Norway, four new products were launched: Lyssand Basic, Lyssand Premium, Diplomat SMART™ and aluminium-clad windows from the Frekhaug brand. • Investments were announced with the purpose of facilitating and accelerating the development of new products and concepts. The investments, which will be implemented by mid-2017, mainly involve initiatives with products offering intelligent, digital solutions.	• Announced investments to improve production efficiency. The initiatives, undertaken by mid-2017, were initiated to modernize and automate parts of production. • The factory in Bjurträsk, Sweden, was closed in early 2016, as an effect of the decision in December 2015 to transfer the production in Bjurträsk to Inwido's existing factories in Småland. • The Swedish operations underwent an ISO 9001 certification audit in the fourth quarter. • Frovin Vinduer & Døre's production was transferred from the factory in Ugerløse to the factory in Nykøbing Mors in Denmark, and the factory in Ugerløse was closed. • Pro Tec Vinduer was shut down and the factory in Holstebro, Denmark was closed.

Combining flexible and local with economies of scale

Inwido's business model combines the local company's flexibility and knowledge of the local market with the synergies and economies of scale of a large Group.

Inwido's markets are characterized by a high proportion of production determined by customer orders, local products, advanced logistics and seasonal variations. This demands that we are able to cope with considerable local variation while benefiting from key synergies and economies of scale to work as efficiently as possible. We work in an organization with, on the one hand, business areas that can make decisions at the local level and, on the other hand, functions that span the entire Group.

Inwido works from a number of strategic choices, based on which we will achieve our objective of profitable growth. We must maintain a good balance between transactions with the consumer and industry markets. Profitability comes before volume, and we prefer to compete through differentiation rather than on price. The Group's resources are to be coordinated in a pragmatic manner. Production should primarily be local and decisions should be made locally as far as possible. In such a decentralized structure, strong local leadership is crucial to succeed.

With these strategic choices, we combine the flexibility and market knowledge of a small company with the synergies of a large Group.

Local base. At the local level, the business areas, which know their markets best, are able to make decisions directly and with the appropriate flexibility. The business area and business unit managers are responsible for all activities and financial results. They are also responsible for the work with their respective business strategies, customers and value chains.

Central coordination. At the central level, the Group functions, the staff units, are responsible for coordinating overarching issues and establishing guidelines and policies. They monitor the overall perspective and support the business areas to optimize, for example, purchasing, production, communication, branding strategy and financial processes. In addition, the staff units run Group-wide strategic initiatives in areas such as product development, production, process development, HR and IT.

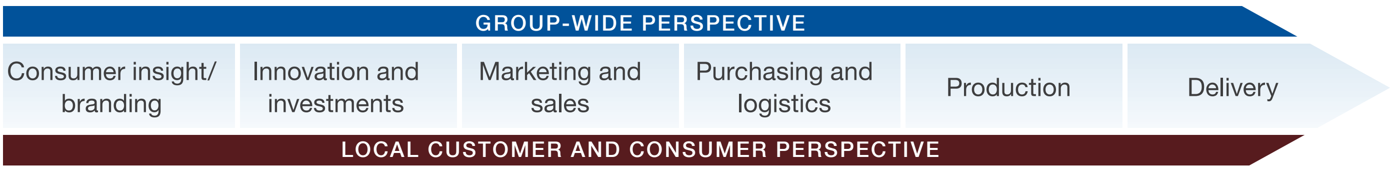
Examples of centrally coordinated initiatives are efforts to streamline production, for example by optimizing the number of production units, streamlining work processes (Lean by Inwido, see page 28) and building common product platforms to reduce complexity. Another example is the process of developing a corporate IT function. This function is responsible for the overall strategic direction in the area of IT while supporting local IT departments, which procure, manage and develop common business systems and IT services.

Another example of a centrally coordinated initiative is the updating of Inwido's brand communications to convey, internally and externally, Inwido's advantages to employees, customers, suppliers and shareholders. This was all developed and summarized in the "We ARE Inwido" concept, which was launched for all employees in 2016.

Acquisitions. Our business model is also efficient in connection with acquisitions. The acquired companies are quickly brought into the structure and are able to enjoy the benefits of being part of a group, while continuing to focus on their operations. Over the years, we have efficiently integrated and grown the companies we have acquired.

Our value chain

Inwido has developed a business model in which operations are mainly conducted locally, while central staff units coordinate overarching projects and processes. We add value by combining the local company's proximity to its own market with the coordinated economies of scale of a large corporation.



Profitable growth and favourable returns to shareholders

Inwido's operations are governed by four financial targets aimed at generating profitable growth and providing shareholders with good returns and long-term growth in value.

Financial targets	Description	Comments
Growth > Rest of the market	Inwido's objective is to exceed growth in our current markets through organic growth, as well as selective acquisitions and initiatives in Europe.	Our assessment is that Inwido had slightly lower (organic) growth than the Nordic market as a whole over 2016. This was mainly because Inwido's sales to large building companies in Sweden decreased in line with Inwido's strategic focus, which entails more selective sales in this channel. Over the year, we made two acquisitions in Finland, one in Denmark and one in the UK, which combined added annual sales of approximately SEK 900 million.
Profitability 12%	Inwido's profitability target is an operating EBITA margin of 12 percent. Inwido may not achieve its profitability targets during years when the market trend is weaker. In such cases, we will undertake measures to further enhance profitability, which we have been successful with in the past.	Profitability was further improved in 2016 and we achieved an operating EBITA margin of 11.9 percent (11.3) for the year. We are generally seeing improved profitability in the Group. The extensive efforts we have taken in improving the efficiency of production is yielding results. In 2016, we also consolidated our operations by closing three production facilities in line with decisions taken in late 2015.
Capital structure <2.5x	Inwido's net debt in relation to operating EBITDA shall, excluding temporary deviations, not exceed a multiple of 2.5.	The ratio of net debt to operating EBITDA rose to a multiple of 2.1 (1.2) as a result of the four acquisitions made during the year. If the full-year effect of the acquired companies' EBITDA is included, net debt/operating EBITDA amounted to 1.9. The balance sheet continues to appear strong, which enables investments in the existing operations and further acquisitions.
Dividend 50%	Inwido aims to pay its shareholders an annual dividend that corresponds to approximately 50 percent of net profit. However, Inwido's financial status in relation to the target, cash flow and future prospects shall be taken into consideration.	The Board of Directors proposes a dividend for 2016 of SEK 3.50 per share to the Annual General Meeting, which corresponds to 47 percent of profit for the year after tax. In 2015, the dividend was SEK 2.50 per share, totalling SEK 145 million, corresponding to 49 percent.

Bigger and stronger after an acquisition-intensive year

Acquisitions are a fundamental part of Inwido's growth strategy. In 2016, we acquired four companies, together contributing annual sales of approximately SEK 900 million.

All of the companies acquired operate primarily in the consumer and renovation markets:
- Outrup holds a strong position among craftsmen and installers.
- Värmelux adds further expertise in sales and marketing directly to consumers.
- CWG Choices holds a very strong position with installers in the UK and the acquisition means that PVC products are now also included in Inwido's product portfolio.
- Klas1 allows us to meet the requirements and demands of architects in the Finnish market.

Outrup Vinduer & Døre

In the spring, Inwido acquired 25 percent of the shares in the Danish window and door company Outrup Vinduer & Døre. The remaining shares will be acquired in 2018 and 2019. Outrup, founded in 1968, produces and sells windows and doors in wood and wood/aluminium for the Danish market, with a focus on energy-efficient and modern window and door solutions. The Company holds a strong position among craftsmen and installers. Production takes place at the factory in Outrup on the island of Mors in Denmark. Outrup strengthens Inwido's position in the Danish market and creates opportunities for expansion and synergies with our existing Danish operations.

Värmelux

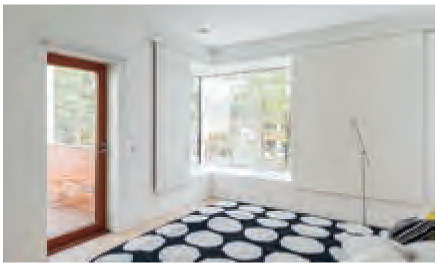
During the spring, 83 percent of shares were also acquired in the Finnish window and door company Värmelux, which owns and operates the Lämpölux brand, with an option to acquire the remaining 17 percent gradually by the first half 2019. Värmelux, which has been in the market since 2010, sells and installs windows, doors and garage doors made of wood and wood/aluminium through 18 sales offices throughout Finland. The company has no own production and previously purchased products from a variety of external providers, including Inwido. Today, all purchasing is made from Inwido's own factories. Värmelux is a sales-oriented organization that strengthens skills in sales and marketing and acts as an excellent complement to Inwido's existing operations in Finland.

CWG Choices

During the summer, CWG Choices was acquired, a leading manufacturer of windows and doors in PVC and aluminum in the UK. This is Inwido's first acquisition in the PVC market. The acquisition strengthens our position in the UK in the important sales channel towards installers and creates a good platform for continued growth in the UK market. The acquisition also supplements Inwido's offering in the UK market with products of PVC and aluminium.

Klas1

In the early summer, we acquired the Finnish company Klas1, which, since its inception in 1994, has specialized in producing and selling energy-efficient, fixed windows with openable details specialized in demanding, architect-designed construction projects. Klas1 has extensive and solid experience in developing, manufacturing and delivering solutions to this customer segment and is a great complement to our existing operations in Finland.



See the Management Report, page 48, and Note 5, page 70, for more information about the acquisitions.

Customized products delivered in record time

Demand for customer-specific solutions imposes demands on efficiency and flexibility at our factories. A couple of years ago, Outline needed to renew the fleet, increase capacity and improve productivity at the factory in Farsø, Denmark. The investments made in three new machines, conducted in 2015–2016, represented a major project.

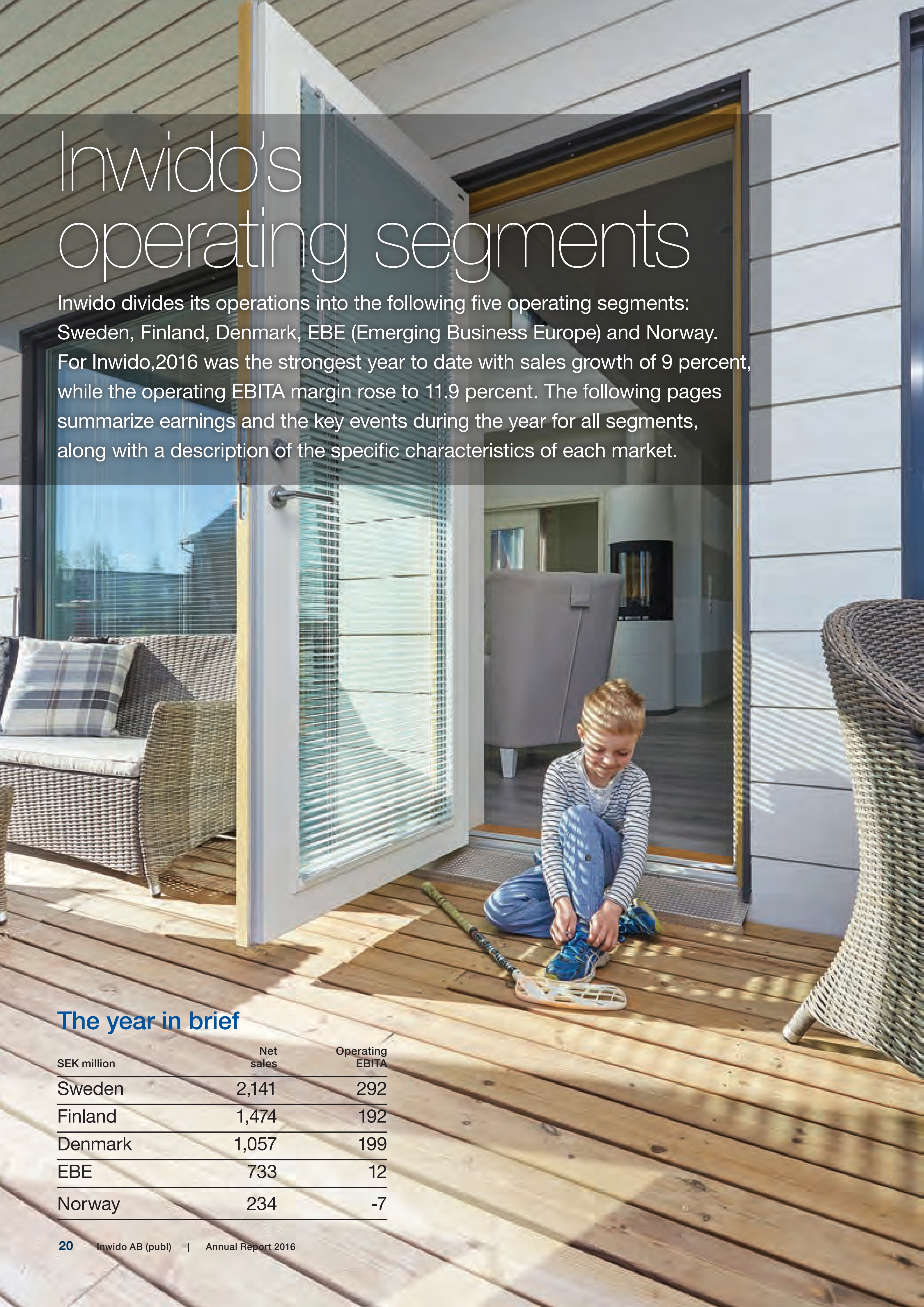
Jens Sørensen, Divisional Manager at Outline, emphasizes how important good preparation is to succeed, as well as selecting a supplier who assumes responsibility for the entire process. He is very pleased with the results.

"We now have the capacity and flexibility needed to manage complex data cost effectively and fast. We have shortened our lead times enormously," says Jens Sørensen.

With the investment, Outline now has Denmark's fastest delivery times at as little as four days, an offer no competitor can match. The investment has also resulted in significant improvements for employees, such as less heavy lifting, a quieter and safer working environment, as well as new challenging and stimulating work tasks. Machines are programmed to handle multiple operations, unlike in the past when the wood pieces had to be moved manually between different machines. One person manages two machines and monitors the work via computer screens.

"Outline's investments in Farsø are an excellent example of a good investment that will enable us to meet the demand for customized products in a cost effective and timely manner," says Lars Jonsson, Senior Vice President of Operations and Development.

JENS SØRENSEN
Division Manager,
Outline Denmark



Inwido's operating segments

Inwido divides its operations into the following five operating segments: Sweden, Finland, Denmark, EBE (Emerging Business Europe) and Norway. For Inwido,2016 was the strongest year to date with sales growth of 9 percent, while the operating EBITA margin rose to 11.9 percent. The following pages summarize earnings and the key events during the year for all segments, along with a description of the specific characteristics of each market.

The year in brief

SEK million	Net sales	Operating EBITA
Sweden	2,141	292
Finland	1,474	192
Denmark	1,057	199
EBE	733	12
Norway	234	-7

SWEDEN

Exciting product launches and investments in production

The year was marked by new product launches, major investments, focus on profitable segments, and changes in rules about tax deduction and amortization requirements.

Summary of 2016. The Swedish window market continued to grow in 2016 (5 percent). The consumer confidence index strengthened, although the trend was irregular over the year. The renovation market weakened compared with 2015 but remained at a higher level than in 2014. Competition increased somewhat, especially in the consumer market.

Net sales fell by 3 percent and the operating EBITA margin was unchanged at 13.6 percent. At year-end, Inwido's order backlog was 4 percent higher than it was a year earlier.

From mid-year, sales in the consumer market decreased, which we estimate is partly due to the deteriorating conditions surrounding the ROT tax deduction introduced on 1 January 2016. Combined with the stricter amortization requirements that have been in force from 1 June 2016, this trend continued in the second half of the year. We believe that the comparative figures, particularly for the latter half of 2015, are likely to have been affected positively as a consequence of the deterioration of the ROT deduction then announced in the run-up to 2016.

Sales to the industry market declined due to our strategically selective sales to large building companies. The decline could partly be offset by a continued increase in sales to manufacturers of prefabricated homes.

Investments for SEK 50 million were announced, primarily to support two strategic considerations: to improve efficiency in production by increasing automation, and to facilitate and accelerate the development of new products and concepts.

The Swedish market in brief. Swedish consumers generally prefer windows and doors in wood or wood/aluminium. The market is relatively mature with three major players – Inwido, Dovista and NorDan – all of which are represented in all sales channels. Inwido is the market leader, with popular brands like Elitfönster, Diplomat and Hajom. About 60 percent of Inwido's sales in Sweden derive from orders from consumers primarily in single-family or leisure homes. In the industry market, Inwido sells directly to construction companies and to manufacturers of prefabricated homes, such as Eksjöhus, Trivselhus, Fiskarhedenvillan, Myresjöhus and Götenehus.

Significant events in 2016

- Successful launch of a new brand campaign "Hela Sveriges fönster" (A window for all of Sweden) for Elitfönster
- Hemmafönster pre-launched the first integrated smart window at the end of the year
- Certain consumer segments were adversely affected by the amended rules for the ROT tax deduction and stricter amortization requirements
- Competition increased, particularly in the consumer market
- Major investments were made to increase automation and improve efficiency in production
- The work process "Lean by Inwido" was rolled out at all major production units
- All operations in Sweden underwent an ISO 9001 certification audit
- The factory in Bjurträsk closed in early 2016, following a decision at the end of 2015 to transfer production to Inwido's existing factories in the Swedish province of Småland

Sweden in brief

SEKm	2016	2015
Net sales	2,141	2,207
Operating EBITA	292	301
Operating EBITA margin, %	13.6	13.6
EBITA	292	262
EBITA margin, %	13.6	11.9

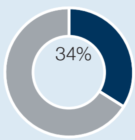
Market position: No. 1

Brands: Diplomat, Elitfönster, ERA fönster, Hajom, Hemmafönster, Outline, SnickarPer

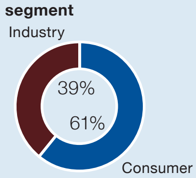
Number of window and door factories: 6

Average number of employees: 1,025

Share of total net sales



Sales per customer segment



Total sales including internal sales.

FINLAND

Interesting acquisitions in a growing market

Inwido made two acquisitions and the Finnish market rebounded during the year.

Summary of 2016. The Finnish window market rose by about two percent. In particular, the new construction market grew strongly, lifting industry sales, while the renovation market remained virtually unchanged. The consumer confidence index continued to rise to its highest level since 2011.

Two companies were acquired during the year – Värmelux and Klas1 – which, in their respective ways, complement Inwido's business extremely well. Värmelux, which owns and operates the brand Lämpölux, brings an increased market presence and expertise in sales and marketing, as well as installation. Klas1, which manufactures and sells windows for demanding architect-designed building projects, provides expertise and products that can meet architects' requirements for challenging solutions.

Net sales rose by 16 percent compared with the previous year, and the operating EBITA margin increased to 13.0 percent (12.2). At the end of the year, the order backlog was 49 percent higher in local currency compared with a year earlier.

The Finnish market in brief. Finnish consumers prefer windows and doors in wood and wood/aluminium. Demand is mainly driven by renovation. The market is relatively consolidated. The three largest are Inwido, Skaala and Domus, with Inwido as the market leader. We achieve success by differentiating our brands in terms of service, sales channels and product offerings. The consumer market accounts for over two thirds of Inwido's sales in Finland. Direct sales through home visits form the principal sales channel, which distinguishes Finland from the other Nordic countries. Inwido also sells through several well-known manufacturers of prefabricated homes, such Kannustalo, Kastellitalot and Designtalo.

Significant events in 2016

- The market rebounded and showed growth after several years of decline
- The new construction market grew strongly, lifting industry sales
- Värmelux was acquired in April and Klas1 in July
- Tiivi Kristalli's product range was supplemented with external doors

Finland in brief

SEKm	2016	2015
Net sales	1,474	1,266
Operating EBITA	192	154
Operating EBITA margin, %	13.0	12.2
EBITA	186	152
EBITA margin, %	12.6	12.0

Market position: No. 1

Brands: Eskopuu, Lämpölux, Pihla, Tiivi

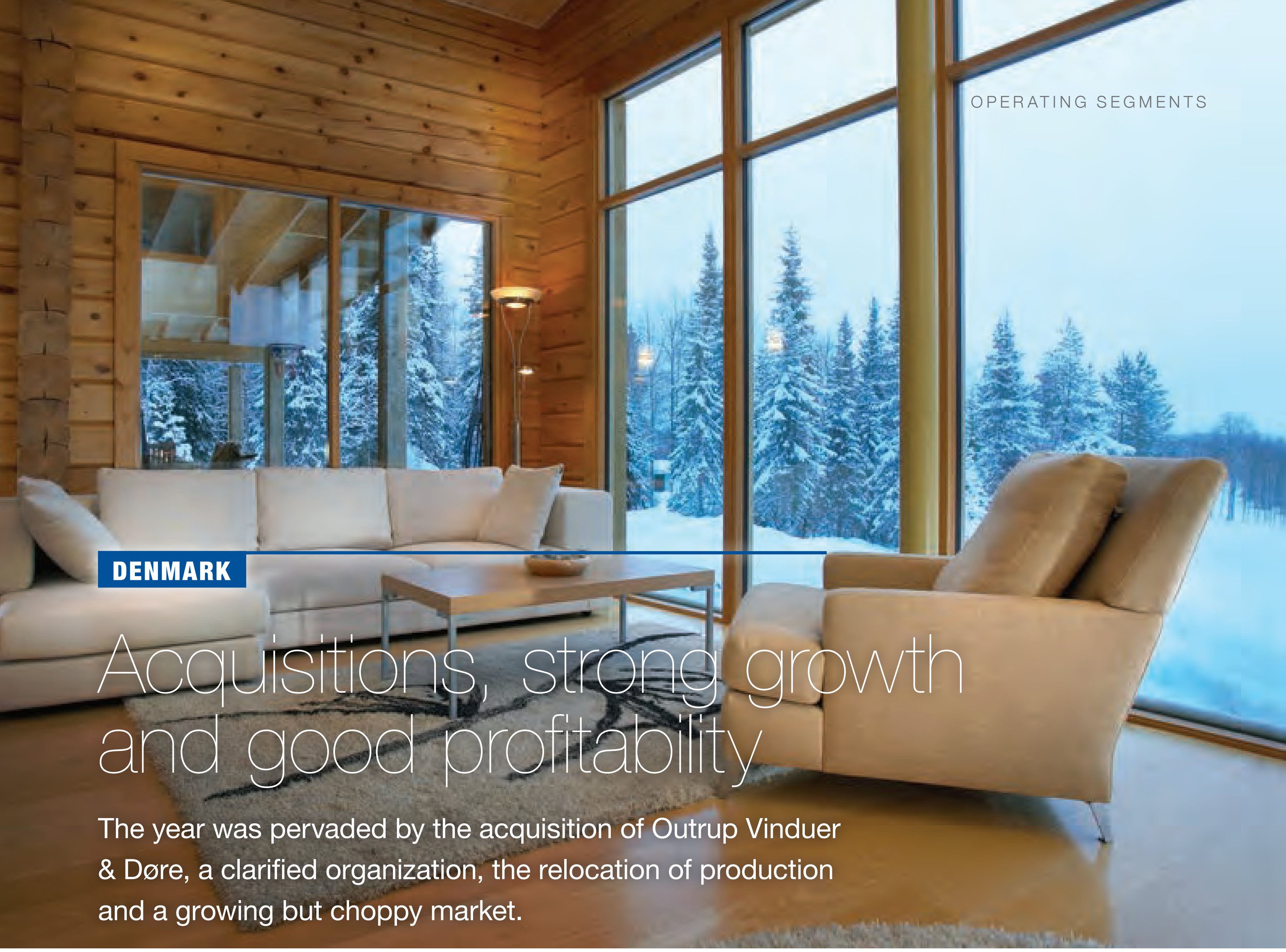
Number of window and door factories: 5

Average number of employees: 790

Share of total net sales: 23%

Sales per customer segment: Industry 35%, Consumer 65%

Total sales including internal sales.



DENMARK

Acquisitions, strong growth and good profitability

The year was pervaded by the acquisition of Outrup Vinduer & Døre, a clarified organization, the relocation of production and a growing but choppy market.

Summary of 2016. The Danish market developed positively but fitfully over the year. Higher housing prices, more employees in the construction sector, more homes sold and investments in the housing market were positive factors. The Consumer Confidence Index fell somewhat. Inwido strengthened its position as the second-largest company in the market.

Inwido acquired 25 percent of Outrup Vinduer & Døre. It has been agreed that the remaining shares will be acquired in 2018 and 2019. The acquisition strengthens Inwido's position in the Danish market and in the important sales channel via craftsmen and installers, where Outrup holds a strong position.

The strategy for Inwido Denmark was updated and new people were appointed to the management team. A minor reorganization was carried out, in which responsibilities and roles with an increased commercial focus were defined.

Net sales rose by 10 percent and the operating EBITA margin increased to 18.9 percent (17.0). The strategic shift towards more consumer transactions, entailing a factory closure in the industry market, affected sales negatively. At the same time, sales through installers developed positively. At the end of the year, the order backlog was 8 percent lower in local currency compared with a year earlier, however, this is not comparable to the preceding year because of the aforementioned structural measures in the industry market.

The Danish market in brief. Danish consumers generally prefer windows and doors in wood or wood/aluminium. Inwido, Dovista and Idealcombi are the major players. In addition, there are several smaller local players. The principal sales channels consist of installers, as well as retailers such as builders' merchants and DIY stores. Renovation is an extremely strong driver among Danish consumers. Of Inwido's sales in Denmark, 95 percent derive from the consumer market, while the remainder involves industry customers.

Significant events in 2016

- Increased market share in the consumer market
- Acquired Outrup Vinduer & Døre
- Transferred production of Frovin's products from the factory in Ugerløse to Inwido's factory in Nykøbing Mors
- Pro Tec Vinduer was phased out and the factory in Holstebro was closed
- Copenhagen Blinds was launched. Visit www.byartandersencph.com
- Asger Drewes Jørgensen took over as the new Business Area Manager of Inwido Denmark in January 2016

Denmark in brief

SEKm	2016	2015
Net sales	1,057	960
Operating EBITA	199	163
Operating EBITA margin, %	18.9	17.0
EBITA	195	96
EBITA margin, %	18.5	10.0

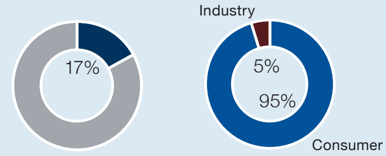
Market position: No. 2

Brands: Frovin, KPK, Outline, Outrup

Number of window and door factories: 3

Average number of employees: 640

Share of total net sales | **Sales per customer segment**



Total sales including internal sales.

EMERGING BUSINESS EUROPE

Acquisitions in the UK and new markets for e-Commerce

During the year, we acquired CWG Choices in the UK and launched the e-commerce concept in two new markets.

Summary of 2016. Inwido acquired CWG Choices, a leading manufacturer of PVC and aluminium windows and doors in the UK. The acquisition is Inwido's first step into the PVC market. This strengthens Inwido's position in the UK market in the important sales channel via installers, complementing our product range in the market. CWG Choices performed well and in-line with expectations, while Inwido's other UK operations experienced, on the whole, a weak 2016.

Inwido's unit, e-Commerce, developed favourably. Order bookings increased by 15 percent and two new markets, the UK and Ireland, were entered towards the end of the year, with the launch of the Sparwindows brand. e-Commerce is now present in six countries: Denmark, Ireland, Germany, Norway, Sweden and the UK, while Inwido Finland runs its own e-commerce solution on the Finnish market.

Net sales rose by 31 percent and the operating EBITA margin amounted to 1.6 percent (4.0). At the end of the year, the order backlog was 20 percent higher in local currency compared with a year earlier.

The markets in 2016. The recovery in the Irish market continued, although the market did not grow as much as in 2015. The Consumer Confidence Index remained positive.

In the UK, rising prices for materials due to the weaker GBP entailed higher selling prices to offset increased costs. The underlying growth and need for renovation remain considerable nonetheless. The Consumer Confidence Index declined following the Brexit vote, but then recovered somewhat.

The Austrian market, which has been weak in recent years, stabilized in 2016. The Consumer Confidence Index strengthened slightly, but remained at a negative level.

In Poland, the premium products market remained weak. PVC windows continued to gain market share. The Consumer Confidence Index strengthened slightly, but remained at a negative level. The number of building permits issued and construction projects begun increased.

Significant events in 2016

- Acquired CWG Choices, thus entering the PVC segment in the UK
- Newly acquired CWG Choices performed well and in-line with expectations while Inwido's other UK operations had a weak year overall
- The Irish operations secured the largest order since the beginning of the financial crisis
- Continued fierce competition in Austria, although Inwido stabilized its operations
- The e-commerce concept was introduced in two new markets, the UK and Ireland, under the Sparwindows brand
- JNA launched a premium product in the direct sales market

EBE in brief

SEKm	2016	2015
Net sales	733	561
Operating EBITA	12	22
Operating EBITA margin, %	1.6	4.0
EBITA	19	22
EBITA margin, %	2.6	4.0

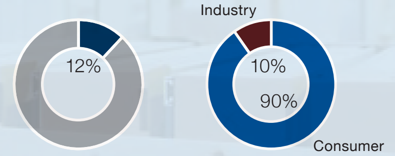
Business units: Ireland, Poland, the UK, Austria and e-Commerce

Brands: Allan Bros, Carlson, CWG Choices, Hemmafönster, Jack Brunsdon & Son, JNA, Sokolka, Spar Vinduer

Number of window and door factories: 4

Average number of employees: 545

Share of total net sales — **Sales per customer segment**



Total sales including internal sales.

NORWAY

Measures have a clear effect

An improved market and comprehensive restructuring of the business pervaded the year for Inwido Norway.

Summary of 2016. The Consumer Confidence Index improved slightly in the latter part of the year, although it remained at a low level. Market volumes grew and the number of construction starts rose compared with the previous year. Inwido's market share increased in the second half of the year.

Net sales were unchanged, but increased by 2 percent in local currency and the operating EBITA margin was a negative 2.8 percent (neg. 10.8). Order bookings rose sharply towards the end of the year and the order backlog was 26 percent higher in local currency compared with the same point in the preceding year. Higher and more profitable net sales, combined with the effects of the extensive programme of measures undertaken, resulted in continued profitability improvement.

The year was characterized by extensive measures to reverse the trend and increase Inwido Norway's competitiveness. A new strategy for Inwido Norway was formulated and implemented. Comprehensive restructuring programs were implemented to reduce costs within sales and streamline production. A growth plan to boost sales was launched, entailing Inwido Norway investing in select areas of geographic growth and customer segments. These measures began to show results and we can see a positive trend in the prioritized customer segments.

The Norwegian market in brief. Norwegian consumers generally prefer windows and doors in wood or wood/aluminium. The Norwegian window market is more fragmented than the other Nordic markets. The largest players are NorDan, Dovista and Gilje. Inwido is number five in the market. Sales through retailers represent the primary sales channel. The consumer market accounts for nearly 100 percent of Inwido's sales in Norway. The market is competitive, with a greater proportion of imported windows than in the other Nordic markets, and it is characterized by challenging pricing and low differentiation.

Significant events in 2016

- Four new products were launched: Lyssand Basic, Lyssand Premium, Diplomat SMART™ and a new type of aluminium-clad window from Frekhaug Vinduet
- Geographic expansion and new customer contracts in key markets
- A weaker NOK had a negative impact on earnings
- Philip Isell Lind af Hageby became the new Business Area Manager of Inwido Norway in January 2016

Norway in brief

SEKm	2016	2015
Net sales	234	234
Operating EBITA	-7	-25
Operating EBITA margin, %	-2.8	-10.8
EBITA	-13	-25
EBITA margin, %	-5.4	-10.8

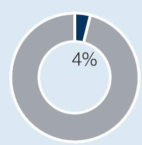
Market position: No. 5

Brands: Diplomat, Frekhaug Vinduet, Lyssand

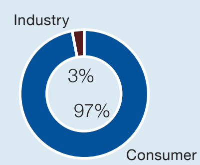
Number of window and door factories: 1

Average number of employees: 90

Share of total net sales



Sales per customer segment



Total sales including internal sales.

Inwido's first acquisition in the PVC segment"

Strengthened position and complete product range in exciting market

Acquisitions are an important part of Inwido's growth strategy. During the summer, we acquired CWG Choices, one of the leading suppliers of PVC and aluminium windows and doors in the UK. The acquisition strengthens Inwido's position in the UK market and in the important sales channel to installers. It also complements our local product range with PVC windows and doors.

"I am very pleased that it was Inwido that acquired CWG Choices and am proud to be a part of the Inwido Group. Inwido is a dynamic and professional company that has managed to become a leader in the window business in Europe. We are now working together to continue to grow in the UK market," says Jason Wilder, President and former owner of CWG Choices.

The acquisition creates a strong platform for continued growth for Inwido in the attractive UK market. CWG Choices' portfolio complements those of Allan Bros. and Jack Brunsdon, and CWG Choices will complement its offering to installers with Inwido's existing products.

"By being part of Inwido, CWG Choices can further broaden the product portfolio. The only gap in our range involved wood and wood/aluminium products. We now have a complete and highly competitive offering to installers," says Jason Wilder.

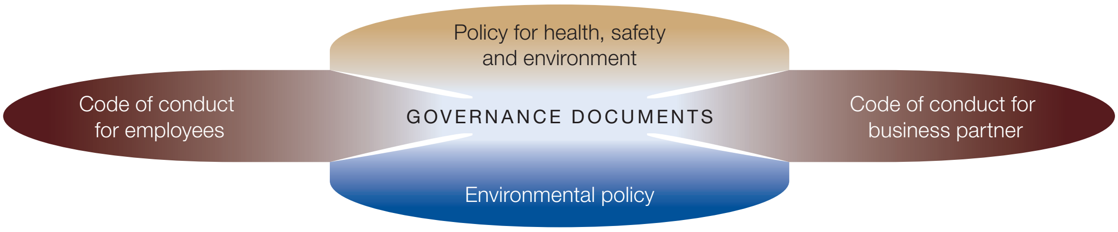
JASON WILDER
President and former owner CWG Choices

Responsible business for a sustainable society

For us, sustainability is about corporate responsibility in all areas of operations. We develop energy-efficient windows and doors that contribute to reduced energy consumption, lower heating costs and a better life at home. The manufacture of our products shall be efficient, with as little environmental impact as possible and be conducted in a safe and secure working environment for employees. Our operations are to be conducted in a responsible and ethical manner towards all stakeholders. In this way we contribute to a sustainable society.

Governance documents provide clear guidelines for sustainability work

Inwido has a number of governance documents and policies that establish our stance vis-à-vis the environment, safety, business ethics and social responsibility. These form an important part of sustainability efforts and should be adhered to by all employees and affected stakeholders.



Code of conduct for employees. These are the guidelines for how Inwido's employees should act and behave so that our operations are conducted in an ethically, socially and environmentally correct manner. Among the areas included are gender-equality, anti-discrimination, zero tolerance of bribery and corruption. The same areas are included in the code of conduct for business partners. All employees must sign that they have read and understood the code. In addition to the Code, Inwido maintains policies for diversity, equality, communications and recruitment, for example.

Policy for health, safety and environment. Our employees' safety, health and well-being are priorities and matters of strategic importance for Inwido. This policy establishes rules and guidelines in this area. Each quarter, we follow up accident statistics and absence due to illness in a sustainability report. In the event of a workplace accident at one of our units, a health and safety report shall always be completed and distributed to all units, so that they can learn from one another. To prevent accidents, we apply the root cause analysis method, which aims to eliminate safety risks by identifying their underlying causes.

Environmental policy. This provides guidelines as to how we can help reduce environmental impact in various ways. We can actively reduce our own impact by streamlining processes, using renewable resources and prioritizing sustainably produced wood. We can also help indirectly by offering consumers energy-efficient windows and doors that reduce energy consumption and carbon footprint. Each quarter, we compile and we follow up on all units' energy consumption and waste in a sustainability report.

Code of conduct for business partners. To ensure that human rights and good business ethics are also taken into account at our suppliers and business partners, Inwido has compiled guidelines for ethics, morals and social responsibility in this code of conduct. It shall be observed by our suppliers, business partners and other stakeholders. 100 percent of the major suppliers, and 89 percent of all of Inwido's suppliers have signed our Code of conduct.

Inwido's sustainability work is based on our three P's – Products, Processes, People. We offer energy-efficient windows and doors to help people reduce their energy consumption, maintain effective and environmentally-friendly production and a safe and secure working environment for our employees.

Sustainable products

Consumers demand smart products that help them reduce energy consumption and, consequently, their carbon footprint. We contribute to a better environment by continuously developing new, more energy-efficient and environmentally friendly windows and doors of superior quality.

Modern, energy-efficient windows reduce energy consumption and heating costs. By shutting out the noise and cold, they also contribute to a healthy indoor environment, which is good for people's well-being.

Within Inwido, we have decided that we will use wood from sustainable forestry and that we will apply sustainable refinement processes. In 2016, the proportion of third-party certified wood from sustainable forestry remained at a high level, 88 percent (86).

Efficient and environmentally friendly production

To meet the demand for customized products in the most cost-efficient and safe manner possible, we must continuously review our working methods and production processes. This work also results in a positive environmental impact in terms of reduced energy consumption, as well as less waste and spillage. Our target is to reduce waste by 5 percent annually.

Our strategic focus is to move towards even greater automation and more energy-efficient solutions in production processes. This entails improving work processes, increasing efficiency, shortening lead times and optimizing the number of factories. It also involves coordinating purchasing and introducing product platforms to reduce complexity. These efforts are also positive from an environmental perspective. By working more efficiently, we reduce downtime and can run machines more efficiently, which in turn means lower energy consumption, more efficient use of materials and less waste.

In recent years, we have implemented a large number of measures to reduce material usage, energy consumption and waste, particularly hazardous waste. We have also rationalized and developed production in various ways.

Safe and secure working environment

Our employees shall have a safe and secure working environment. We work continuously to improve the working environment at our units. Accidents and absence due to illness are two prioritized key ratios on which we follow up each quarter.

Accidents. Our aim is not to have any work-related accidents at all. Accordingly, we constantly strive to improve our working methods to avoid accidents. We train our employees in being aware of risks and thinking in terms of safety in their work. Fewer accidents also has a positive impact on absenteeism. In 2016, the number of reported accidents was 107, an increase compared with 94 accidents in 2015. The increase can largely be explained by the increased focus on, and improved reporting in, this area.

Absence due to illness Our goal is a short-term absence due to illness of less than 2 percent and a total absence due to illness (both short- and long-term) of less than 3 percent. Several different initiatives have been taken to reduce absence due to illness.

Lean by Inwido

For some years now, we have been applying a methodology, Lean by Inwido, to improve and develop our working methods in production. This is a systematic method for improving our processes, in terms of, for example, safety, environment, quality, efficiency and lead times.

We implement Lean audits at all plants once a year. Results are measured based on a checklist of 125 key ratios. Health, safety and the environment are always top priorities in our Lean by Inwido efforts. Working in the most efficient and safest manner at all stages involves everything from minimizing set-up times to maintaining order and tidiness. It is also a matter of avoiding wastefulness with resources and materials, but also of avoiding wasting time, for example, unnecessary waiting time and increased working hours due to poor organization at workplaces.

Good examples in Finland and the UK

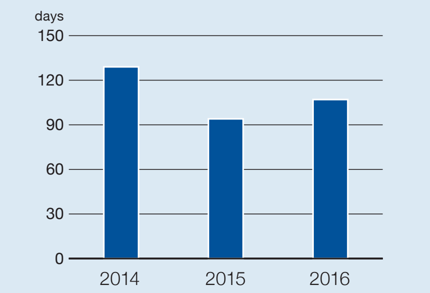
Inwido Finland has managed to turn the trend when it comes to accidents and absence due to illness. By training employees in health and safety, holding daily safety inspections at the factories, following up on injuries and incidents with response plans and weekly reviews of the results, it has been possible to reverse the trend. We now see a positive trend with decreasing accidents and absence due to illness.

Allan Bros., within Inwido UK, has worked rigorously to improve the working environment. During the year, the company received a Bronze Award from the National Health Service (NHS) for its initiative "Better health at work". The initiative was a collaboration between HR and the trade unions, and the award recognizes good work in promoting health and well-being within the company.

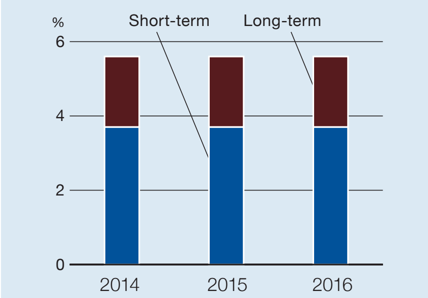
Follow up of four prioritized key ratios

The key ratios we focus on and continuously monitor are accidents, absence due to illness, energy consumption and waste. Each quarter, all units submit a report in which key ratios are reported, compiled and then followed up in a consolidated sustainability report to be read by Group management and Operations and HR managers in each business area. In addition, a more comprehensive sustainability report is produced once a year. The follow-ups are important and form the basis for monitoring and control and, not least, to learn from each other within the Group.

Accidents and lost working days

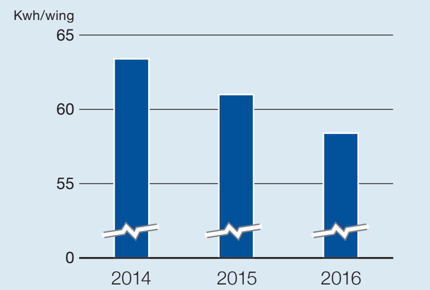


Absence due to illness, short-term and long-term



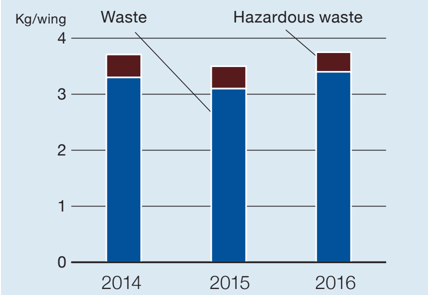
Energy consumption

Kilowatts of energy per window wing*



Waste and hazardous waste

Kilograms of waste per window wing*



*A window wing is the transparent area of a window or door.
The number of wings refers to the number of glass panes – that are fixed or can be opened.

Important events

- Announced investment of SEK 80 million by mid-2017, among other things, to modernize and automate parts of production in Sweden, Denmark and Norway
- All operations within Inwido Sweden underwent an ISO 9001 certification audit in 2016
- Since 2015, some production units have been working in accordance with EU's Energy Efficiency Directive (EED). This involves carefully reviewing the unit's energy consumption to determine how it can be reduced, and to then initiate a programme of measures
- Improved energy efficiency through a new waste incineration plant in Tampere, Finland, which was prepared in 2015 and opened in 2016
- At the production facility in Ruovesi, Finland, a project is in progress to improve efficiency in waste management, which will reduce the plant's waste disposal costs in 2017
- All electrical energy used at Inwido in Sweden has come from wind power since 2013

Motivated employees are our most important resource

Motivated employees and managers are critical if we are to achieve our vision and objectives. Accordingly, HR is a strategic priority. In 2016, another important step was taken in the efforts to create a uniform structure for HR work within the Group.

Our values

Consumer in mind. Our goal is to understand consumer expectations and needs then act upon them. In order to live up to what our consumers and business associates expect of us we need to be personally involved and behave with honesty and respect.

Courage to improve. We are proactive and strive to be in the front line of innovation in everything we do. We promote an innovative mindset to reach our goals and always find the best solutions.

Competent people at hand. Through the right competences we want to create involvement and inspiration for our minds to grow. We encourage each other to share knowledge and work together in teams. Through our way of working we build motivation and trust.

Inwido's HR process

During 2015 and 2016, we worked to organize, formalize and coordinate HR activities so that we work in a similar way throughout the Group – which has proved increasingly important in pace with Inwido's growth and internationalization.

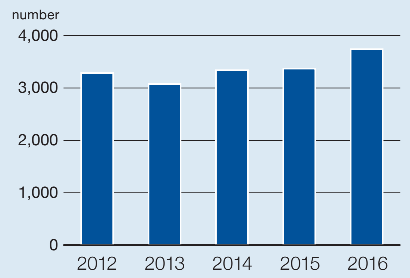
The HR process encompasses everything that happens from the point at which we recruit an individual until that person ends his/her employment at Inwido. The process is divided into five parts: Recruitment, Onboarding/Introduction, Development, Compensations & Benefits and Offboarding.

Naturally, there are differences between our business areas due to legislation and regulations differing between countries, but with regard to questions about how we introduce and develop our employees, the experience and quality should be the same regardless of where within the Group the employee works.

Significant events in 2016

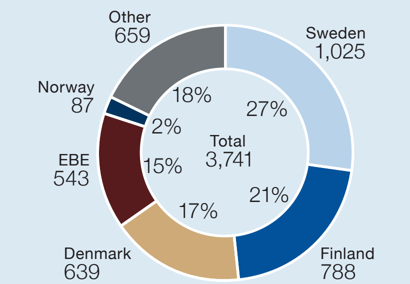
- Continued the process of restructuring and coordinating HR work within the Group
- Launched a digital recruitment system
- Conducted for the third time since 2012 a "management audit" to ensure that the operations have the right skills and leadership
- Revision of the Leadership Development Programme for 2017
- The employee survey GPTW (Great Place to Work) was carried out for the seventh consecutive year

Average number of employees 2012-2016*



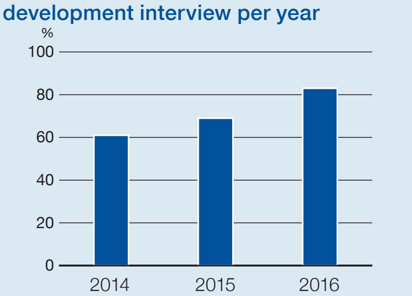
* Refers to the average for the year.

Staff by segment 2016*



* Refers to the average for the year.

Employee attendence at at least one development interview per year



Goal: All employees will attend at least one development interview per year.

Strategic HR work with multiple tools

We believe there is a strong connection between our employees' skills and the results we achieve. Consequently, HR is a strategic function within Inwido. It's about having managers and employees who are motivated and who enjoy their work, but it is also about ensuring that we have the right people in the right place and that they develop in the same direction as the Company and our strategy.

First of all, leadership is very important, particularly in a decentralized organization like Inwido. The key to success is to combine our values and culture in a leadership style that inspires and motivates our employees in their daily work. Our leaders must be role models and good ambassadors for Inwido, and they should act and behave in accordance with our values and Code of conduct.

Finding, retaining and developing the right people for the future is also critical for a company's success. Inwido uses several tools to safeguard competence and succession for the future. Skills development is about identifying what skills we need to develop our leaders and employees, for example through leadership and employee training, to encourage internal mobility and to strive for diversity.

Shared values, linked to our vision and mission, create a breeding ground for a strong corporate culture. These values provide guidance in how to collaborate with colleagues, customers and suppliers. They are linked to our leadership culture and how we shall work to develop an inspiring and stimulating environment.

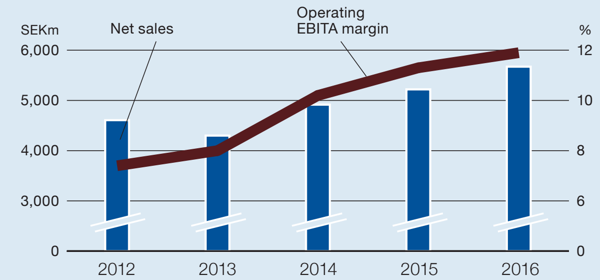
Tools in Inwido's HR work

- **Leadership training.** A leadership development programme in various stages with different areas of focus. This is important for us in ensuring that we all have a shared approach to development and leadership and that we have the best leaders.
- **Management audit.** Every second year, we conduct an inventory of the skills found in the management teams of our business areas and for local leaders at the next level down in each organization. Management audits are also performed locally for managers at various levels.
- **Employee survey.** Performed annually. The parameters measured for Inwido and our leaders are in the areas of credibility, respect, fairness, pride and camaraderie.
- **Key data.** Each quarter, we follow up on accident statistics and absence due to illness at all units. Our aim is not to have any work-related accidents at all, short-term absence due to illness of less than 2 percent and total absence due to illness (both short and long-term) of less than 3 percent (see pages 28–29). We also measure the percentage of employees who have attended development interviews at least once a year.
- **Policies and guidelines.** For example, the Code of conduct for employees, the Health, safety & environment policy, and the Management manual. The Code of conduct for employees describes the demands we impose on our employees' actions and behaviour (see page 27).

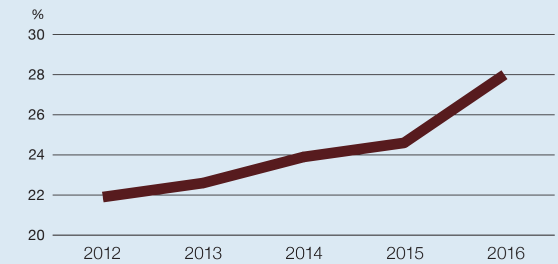
Five-year summary and definitions

SEK million (unless otherwise stated)	2012	2013	2014	2015	2016
Income measures					
Net sales	4,607	4,300	4,916	5,220	5,672
Gross profit/loss	1,007	971	1,174	1,283	1,587
EBITDA	386	402	508	608	791
Operating EBITDA	449	447	608	704	801
EBITA	273	294	376	480	664
Operating EBITA	343	345	502	589	673
Operating profit (EBIT)	273	294	374	460	656
Margin measures					
Gross margin, %	21.9	22.6	23.9	24.6	28.0
EBITDA margin, %	8.4	9.3	10.3	11.6	13.9
Operating EBITDA margin, %	9.7	10.4	12.4	13.5	14.1
EBITA margin, %	5.9	6.8	7.7	9.2	11.7
Operating EBITA margin, %	7.4	8.0	10.2	11.3	11.9
Operating margin (EBIT), %	5.9	6.8	7.6	8.8	11.6
Capital structure					
Net debt	1,131	979	1,131	877	1,667
Net debt/operating EBITDA, multiple	2.5	2.2	1.9	1.2	2.1
Net debt/equity ratio, multiple	0.5	0.4	0.4	0.3	0.6
Interest coverage ratio, multiple	4.0	3.5	2.9	9.9	10.6
Equity	2,356	2,525	2,793	2,891	3,013
Equity/assets ratio, %	49	53	55	56	48
Capital employed	3,609	3,598	4,028	4,029	5,005
Operating capital	3,487	3,504	3,924	3,768	4,680

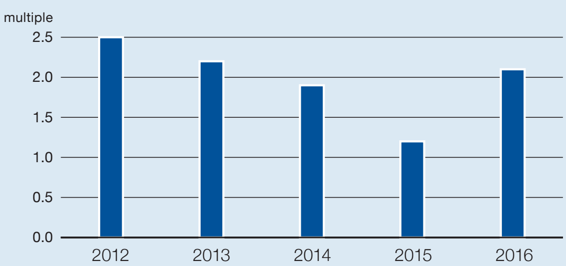
Net sales and Operating EBITA margin



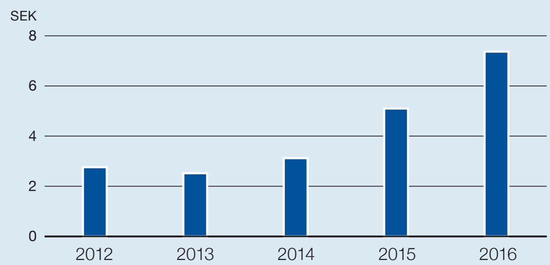
Gross margin



Net debt/operating EBITDA



Earnings per share after dilution



SEK million (unless otherwise stated)	2012	2013	2014	2015	2016
Return measures					
Return on equity, %	7.0	6.0	6.8	10.4	14.7
Return on capital employed, %	8.3	8.4	10.0	11.5	14.6
Return on operating capital, %	7.7	8.4	10.1	12.0	15.5
Employees					
Average number of employees	3,287	3,077	3,340	3,370	3,741
Share data					
Earnings per share before dilution	2.76	2.52	3.12	5.10	7.38
Earnings per share after dilution	2.76	2.52	3.12	5.10	7.37
Shareholders' equity per share before dilution	40.57	43.55	48.17	49.87	50.44
Shareholders' equity per share after dilution	40.57	43.55	48.17	49.87	50.35
Cash flow per share before dilution	4.28	6.48	5.34	8.96	8.43
Cash flow per share after dilution	4.28	6.48	5.34	8.96	8.42
Number of shares before dilution	57,968	57,968	57,968	57,968	57,968
Number of shares after dilution	57,968	57,968	57,968	57,968	58,071
Average number of shares before dilution	57,968	57,968	57,968	57,968	57,968
Average number of shares after dilution	57,968	57,968	57,968	57,968	58,009

Definitions of alternative ratios not defined by IFRS

Income measures

Organic growth
Net sales including acquired growth for the current period, divided by net sales including pro forma acquired growth during the year-before period. The change is adjusted for exchange rate fluctuations by applying the current period's exchange rates to pro forma net sales during the year-before period.

EBITDA
Operating profit before depreciation and impairment (Earnings Before Interest, Tax, Depreciation and Amortization).

Operating EBITDA
EBITDA before items affecting comparability.

EBITA
Operating profit after depreciation, amortization and impairment but before deduction for impairment of goodwill as well as amortization and impairment of other intangible assets that arose in conjunction with company acquisitions (Earnings Before Interest, Tax and Amortization).

Operating EBITA
EBITA before items affecting comparability.

Items affecting comparability
Income statement items that are non-recurring, have a significant impact on profit and are important for understanding the underlying development of operations.

Margin measures

Gross margin
Gross profit as a percentage of net sales for the period.

EBITDA margin
EBITDA as a percentage of net sales for the period.

Operating EBITDA margin
Operating EBITDA as a percentage of net sales for the period.

EBITA margin
EBITA as a percentage of net sales for the period.

Operating EBITA margin
Operating EBITA as a percentage of net sales for the period.

Capital structure

Net debt
Interest-bearing liabilities and interest-bearing provisions less interest-bearing assets, including cash and equivalents.

Net debt/operating EBITDA
Net debt in relation to operating rolling 12-month EBITDA.

Net debt/equity ratio
Net debt in relation to shareholders' equity.

Interest coverage ratio
Profit after net financial items plus financial expenses in relation to financial expenses.

Equity/assets ratio
Shareholders' equity including non-controlling interests as a percentage of total assets.

Capital employed
Total assets less non-interest-bearing provisions and liabilities.

Operating capital
Total assets less cash and equivalents, other interest-bearing assets and non-interest-bearing provisions and liabilities.

Return measures

Basis for calculating average capital
Opening balance plus closing balance for the relevant 12-month period divided by two.

Return on shareholders' equity
Profit after tax rolling 12-month attributable to the Parent Company's shareholders as a percentage of average shareholders' equity, excluding non-controlling interest.

Return on capital employed
Profit after net financial items plus financial expenses rolling 12-month as a percentage of average capital employed.

Return on operating capital
Operating profit rolling 12-month as a percentage of average operating capital.

Share data

Cash flow per share before/after dilution
Cash flow from operating activities divided by the weighted average number of shares outstanding for the period before/after dilution (weighted average calculated based on the number of outstanding shares at the end of the respective month during the period in question).

Shareholders' equity per share before/after dilution
Shareholders' equity attributable to Parent Company shareholders divided by the number of shares outstanding at the end of the period before/after dilution.

Good corporate governance for continued profitable growth

In summarizing the Board's work in 2016, I can once again say that it was pervaded by great commitment and constructive discussions.

Good corporate governance is a key factor in building trustful relationships with shareholders and other stakeholders. It is a matter of ensuring that the company is managed in a sustainable, responsible and efficient manner. This strengthens confidence in the company on the capital market and among the general public – confidence that is critical for the company's ability to realize its strategies.

Among the topics discussed by Inwido's Board of Directors in 2016 were the review of Inwido's strategy to ensure that it remains relevant, and a review to ensure that Inwido is operating in accordance with the adopted strategy. In addition, the Board of Directors discussed issues concerning acquisitions, major investments and product development, particularly so-called smart products.

The Board of Directors can confirm that Inwido is successfully continuing to implement the adopted strategy. In 2016, additional initiatives were taken to strengthen Inwido for the future, including acquisitions, major investments in production, expansion into new markets with the e-commerce concept and launches of new products and concepts. Inwido's long-term plan to maintain and further strengthen its position in the Nordic countries, expand geographically in Europe and grow in new segments and channels stands firm. Taking into account the new financial objective, launched in early 2017, the company is shifting into a higher gear to grow profitably.

The underlying demand for Inwido's products is good. Housing shortages and renovation needs in large parts of property stocks represent strong driving forces, both direct and indirect. Increased energy saving requirements and environmentally friendly products are also driving demand.

To make optimum decisions regarding objectives, strategies and initiatives, it is essential that the Board have a good knowledge of the company and its operations. In this context, I would like to emphasize the importance of the Nomination Committee's work to continuously ensure that the Board has the appropriate composition and skills. Each year, a survey is conducted among the Board members regarding the work of the Board of Directors, its composition, qualifications, experience and efficacy. Based on this, the Nomination Committee assesses annually whether the composition of the Board of Directors is appropriate or if it may need to be strengthened with additional expertise.

Questions of sustainability and corporate responsibility towards society and the environment are important and will become increasingly important in the future. The need for solutions for a more energy-efficient society is growing in pace with the increasing environmental challenges, and here, energy-efficient and environmentally friendly windows and doors have become increasingly important.

This Corporate Governance Report describes Inwido's corporate governance, as well as the important events and activities related to the work of the Board of Directors over the year.

I wish to express my great gratitude to Inwido's President and CEO, management and employees and to my colleagues on the Board for their good work in 2016. Thanks to your efforts, Inwido is now a stable, well-run and profitable company that stands strong to meet the challenges of the future.

We will continue to create long-term shareholder value and utilize owners' and other stakeholders' interests in the best way we can by managing and developing Inwido in a manner that is profitable and sustainable in the long term.

MALMÖ, MARCH 2017

Arne Frank
Chairman of the Board

"Inwido continues to successfully execute its adopted strategy."

Corporate governance report

Good corporate governance is fundamental in ensuring to shareholders that Inwido is run as sustainably, responsibly and efficiently as possible. In turn, this improves confidence in the Company in the capital market and among the general public – confidence that is essential if we are to have the liberty to realize our strategies so that we can generate value over the long term.

Operations

Inwido is Europe's largest supplier of windows and a leading door supplier. The Group markets some 20 strong local brands. Inwido maintains operations in Austria, Denmark, Estonia, Finland, Germany, Ireland, Lithuania, Norway, Poland, Sweden and the UK, and exports to a large number of countries. The Group's headquarters are located in Malmö, Sweden.

Governance principles

Inwido AB (publ) ("Inwido" or "the Company") is a Swedish public company whose shares are listed on the Nasdaq Stockholm exchange. The governance of Inwido is based on the Company's Articles of Association, the Swedish Companies Act, other relevant Swedish and foreign regulations and legislation, and internal guidelines. Inwido's governance is also based on Nasdaq Stockholm's regulations for issuers, as well as the Swedish Corporate Governance Code ("the Code"). Inwido followed the Code in all respects in 2016.

This Corporate Governance Report has been prepared in accordance with the Annual Accounts Act and the Code. Inwido's auditors have reviewed the report and an opinion from the auditors has been included in this. Corporate Governance Reports and other information on corporate governance are available at Inwido's website: www.inwido.com.

Inwido strives to conduct its operations in a sustainable, responsible and efficient manner that generates value for our customers, shareholders, employees, suppliers, local communities and other stakeholders. Combined with its financial targets (see page 17), the Company's strategy (see page 15) supports this direction. The Company's sustainability objectives are described on pages 27–29.

The highest decision-making body in the Company is the General Meeting, which normally convenes once a year in the form of the Annual General Meeting, although, under certain conditions, it may also convene as an Extraordinary General Meeting. Although the Company prepares the Annual General Meeting, shareholders can influence and propose items for the Meeting's agenda.

Share capital and shareholders

Inwido's shares have been traded on the Nasdaq Stockholm exchange since September 2014. At the end of 2016, share capital in Inwido amounted to SEK 231,870,112 distributed between 57,967,528 shares of a single class. The corresponding number of shares after dilution was 58,071,472. The shares have a par value of SEK 4 each. Each share entitles the holder to one vote and equal entitlement to participation in the company's assets and earnings. On 31 December 2016, there were 9,376 shareholders. Of the total number of shares, about 42 percent were owned by foreign shareholders. The Fourth AP Fund was the largest shareholder, with about 9.8 percent of the total number of shares. See pages 92–93 of the annual report for further information about owners and share capital.

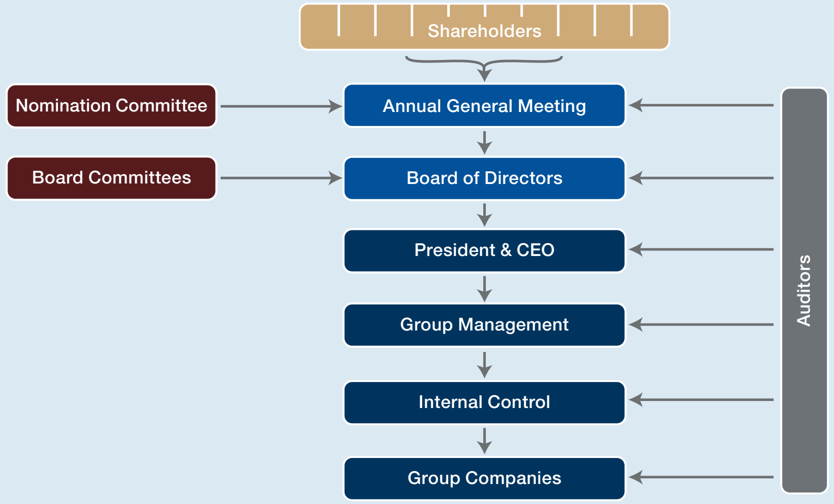
Insider trading and insider list

Inwido has ambitious objectives in terms of proper ethical behaviour. On 3 July 2016, the European Parliament and Council Regulation (596/2014/EU) on market abuse (MAR) came into effect and became directly applicable in Swedish law. Accordingly, Inwido's Board of Directors adopted a revised insider policy as part of efforts to maintain a high level of ethics and to ensure that Inwido maintains a good reputation in the eyes of the general public and the capital market. The policy aims to reduce the risk of insider trading and other illegal acts and to create conditions for compliance with applicable rules.

Inwido's corporate governance structure

Shareholders' influence in the company is exercised at the General Meeting, which is the Company's highest decision-making body. At the General Meeting, each shareholder is entitled to attend, in person or by proxy, and to vote in accordance with his/her shareholding. At the Annual General Meeting, which is the regular General Meeting held annually, the shareholders elect the Board members, the Chairman of the Board and the Auditors, and determine their fees. The Annual General Meeting resolves whether to adopt the income statement and balance sheet, to approve the distribution of profits and to discharge the Board members and the President and CEO from liability. The Annual General Meetings also decides on the principles for the Nomination Committee, as well as on principles for remuneration and other terms of employment for the President and CEO and other senior executives. The Annual General Meeting or Extraordinary General Meeting may also resolve to change the Articles of Association, increase or reduce the share capital, etc. Annual General Meetings are convened through a notice published in the Official Swedish Gazette – Post- och Inrikes

Inwido's corporate governance



Major external regulations

- Swedish Companies Act
- Swedish Annual Accounts Act
- Swedish and international accounting legislation
- The Nasdaq Stockholm exchange's regulations for issuers
- Swedish Code of Corporate Governance (www.bolagsstyrning.se)

Key internal regulations/governance instruments

- Articles of Association
- Formal work plan for the Board of Directors
- Instructions for the President and CEO of Inwido AB, each Business Area/Unit Manager, the Audit Committee, the Remuneration Committee and for financial reporting
- Code of conduct for employees and business partners
- Gender policy
- Finance policy
- Health, safety and environmental policy
- Insider policy
- Recruitment policy
- Business Continuity Plan
- IT policy
- Communication policy
- Processes for internal control and risk management
- Other control instruments, policies, manuals and recommendations

Tidningar – and on the company's website. The fact that an Annual General Meeting has been convened will be published in Swedish national daily newspaper Dagens Industri.

On behalf of the shareholders, the Board is tasked with administering the Company's affairs in the interests of the Company and all of its shareholders. The Chairman of the Board bears the specific responsibility for the work of the Board being well organized and efficient. The Audit Committee and Remuneration Committee are appointed by the Board of Directors. The Company's auditor is appointed by the General Meeting to audit the Company's annual report and accounts, as well as administration of the Company by the Board of Directors and the President and CEO. The auditor reports to the shareholders at the Annual General Meeting by means of the audit report. The Board of Directors establishes a formal work plan for the Board and instructions for the President and CEO. The Board appoints the President and CEO, who is to oversee the ongoing management of the Company. In turn, the President and CEO appoints the Group management team.

Nomination Committee

Each year, a Nomination Committee shall be appointed at the initiative of the Chairman, with the rules governing the composition of the Committee being adopted by the Annual General Meeting. The principle is that the Nomination Committee shall comprize representatives from the company's largest shareholders and that it should consist of four members. The members of the Nomination Committee shall include one representative for each of the three largest shareholders in terms of the known number of voting rights held as of 30 September in the relevant year, and the Chairman of the Board. In the event that shareholdings change substantially after the Nomination Committee has been appointed, the composition of the Committee may be changed to reflect this. Each year, a survey is conducted among the Board members regarding the work of the Board of Directors, its composition, qualifications, experience and efficacy. The survey forms the basis for the Committee's assessment of whether the Board ought to be strengthened with additional expertise or if there are other reasons to change the composition of the Board. Normally, the Nomination Committee also meets the President and CEO and sometimes individual Board members too. Proposed new Board members are interviewed by the Nominating Committee.

The Nomination Committee shall submit proposals for the Chairman of the Board and other Board members, and for fees and other remunerations for Board assignments. In particular, the Nomination Committee shall take into account the requirement of diversity and breadth of the Board and to strive for balance in terms of gender. The Nomination Committee assesses the composition of the Board with respect to its independence, taking into account all proposals regarding the composition of the Board of Directors submitted to the Committee that may have been received from other shareholders. The names of the Nomination Committee representatives and the shareholders they represent are to be announced no later than six months prior to the Annual General Meeting. Based on the ownership structure as of 30 September 2016, the three largest shareholders in Inwido were asked to participate in the nomination process for 2017. Alongside Arne Frank, the Chairman of the Board, Thomas Wuolikainen, Fourth AP fund (Chairman of the Nomination Committee), Helen Fast-Gillstedt, Handelsbanken Fonder AB and Pehr-Olof Malmström, Danske Bank/Danske Capital were appointed.

The Nomination Committee's proposals are to be presented in the notice to attend the Annual General Meeting and on Inwido's website. In connection with this, the Nomination Committee shall provide, on the Company's website, a reasoned opinion on the proposed composition of the Board with regard to the provisions in the Code regarding the composition of the Board of Directors. In particular, the proposal must be justified in view of the requirement that a balance should be sought with regard to gender. The opinion shall also contain a brief account of how the Nomination Committee has conducted its work and of the equal opportunities policy that the Committee has applied in preparing its proposal.

The Nomination Committee's tasks include preparing a proposal to the Annual General Meeting, containing the following:

- Proposal for election of a Chairman for the Annual General Meeting.
- Proposal for election of Board members.
- Proposal for election of Chairman of the Board.
- Proposed fees for the Board, including the Chairman, and members' work on Board committees.
- Proposal for remuneration to the external auditors.
- Composition of the Nomination Committee and its tasks for the ensuing year (if applicable).

The Nomination Committee shall also submit proposals for the election and remuneration of external auditors when these are to be appointed by the Annual General Meeting. Here, the Nomination Committee is supported by the Audit Committee, which, among other things, informs the Nomination Committee of the results of the evaluation of the auditor's work.

The Nomination Committee shall submit its reasoned opinion on its proposals to the Annual General Meeting. Shareholders wishing to submit proposals to the Nomination Committee may send these by e-mail to ir@inwido.com no later than two months prior to the meeting. The Nomination Committee's proposals are published in conjunction with or prior to the notice of the Annual General Meeting. The members receive no remuneration for their work on the Nomination Committee.

2016 Annual General Meeting

The Annual General Meeting for the 2015 financial year took place on 10 May 2016 in Malmö, Sweden. At the Annual General Meeting, 38 percent of the total number of shares and votes was represented in person or by proxy. The Meeting was also attended by the Board of Directors, the external auditors and members of Group Management. The Chairman of the Board, Arne Frank, was elected Chairman of the meeting.

The Annual General Meeting approved the presented income statement and balance sheet. as well as the consolidated statement of comprehensive income and statement of financial position. The company's retained earnings and profit for the year were carried forward. The Meeting discharged the Board and the President from responsibility.

In addition, the following principal decisions were made:

• Election of Board members and auditors

Arne Frank, Benny Ernstson, Eva S. Halén, Sisse Fjelsted Rasmussen and Anders Wassberg were re-elected as Board members. Leif Johansson and Henrik Lundh declined re-election. Arne Frank was re-elected as Chairman of the Board. Thomas Forslund, KPMG, was newly elected as auditor, and authorized public accountant Linda Bengtsson, KPMG, was re-elected as deputy auditor.

• Fees

Fees will be paid to the Board in the amount of SEK 215,000 to each Board member not employed by the Company and SEK 440,000 to the Chairman. It was decided that the special fee of SEK 50,000 for committee work would be paid to each member of the Audit Committee, SEK 100,000 to the chairman of the Audit Committee and SEK 25,000 to each member and the chairman of the Remuneration Committee.

• Dividend

In accordance with the proposal by the Board of Directors and the President, the Meeting approved a dividend of SEK 2.50 per share.

• Guidelines for remuneration to senior executives

In accordance with the Board's proposal, the Meeting adopted guidelines on remuneration to senior executives that primarily entail the following: Remuneration and terms for senior executives shall be based on local market conditions and consist of a balanced mix of fixed salary, variable compensation, pension benefits, other benefits and terms of dismissal. Variable remuneration shall be based on performance in relation to set targets. Variable cash remuneration shall be maximized and may not exceed 50 percent of fixed annual salary. Variable remuneration may also be paid in the form of long-term incentive plans. Pension benefits shall be in the form defined contribution plans. The Board of Directors shall have the right to deviate from these guidelines in individual cases if specific reasons motivate this.

• Establishment of long-term incentive programme

The Annual General Meeting approved the Board's proposal on the establishment of a long-term incentive programme consisting of two parts: an issue of convertibles with the opportunity for all employees to participate and an issue of subscription warrants to approximately 50 of the Company's senior executives and so-called Senior Leaders. The convertible loan shall not exceed SEK 40 million, or what corresponds to a maximum increase of the share capital by SEK 1.2 million applying the established conversion price. The convertibles are interest-bearing, issued at nominal amount, corresponding to their market value, and can be convertible into new shares from 1 August 2019 to 15 September 2019. All employees will be entitled to subscribe in accordance with the principles presented in the Board of Directors' proposal. The conversion price is SEK 130.30.

The warrants issue will encompass a maximum 500,000 warrants issued to Inwido's wholly owned subsidiary, Inwido Europe AB, to later be transferred to the Company's senior executives and Senior Leaders. Transfer is to take place at market value at the time of transfer and allocations will be made according to the principles presented in the Board of Directors' proposal. The subscription of shares based on the warrants is to take place during the period from 1 August 2019 to 15 September 2019. The subscription price corresponds to the conversion price for the convertibles of SEK 130.30.

See Inwido's website, www.inwido.com, for the full protocol and information about the Annual General Meeting.

Extraordinary General Meeting 2016

Inwido AB held an Extraordinary General Meeting on 26 August 2016 in response to the Board's proposal to supplement the existing incentive programme. The Extraordinary General Meeting approved the Board's proposal for an additional long-term incentive programme comprising two parts: an issue of convertibles and an issue of warrants. The incentive programme targets certain individuals in Group management and so-called Senior Leaders, who wished to, but for reasons of insider information, were unable to participate in the incentive programme that the Annual General Meeting adopted on 10 May 2016. The supplementary incentive programme replaces, in part, the incentive programme adopted at the Annual General Meeting and entails no further dilution beyond the original programme.

The convertible loan shall not exceed SEK 12 million. The convertibles are interest-bearing and are issued at a nominal amount corresponding to their market value. It will be possible to convert them into new shares from 1 September 2019 to 15 September 2019. The conversion price is SEK 139.20. The warrants issue will encompass a maximum 144,000 warrants issued to Inwido's wholly owned subsidiary, Inwido Europe AB, to later be transferred to the participants of the program. Transfer shall take place at market value at the time of transfer. The subscription of shares based on the warrants is to take place during the period from 1 September 2019 to 15 September 2019. The subscription price corresponds to the conversion price for the convertibles of SEK 139.20.

2017 Annual General Meeting

The 2017 Annual General Meeting will be held on 9 May 2017 at 4.00 p.m. at Malmö Börshus, Skeppsbron 2 in Malmö. For further information regarding the 2017 Annual General Meeting, please see page 93.

The Board and its work in 2016

Composition of the Board of Directors

The Board of Directors of Inwido shall consist of three to ten members. The trade unions are entitled to appoint two members with voting rights and two deputies. The President and CEO is not a member of the Board but participates in all board meetings on a co-opted basis. Other officers of Group participate in board meetings to present reports and to act as secretary. Additional information about the members of the Board is provided on pages 40–41 of the 2016 Annual Report.

Procedures and responsibilities of the Board

In addition to its statutory meeting, the Board of Directors shall hold three to six meetings per financial year. Additional meetings shall be held as necessary. Each year, the Board adopts written rules of procedure that clarify its responsibilities and regulate the division of labour within the Board and its committees including the role of the Chairman, decision-making procedures, meeting schedules, procedures for calling board meetings, agendas and minutes, as well as the Board's work in connection with accounting, auditing and financial reporting. The Board has also adopted a set of instructions for the President and CEO and other special policies. The Board continuously assesses the work of the President and CEO and the Board addresses this issue specifically once a year without senior management being present.

The responsibility of the Board includes monitoring the work of the President and CEO through the continuous review of operations over the year, safeguarding a structure for the appropriate management of Inwido's interests. The Board's responsibilities also involve setting strategies and targets, developing special policies, making decisions regarding large-scale acquisitions and divestments of operations, making decisions on other major investments, determining investments and loans in accordance with the Group's finance policy, issuing financial reports, evaluating operational management and planning succession. The Board safeguards the quality of the financial reports by means of adopted control instruments and instructions to the President and CEO, as well as through its consideration of reports from the Audit Committee in the form of minutes and observations, as well as recommendations and proposed decisions and measures. The Board also safeguards the quality of the financial reports by addressing the appurtenant materials in detail during board meetings. As part of its assurance of quality, the Board of Directors also meets the Company's auditor once a year without the attendance of the President and CEO or anyone else from senior management.

Role of the Chairman of the Board

The Chairman organizes and manages the work of the Board, ensuring that it is conducted in accordance with the Swedish Companies Act, other legislation and regulations, as well as the Board's internal control instruments. The Chairman monitors operations through ongoing contacts with the President and CEO and is responsible for ensuring that the other members of the Board receive satisfactory information and data on which to make decisions. The Chairman is responsible for ensuring that the Board members continuously update and deepen their knowledge of Inwido and that they receive the training otherwise necessary to be able to conduct their work efficiently. The Chairman of the Board shall ensure that the Board's duties and working methods are assessed annually and discussed with the Board members, and that the Nomination Committee is informed of the results, with the purpose of developing the Board of Directors' working methods and efficiency. Such an evaluation was carried out in 2016, primarily through a combination of individual interviews and a detailed questionnaire to the Board. The results of the evaluation were presented to and discussed with the Nomination Committee, as well as with the full Board.

Work of the Board in 2016

During the year, the Board of Directors held a total of 13 board meetings. At the scheduled board meetings, the President and CEO reported on the Group's earnings and financial position, including the outlook for the coming quarters. Beyond approving the annual and interim reports and adopting a business plan and associated financial plan, the following key issues were addressed by the Board of Directors during the year:

- Proposed dividend of SEK 2.50 per share
- Revision and adoption of the Company's policies
- Acquisition of Värmelux, Klas1, CWG Choices and Outrup Vinduer & Døre
- Investments
- Incentive programmes
- Risk assessment
- Product development
- Organization

In connection with the board meeting in September, the Board visited the recently acquired company CWG Choices Ltd in the UK.

Attendance in 2016

Name	Elected year	Independent[1]	Board meetings[2]	Audit Committee	Remuneration Committee	Approved Board fees, TSEK
Chairman of the Board:						
– Arne Frank	2014	Yes/Yes	13/13	4/4	2/2	440
Board members:						
– Benny Ernstson	2004	Yes/Yes	13/13	—	—	215
– Eva S Halén	2011	Yes/Yes	12/13	—	—	215
– Anders Wassberg	2009	Yes/Yes	13/13	3/4	2/2	215
– Sisse Fjelsted Rasmussen	2015	Yes/Yes	11/13	4/4		215
Employee representatives:						
– Tony Johansson	2016	—	11/13	—	—	—
– Robert Wernersson	2012	—	13/13	—	—	—

1 Refers to independence in relation to the company, its management and independent in relation to major shareholders in the company.

2 Including one board meeting by correspondence.

Audit Committee

Inwido's Board of Directors includes an Audit Committee. It shall consist of at least three Board members appointed by the Board. The Committee has no decision-making authority and members are appointed annually by the Board of Directors at the statutory board meeting or when a committee member must be replaced. The committee members appointed in May 2016 were Arne Frank (Chairman), Sisse Fjelsted Rasmussen and Anders Wassberg. The work of the Audit Committee is regulated by a special set of instructions adopted by the Board as part of its agenda. The Committee's work focuses on the quality and accuracy of the financial accounts and reports, efforts in internal financial control, the Group's adherence to applicable regulations and, where appropriate, transactions between the Group and related parties.

In addition, the Audit Committee maintains regular contact with the auditor for Inwido AB and the Group in order to engender an ongoing exchange of ideas and information between the Board and the auditor on audit issues. Furthermore, the Committee shall assess the auditor's work and set guidelines for services, besides auditing, that Inwido may procure from its auditor.

The Audit Committee held four meetings in 2016. One member was absent from a meeting, while all members were present at all other meetings. The meetings of the Audit Committee are minuted and reported verbally at board meetings.

Each month, consolidated accounts are prepared and submitted to the Board and Group management.

External financial information is provided regularly in the form of:

- Year-end and interim reports
- Annual Report
- Press releases regarding key items of news that are expected to affect the view on Inwido
- Presentations for financial analysts, investors and the media on the dates on which year-end and interim reports are published
- Meetings with financial analysts and investors

Remuneration Committee

Inwido's Board of Directors also includes a Remuneration Committee. It shall consist of two Board members appointed by the Board. The Chairman of the Board may chair the Remuneration Committee. Other members of the Remuneration Committee elected by the General Meeting shall be independent in relation to the company and its senior management. In part, the Remuneration Committee has an advisory role and in part it prepares matters to be addressed and decided on by Inwido's Board of Directors. The Remuneration Committee operates under the rules of procedure adopted by the Board. The principal tasks of the Remuneration Committee are to prepare the Board's decisions on matters concerning remuneration principles, remuneration and other terms of employment for senior management, monitor and evaluate programmes of variable remuneration for senior management and to monitor and evaluate the implementation of the guidelines for remuneration to senior executives adopted by the Annual General Meeting, as well as current remuneration structures and levels within Inwido.

Each year, at the statutory board meeting, or when a committee member must be replaced, the Board appoints the committee members. The committee members appointed in May 2016 were Arne Frank (Chairman) and Anders Wassberg. In 2016, the Remuneration Committee held two meetings. The meetings of the Remuneration Committee are minuted and reported verbally at board meetings.

Group Management

The President and CEO leads operations in accordance with the Companies Act and within the parameters set by the Board. In consultation with the Chairman of the Board, the President and CEO prepares the data and materials the Board requires to make its decisions, presents matters and explains proposed decisions. The President and CEO is also responsible for Inwido's commercial, strategic and financial development, leading and coordinating daily operations in line with the Board's guidelines and decisions. The President and CEO also appoints the members of Group management in consultation with the Chairman of the Board. For information about the President and CEO, see page 42.

Group management holds regular meetings led by the President and CEO. The President and CEO, together with those responsible for the central staff functions, will also meet the management of each business unit three times a year at local management team meetings. For information about the management team, see pages 42–43.

External auditors

At the 2016 Annual General Meeting, authorized public accountant Thomas Forslund of the KPMG AB firm of auditors was elected as the company's auditor for the period extending until the end of the following Annual General Meeting. The auditor maintains regular contact with the Chairman of the Board, the Audit Committee and Group management. Inwido's auditor shall review the annual report and accounts, as well as the management of the President and CEO.

The auditor works according to an audit plan that takes into account comments submitted by the Board via the Audit Committee. The auditor reports his findings to the Board. Reporting takes place partly during the audit, and ultimately in connection with the annual report being issued and approved. The auditor also participates in one board meeting per year, where he outlines the audit process and her observations in an audit report.

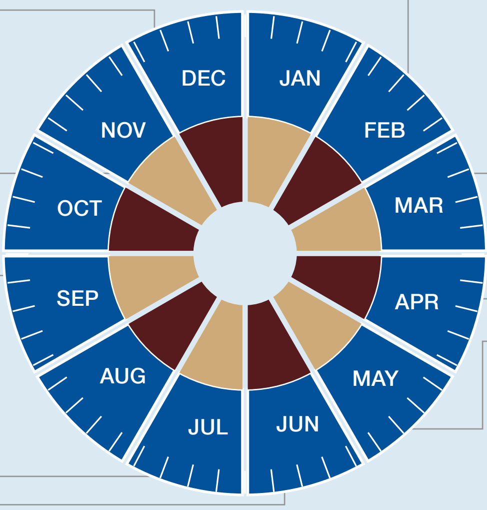
Over the year, the auditor has also performed certain consulting assignments outside the scope of the audit – these have mainly involved advice on accounting matters.

The external audit is conducted in accordance with the generally accepted accounting principles in Sweden. The auditing of documentation for the annual report for legal units outside Sweden is conducted in accordance with legal requirements and other applicable regulations in the relevant countries, in accordance with generally accepted accounting principles and accompanied by audit reports where so required by local legislation.

Internal audit

Inwido has developed systems for governance and internal control. Among other things, the central accounting unit performs an internal audit of two business areas each year. The Board of Directors and the Audit Committee follow up Inwido's assessment of internal control, including through contacts with Inwido's auditors, which perform annual audits of the internal control. Given the above, the

The Board of Directors' work in 2016



DEC
- Decision on investment in Finland
- Business plan
- Impairment testing
- Assessment of the Board's work

OCT
- Interim report for January to September
- Decision on investment in Sweden

SEP
- Visit to CWG Choices
- Decisions on investments in Norway and Sweden
- Strategic plan
- Assessment of senior executives

JUL
- Decision to acquire CWG Choices
- Interim report for January to June
- Proposals and statements to the Extraordinary General Meeting

JUN
- Decision to acquire Klas1
- Visit to Vetlanda

FEB
- Year-end report
- Proposal for profit distribution
- Audit report
- Decisions on investments
- Employee survey

MAR
- Decision to acquire Outrup Vinduer og Døre
- Incentive programmes

APR
- Publication of Annual Report
- Proposals and statements to the Annual General Meeting
- Decision to acquire Värmelux
- Interim report for January to March
- Risk assessment

MAY
- Inaugural meeting
- Decisions on signatories
- Election of Remuneration Committee and Audit Committee,
- Election of the Board representative to the Nomination Committee
- Decision on the time and place for future scheduled board meetings

Board has elected not to establish a special internal audit unit.

Internal control of financial reporting

The responsibility of the Board and President and CEO regarding internal control is regulated by the Swedish Companies Act. The Board's responsibility is also regulated in the Code. In accordance with the Code, the Board shall describe how the internal control of financial reporting is organized, which is carried out through the Corporate Governance Report.

The principal purpose of internal control is to ensure the achievement of the company's targets for appropriate and efficient operations, reliable reporting and adherence to applicable legislation and regulations. Internal control relating to financial reporting serves to provide reasonable security regarding the reliability of external financial reporting and to ensure that external financial reports are prepared in accordance with legislation and applicable accounting standards. This report on internal control has not been reviewed by the company's auditors. The starting point for internal control process is the regulatory framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Control environment

The Board bears the overall responsibility for internal control regarding financial reporting. To establish and maintain a functioning control environment, the Board has adopted a set of basic documents that have a bearing on financial reporting, including, in particular, the formal work plan for the Board and instructions for the President and CEO. In addition, the Board has appointed an Audit Committee whose principal task is to ensure that the established principles for financial reporting are complied with and that appropriate relations are maintained with the company's auditors. The responsibility for maintaining an effective control environment and for ongoing internal control efforts regarding financial reporting is delegated to the President and CEO, who reports regularly to the Board of Directors in accordance with established procedures. In addition, reports are provided by the company's auditors.

The internal control structure also builds on a management system based on Inwido's organization with clearly defined roles, areas of responsibility and delegated authority. Operational decisions are made at the company or business area level while decisions regarding strategy, overarching financial matters, acquisitions and major investments are made by Inwido's Board and Group management. Control documents addressing accounting and financial reporting represent crucial components in the control environment with regard to financial reporting. These documents are updated regularly in connection with changes in accounting standards and legislation.

Risk assessment

The Group conducts continuous risk assessment to identify key risks relating to financial reporting. With regard to financial reporting, risk is primarily judged to involve significant errors in the accounts; for example with regard to the reporting and valuation of assets, liabilities, revenues and costs or other discrepancies. Fraud and losses through embezzlement represent another risk. Risk management is built into every process. Various methods are used to evaluate and limit risks and to ensure that the risks to which Inwido is exposed are managed in accordance with adopted policies, instructions and established monitoring procedures. These policies, instructions and procedures are intended to reduce possible risks and promote correct accounting, reporting and disclosure.

Control activities

The risks identified with regard to financial reporting are managed through the company's control activities, such as authorization controls in IT systems and signature authentication. The control structure includes clear organizational roles that enable an efficient division of responsibilities for specific control activities serving to uncover or prevent the risk of errors arising in reports. All units have their own controllers/finance managers who participate in the assessment of their own reporting alongside the central controller function. The continuous analysis of financial reporting, like the analysis conducted at Group level, is highly important in ensuring that financial reports are free of material errors. The Group's finance function plays a key role in the internal control process and is responsible for ensuring that financial reports from each unit are submitted correct, complete and on time.

Information and communication

Inwido continually provides the market with information on the Group's development and financial position in relevant channels. Policies, guidelines and internal instructions regarding financial reporting ensure quality in external communication. The employees concerned are given access to and notified of regular updates and messages regarding changes in accounting principles, reporting requirements or other provision of information via the Group-wide intranet.

Follow-up

The President and CEO is responsible for internal control being organized and followed up in accordance with the guidelines adopted by the Board. The President and CEO is responsible for ensuring that independent and objective reviews are conducted with the aim of systematically assessing and proposing improvements to the Group's processes for governance, internal control and risk management. Financial control is exercised by the Group's finance function. Financial data are reported each month, along with a forecast for the coming month. Inwido's management reviews results on a monthly basis, analyzing deviations from the financial plan and the preceding year. Deviations are investigated and evaluated for possible internal control activities. All monthly accounts are also discussed with the management of each business unit. The Board receives monthly financial reports and follows up on financial reporting at each of its meetings. The Board and Group management review financial reporting ahead of the publication of the annual report and interim reports. An simpler audit, referred to as a review, is carried out of the year-end accounts for the period January – September, and of the end-of-year accounts. The company's auditors present their observations to the Board. The auditors' duties also include monitoring internal control within the Group's subsidiaries on an annual basis.

MALMÖ, 31 MARCH 2017

The Board of Directors of Inwido AB (publ)

Auditor's report on the Corporate Governance Report

To the general meeting of the shareholders of Inwido AB (publ), corporate identity number 556633-3828

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2016 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

My examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that my examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. I believe that the examination has provided me with sufficient basis for my opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

STOCKHOLM, 31 MARCH 2017

Thomas Forslund
Authorized Public Accountant

Board of Directors and Auditors

Arne Frank
Chairman of the Board

Born: 1958

Education: Master of Science in Industrial Engineering and Management, Linköping Institute of Technology

Member of the Board since: 2014

Other assignments: President and CEO AAK AB (publ), Board Member, Alfa Laval

Previous positions: Senior Advisor Schneider Electric, Chairman and CEO TAC. Chairman and CEO Carl Zeiss Vision. Board member Nibe. Senior Industrial Advisor EQT

Own holdings and holdings of related parties: 71,000 shares

Benny Ernstson
Board member

Born: 1949

Education: Bachelor of Science in Business and Economics, Lund University

Member of the Board since: 2004

Other assignments: Business consultant, Chairman Svensk Husproduktion AB

Previous positions: President of Universal Hardwood Flooring, President and Business Area Manager for Tarkett AB, Business Area Manager for Nobia AB, Divisional Manager for Perstorp AB and LB Invest AB

Own holdings and holdings of related parties: 32,196 shares

Eva S Halén
Board member

Born: 1966

Education: Master of Science in Engineering, Royal Institute of Technology, Stockholm

Member of the Board since: 2011

Other assignments: President of Audika AB and of Avesina Healthcare AB

Previous positions: International Sales & Service Director for Etac AB, CEO of Electrolux Home AB, various senior positions with Electrolux Hem-Produkter AB

Own holdings and holdings of related parties: 10,000 shares

Sisse Fjelsted Rasmussen
Board member

Born: 1967

Education: Cand. merc. aud. Copenhagen Business School

Member of the Board since: 2015

Other assignments: CFO/Executive Vice President Scandinavian Tobacco Group (STG)

Previous positions: Authorized accountant/auditor in Denmark, Nordic CFO Grey Global Group, Partner, Deloitte

Own holdings and holdings of related parties: –

Anders Wassberg
Board member

Born: 1965

Education: Master of Science in Engineering, Chalmers University of Technology

Member of the Board since: 2009

Other assignments: President and CEO of Ballingslöv International AB, Chairman of Kährs Holding AB, Board member of Svedbergs i Dahlstorp AB

Previous positions: President of AB Gustaf Kähr, President of Beijer Byggmaterial AB

Own holdings and holdings of related parties: 10,000 shares

Tony Johansson
Employee representative

Born: 1967

Member of the Board since: 2012

Other assignments: Board member of GS department 3 Halland/Kronoberg trade union

Own holdings and holdings of related parties: –

Carin Kärrå
Employee representative (deputy)

Born: 1964

Member of the Board since: 2016

Other assignments: –

Own holdings and holdings of related parties: –

Robert Wernersson
Employee representative

Born: 1965

Member of the Board since: 2012

Other assignments: Board member of Inwido Produktion AB and Elitfönster AB, Chairman Unionen, Växjö

Own holdings and holdings of related parties: –

Thomas Forslund
Authorized Public Accountant, KPMG AB

Born: 1965

Auditor for Inwido AB since: 2016

Group Management

Håkan Jeppsson
President and Chief Executive Officer (CEO)

Born: 1961

Education: Bachelor of Science in Business and Economics, Lund University and several training programmes for senior executives

Employed since: 2009

Member of Group Management since: 2009

Other positions: Chairman of Malmö FF, Board member Handelsbanken Malmö City, Board member Advisory Board at the Lund School of Economics at Lund University

Previous positions: President and CEO, BE Group AB (2002-2009), President, Papyrus AB (1999-2002), where he has also been a Board member

Own holdings and holdings of related parties: 401,051 shares, 4,000,000 convertibles, 48,000 warrants

Mikael Carleson
Senior Vice President, Sweden

Born: 1962

Education: Bachelor of Science in Economics, Lund University

Employed since: 2012

Member of Group Management since: 2012

Previous positions: SVP Inwido EBE (2012-2014), President Region EMEA & Global Manager Service Operations Cardo Flow solutions (2009-2011), Höganäs, President Region Europe (2008-2009)

Own holdings and holdings of related parties: 25,000 shares, 320,000 convertibles, 7,680 warrants

Philip Isell Lind af Hageby
Senior Vice President, Norway

Born: 1984

Education: Master of Science in Economics and Business, Stockholm School of Economics

Employed since: 2016

Member of Group Management since: 2016

Previous positions: Vice President International Sales and Marketing Director at SCAN COIN (2015), Director of Retail & Marketing at SCAN COIN (2013-2015) and Managing Director for SCAN COIN Scandinavia (2012-2015)

Own holdings and holdings of related parties: 300 shares, 125,000 convertibles, 3,000 warrants

Lars Jonsson
Senior Vice President,
Operations and Development

Born: 1965

Education: Law and personal management University West and various international management programmes

Employed since: 2015

Member of Group Management since: 2015

Previous positions: Executive VP/COO Specma Group AB (2012-2015), CEO Crane AB (2010-2012)

Own holdings and holdings of related parties: 140 shares, 200,000 convertibles, 4,800 warrants

Asger Drewes Jörgensen
Senior Vice President, Denmark

Born: 1975

Education: Master of Science, Business Administration, Copenhagen Business School

Employed since: 2016

Member of Group Management since: 2016

Previous positions: President and CEO Arla Foods USA (2012-2015), Head of Strategy Execution Arla Foods Germany/Netherlands (2012)

Own holdings and holdings of related parties: –

Timo Luhtaniemi
Senior Vice President, Finland
**Held position until 31 March 2017*

Born: 1963

Education: Master of Science in Engineering, Helsinki University of Technology and Master of Business Administration, Helsinki School of Economics

Employed since: 2006

Member of Group Management since: 2007

Other positions: Chairman of Siili Solutions AB and Board member of the Finnish wood products association (Puutuoteteollisuus ry/Träprodukt-industrin rf)

Previous positions: President of Siili Solutions AB (2005-2006), President of Endero Abp (2001-2005)

Own holdings and holdings of related parties: 42,000 shares (through companies)

Jonna Opitz
Senior Vice President, Marketing, Sales & Communication

Born: 1969

Education: Bachelor of Arts, Media and Communication, Växjö University. Executive MBA, Lund University

Employed since: 2009

Member of Group Management since: 2009

Previous positions: VP Corporate Communication ReadSoft AB (2006-2009), Corporate Communication Manager PartnerTech AB (2001-2006)

Own holdings and holdings of related parties: 20,000 shares, 835,200 convertibles, 12,000 warrants

Mads Storgaard Mehlsen
Senior Vice President, Emerging Business Europe

Born: 1971

Education: Master of Arts, Economics, Aalborg University

Employed since: 2007

Member of Group Management since: 2010

Other positions: Chairman Celebert A/S, Chairman Terndrup Taxa & Turistbussar A/S, Chairman Dansk Byggeri (and chair of the ”industrial section” and ”danskt byggmaterial”)

Previous positions: Board assistant, Aalborg Industries A/S (2004-2007), Authorized Public Accountant, KPMG (1993-2004)

Own holdings and holdings of related parties: –

Peter Welin
Chief Financial Officer, CFO

Born: 1973

Education: Master of Arts, Economics, Lund University

Employed since: 1998

Member of Group Management since: 2004

Previous positions: Business Area Manager for Inwido Sverige AB (2003-2004), President of Allmogefönster in Sweden (2000-2003)

Own holdings and holdings of related parties: 141,528 shares, 1,000,000 convertibles, 8,000 warrants

Lena Wessner
Senior Vice President, Human Resources, Organization and Sustainability

Born: 1961

Education: Bachelor of Science in Business and Economics, Lund University

Employed since: 2010

Member of Group Management since: 2010

Other positions: Board member of Aqilles Invest AB

Previous positions: HR Manager E.ON ES (2009-2010), Head of HR Operations Sony Ericsson Mobil Communication AB (2006-2009)

Own holdings and holdings of related parties: 12,500 shares, 750,000 convertibles, 9,000 warrants

Johan Berg
Senior Vice President, Finland
**Started position on 1 April 2017*

Born: 1961

Education: Master of Science in Economics, Hanken School of Economics, Helsinki

Employed since: 2017

Member of Group Management since: 2017

Previous positions: Loreal Baltics, Managing Director (2015-2017), Loreal Australia & New Zealand, Managing Director (2010-2015), Loreal Finland, Managing Director (2004-2010)

Own holdings and holdings of related parties: 2,000 shares

Contents

Directors' Report

The Board of Directors and the President and CEO of Inwido AB (publ), corporate identity number 556633-3828, domiciled in Sweden and with registered offices in Malmö, hereby present their annual report and consolidated annual accounts for the 2016 financial year.

Group relationships

Inwido AB (publ) is the Parent Company for the Inwido Group. The Inwido share is listed on the Nasdaq Stockholm exchange.

Operations

Inwido is Europe's largest supplier of windows and a leading door supplier. Inwido develops, manufactures and sells windows and doors, and related services and accessories to consumers, carpenters, installers, large building companies and manufacturers of prefabricated homes. Inwido has operations in Denmark, Finland, Norway, Sweden Estonia, Ireland, Lithuania, Poland, the UK, Germany and Austria, as well as exports to a large number of other countries. The Group markets more than 20 local brands including Elitfönster, SnickarPer, Hajom, Hemmafönster, Outline, Tiivi, Pihla, Diplomat, and Sokolka. Inwido has approximately 4,000 employees and generated sales of SEK 5,672 million in 2016. The Group's headquarters are located in Malmö, Sweden.

Seasonal variations

Inwido's operations are materially affected by seasonal variations and about 60 percent of sales occur during the periods April–June and August–October. The weakest period is the first quarter with about 20 percent of sales. The largest seasonal variations are within the consumer market, although sales to the industry market are also dependent on the season and weather.

Financial targets

Inwido's operations are governed by four financial targets aimed at providing shareholders with good returns and long-term growth in value.

Profitability

Inwido's profitability target is an operating EBITA margin of 12 percent. Inwido may not achieve the profitability target during years when the market trend is weaker. In such cases, Inwido will undertake measures to further enhance profitability, which Inwido has been successful with in the past.

Sales growth

Inwido's objective is to exceed growth in the company's current markets through organic growth, as well as selective acquisitions and initiatives in Europe.

Capital structure

Net debt in relation to operating EBITDA shall, excluding temporary deviations, not exceed a multiple of 2.5.

Dividend policy

Inwido aims to pay its shareholders an annual dividend that corresponds to approximately 50 percent of net profit, However, Inwido's financial status in relation to the target, cash flow and future prospects shall be taken into consideration.

See page 17 for further information on the financial targets.

Development of the market for windows

Market volumes increased in the individual Nordic markets in 2016. In Sweden, the market volume grew by just above 5 percent, driven mainly by a strong new construction market, while the other Nordic markets grew between 2 and 5 percent. Within EBE, mainly Ireland and the UK showed continued favourable market growth.

Key data

See page 33 for definitions of alternative ratios not defined by IFRS.

Group development

The process of creating a joint company with wholly owned subsidiaries began in 2009. Inwido has since implemented several broad-ranging changes in its processes and structures. This has included the consolidation of production capacity. In addition, increasing specialization and trade between business units have generated synergies. The process of efficiency enhancement will continue as part of our strategy to achieve synergies in a gradually more coordinated group.

In early 2016, production at the factory in Bjurträsk was phased out and transferred to other plants in the southern Swedish province of Småland. The volumes produced by the factories in Holstebro (which produced exclusively for the industry market) and Ugerløse were consolidated to the factories in Nykøbing Mors and Farsø as a consequence of the difficulties of conducting profitable business in the industry market. These measures are a result of our ongoing efforts to revise overall capacity and efficiency within Inwido. The resources freed-up in the form of lower costs and investments as a result of there being a smaller number of factories, will be used, among other things, for various initiatives for increased growth and profitability. The measures are expected to gradually lead to annual savings of SEK 50-60 million, with full effect from the 2017 full-year.

In 2016, Inwido acquired four companies, adding about SEK 900 million in annual sales. Additional information is provided under "Corporate acquisitions".

Towards the end of the year, Inwido's e-commerce concept was launched in the UK and Irish markets as a further step in the e-commerce initiative across Europe.

On the whole, 2016 was a record year for Inwido. Both volumes and profitability improved and operating EBITA was the highest to date in Inwido's history (see below for more details).

Consolidated net sales and profit

Group

Consolidated net sales rose to SEK 5,672 million (5,220) in 2016, with the equivalent figure for comparable units, adjusted for currency effects being 1 percent lower.

Consolidated EBITA rose to SEK 664 million (480) and the EBITA margin rose to 11.7 percent (9.2). Operating EBITA, that is, EBITA before items affecting comparability, increased to SEK 673 million (589). See "Items affecting comparability" below for additional information. The operating EBITA margin rose to 11.9 percent (11.3). The improvement in profitability is mainly attributable to higher sales volumes, a more favourable sales mix, with a higher share of consumer sales, and increased efficiency.

Net financial items amounted to an expense of SEK 59 million (39). The deviation for the full-year is mainly explained by a negative valuation effect regarding derivatives and expenses in connection with acquisition financing.

Consolidated profit before tax rose to SEK 597 million (421). Income taxes for 2016 amounted to SEK 151 million (125). Profit after tax rose to SEK 446 million (296). Earnings per share before dilution, increased to SEK 7.38 (5.10).

Operating segments

In **Sweden**, net sales amounted to SEK 2,141 million (2,207), corresponding to a reduction of 3 percent. Growth in the Swedish window market was favourable, driven primarily by a marked increase in construction of new homes. Over the year, Inwido's share of sales to large building companies decreased in line with more selective sales in this channel to achieve an acceptable level of profitability. Growth in the renovations market was not as strong as for new construction and Inwido's market share declined. In the spring of 2016, Inwido could not see any signs of declining willingness to invest in renovation, despite the less favourable terms for the ROT tax deduction introduced on 1 January 2016. From the end of the second quarter, however, reduced order bookings were noted in the consumer market. In combination with stricter amortization requirements applicable from 1 June 2016, this trend continued in the second half of the year. In Inwido's assessment, decisions to invest in new windows and doors were, in some cases, made sooner than planned in the second half of 2015, ahead of the reduction in the ROT deduction that commenced in January, 2016. Accordingly, the comparative figures for the second half of 2015 are likely to have been affected positively by this. Operating EBITA amounted to SEK 292 million (301) and the operating EBITA margin was unchanged at 13.6 percent. More selective industry sales and improved gross margins maintained profitability despite lower net sales. At the end of the period, Inwido's order backlog was 9 percent higher than at the end of the equivalent period in the preceding year.

In **Finland**, net sales rose to SEK 1,474 million (1,266), corresponding to unchanged net sales for comparable units and adjusted for currency effects. The consumer confidence index in Finland rose significantly over the year. At the same time, the Finnish window market showed growth in 2016. The acquired companies Värmelux and Klas1 developed favourably. Operating EBITA rose to SEK 192 million (154) and the operating EBITA margin rose to 13.0 percent (12.2). The operating EBITA margin rose as a result of increased efficiency and a positive effect by Värmelux on the average margin in Finland. At the end of the period, Inwido's order backlog was 49 percent higher in local currency than at the end of the equivalent period last year.

In **Denmark**, net sales rose to SEK 1,057 million (960), corresponding to a decrease of 4 percent for comparable units and adjusted for exchange rate effects. The strategic decision entailing a factory closure in the industry market had a significant negative effect on sales over the year (the comparative figures above are not adjusted for this reduction in volume). At the same time, sales through installers, where, for example, the newly acquired Outrup operates, developed positively. The Danish window market grew for the third consecutive year and Inwido increased its market share slightly. Operating EBITA rose to SEK 199 million (163), while the operating EBITA margin rose to 18.9 percent (17.0). With industry sales gradually being phased out over the year, a more favourable trend in price and mix development and improved efficiency, this had a positive effect on profitability. At the end of the period, Inwido's order backlog was 8 percent lower in local currency for comparable units than at the end of the corresponding period last year. Nonetheless, the order backlog is not comparable with previous year because of the strategic shift in the industry market.

In **EBE**, net sales rose to SEK 733 million (561), corresponding to an increase of 4 percent for comparable units adjusted for currency effects. Operating EBITA amounted to SEK 12 million (22) and the operating EBITA margin was 1.6 percent (4.0). The lower earnings are attributable to the wooden windows operations in the UK. At the same time, the UK PVC company, CWG, has shown favourable development since its acquisition in the summer of 2016. The positive trend in e-commerce also continued, with sales growing by about 12 percent in 2016. Inwido now has e-Commerce operations in seven markets, with launches in the UK and Ireland in late 2016. The operations in Poland and Ireland also showed positive development. At the end of the period, Inwido's order backlog was 20 percent higher than at the end of the year-earlier period.

In **Norway**, net sales amounted to SEK 234 million (234), corresponding to an increase of 2 percent adjusted for currency effects. The higher net sales, combined with a more favourable product mix and the impact of the comprehensive programme of measures implemented resulted in the Norwegian business taking an additional step towards positive operating earnings. Operating EBITA amounted to a negative SEK 7 million (25) and the operating EBITA margin was a negative 2.8 percent (10.8). At the end of the period, Inwido's order backlog was 26 percent higher in local currency than at the end of the equivalent period last year.

Items affecting comparability

Items affecting comparability relates to income statement items that are non-recurring, have a significant impact on profit and are important for understanding the underlying development of operations. In particular, the costs relate to restructuring measures during a consolidation phase, in which the company enhances efficiency through, for example, closures or reorganization of production facilities and sales units. These expenses primarily consist of impairment of assets, personnel costs and other external expenses.

In 2016, items affecting comparability amounted to a negative SEK 10 million (109), mainly attributable to the net of acquisition-related expenses and the reversal of an additional purchase consideration for the acquisition of Jack Brunsdon & Son.

Cash flow

Cash flow from operating activities was SEK 489 million (519). Cash flow in 2016 was negatively affected by restructuring measures adopted in the fourth quarter of 2015 and by unrealized exchange rate differences.

Cash flow from investing operations amounted to a negative SEK 524 million (183). The higher level of investment compared with the corresponding period in the preceding year is primarily due to acquisitions.

Cash flow from financing activities was SEK 97 million (negative 177). The change from last year is mainly explained by the bank loans raised in connection with acquisitions.

Gross investments, depreciation, amortization and impairment

Gross investments in tangible fixed assets amounted to SEK 137 million (113) and depreciation, amortization and impairment to SEK 136 million (142).

Financial position and liquidity

Inwido's principal external financing consists of bank loans. The long-term credit facilities amount to SEK 2,230 million, comprising term loans of SEK 1,580 million and a revolving credit facility of SEK 650 million. The credit agreement matures in September 2019. The agreement includes financial covenants that are followed up on a quarterly basis. Inwido meets the terms of existing credit agreements.

Consolidated net debt was SEK 1,667 million (877) at the end the year. Of the reported net debt, the current value of expected purchase considerations for the remaining 17 percent stake in Värmelux amounted to about SEK 72 million and the current value of expected purchase considerations for the remaining 75 percent stake in Outrup Vinduer & Døre at SEK 281 million. The put option issued with regard to Värmelux and the futures contracts held with regard to Outrup Vinduer & Døre are reported in equity and correspond to the net current value calculated at the time at which these balance sheet items arose.

At the end of the year, the debt level, calculated as interest-bearing net debt/operating EBITDA, was 2.1 (1.2). If the full-year effect of the acquired companies' EBITDA is included, net interest-bearing debt/operating EBITDA amounted to 1.9. The net debt/equity ratio was 0.6 (0.3). Consolidated cash and equivalents were SEK 309 million (245) at the end of the period. Available funds, including unutilized credit facilities, amounted to SEK 1,050 million (774).

Corporate acquisitions

Värmelux

On 12 May 2016, Inwido completed the acquisition of 82.77 percent of the shares in the Finnish window and door company Värmelux Oy, which owns and operates the Lämpölux brand. The purchase price amounted to EUR 20.5 million, corresponding to a debt-free enterprise value for 100 percent of the company of SEK 43.5 million. Inwido also has an option to gradually acquire the remaining 17 percent of shares, which are held by senior executives of Värmelux, by the first half of 2019. The purchase consideration on exercising the option will be based on Värmelux's financial performance up until 2019. The acquisition of Värmelux was financed with available cash and equivalents and by raising bank loans, and had a positive impact on Inwido's earnings per share. Värmelux was consolidated as of 1 May 2016.

The acquisition has strengthened Inwido's position in the Finnish market and is expected to generate significant opportunities for synergies with Inwido's existing operations and for expansion. Lämpölux, which has been in the market since 2010, sells and installs windows, doors and garage doors made of wood and wood/aluminium through 18 sales offices throughout Finland. The Company, which was founded by the current management team, has no proprietary production, but has been a customer of Inwido Finland, among others.

CWG Choices

On 29 July 2016, the acquisition was completed of 100 percent of the shares in the UK window and door company CWG Choices Ltd. CWG is a leading manufacturer of PVC-based windows and doors with a presence mainly in southern and central England. Inwido acquired 100 percent of the shares in CWG for GBP 11.6 million on a debt-free basis. The acquisition of CWG was financed with available cash and equivalents and by raising bank loans, and had a positive impact on Inwido's earnings per share. CWG was consolidated as of 1 August 2016.

In the UK, PVC windows account for about 80 percent of the market. With this acquisition, Inwido complements the product offering of its UK sister companies Allan Bros. and Jack Brunsdon & Son by establishing itself in the market for PVC-based windows and doors.

With the acquisition of CWG, Inwido has strengthened its position in the UK and also in the important and profitable channel where sales to final consumers are made through installers. Inwido has also been given the opportunity to sell wood-based products through this channel.

Outrup Vinduer & Døre

On 16 August 2016, the acquisition was completed of 25 percent of the shares in the Danish company Outrup Vinduer & Døre A/S for DKK 63 million on a debt-free basis. The acquisition of 25 percent of the shares was financed with available cash and equivalents and by raising bank loans, and had a positive impact on Inwido's earnings per share. The parties also agreed that the remaining shares will be acquired at the beginning of 2018 (65 percent) and 2019 (10 percent). The purchase consideration for the remaining shares will be based on the future financial performance of Outrup Vinduer & Døre. The Competition Authority's approval applies to the acquisition of 100 percent of the shares. Outrup Vinduer & Døre was consolidated from 1 August 2016.

The acquisition has strengthened Inwido's position in the Danish market and is expected to generate significant growth opportunities and synergies with Inwido's existing operations.

Klas1

On 1 July 2016, Inwido entered into an agreement to acquire Klas1 Yhtiöt Oy, a company with annual sales of approximately EUR 1.5 million. With this acquisition, Inwido will be able to meet architects' requirements for challenging architectural solutions.

Staff

There were an average 3,741 (3,370) employees in the Inwido Group during the year. See the section "Employees" and Note 8 for further information.

Environment and sustainability

The Group ascribes great importance to adhering to and exceeding legal requirements in the area of the environment and conforming to the Group's environmental policy. Of the Group's total net sales in Sweden, a large proportion derive from activities requiring permits or compulsory registration. The Group's other production units have been inspected by local environmental authorities and meet the requirements imposed by local environmental legislation.

The subsidiary Inwido Sverige AB and its subsidiaries, as well and Inwido Supply AB are affiliated to an active and goal-oriented environmental programme. Inwido's Swedish units operate in a network, working together on environmental issues and improvement projects. All of Inwido Sweden's production units are environmentally certified in accordance with ISO 14001. All production units within Inwido Sweden conduct operations requiring permits or registration in accordance with Swedish environmental legislation. The obligation to undergo testing applies to the use of solvents and the operation of solid fuel furnaces.

In Sweden, Inwido conducts operations requiring permits at five operational locations: Lenhovda in Kronoberg County and Vetlanda, Hånger, Bankeryd and Sävsjö in Jönköping County. The permit for Lenhovda applies to the manufacture of windows and sealed glass panes. The permit for Vetlanda applies to the manufacture of windows. The permits for Hånger and Bankeryd apply to the manufacture of doors. The probationary permit for Sävsjö applies to the pre-treatment and powder coating of aluminium profiles. Operations requiring registration are conducted at three sites: Vetlanda in Jönköping County, Hajom in Västra Götaland County and Väröbacka in Halland County. The facilities for which permits are required adhere to the decisions made by the environmental committees of the relevant municipalities.

The operations primarily affect the environment through emissions of solvents and dust to the atmosphere as a result of surface treatment and impregnation, as well as the operation of solid fuel furnaces. Solvent-filtration plants have been installed in Lenhovda, Vetlanda, Hånger and Bankeryd. In Hajom and Väröbacka, solvents are used to such a minor extent that filtration is not required. At the other facilities, surface treatments are carried out using water-based paints and filtration is not required. Flue-gas filtration to reduce dust emissions has been installed at all operation facilities. Current permits cover the production volumes expected in 2017.

Inwido is working purposefully to reduce the Group's energy consumption, carbon dioxide emissions and other emissions, as well as monitoring and controlling waste and materials with the objective of reducing negative environmental impact. Other key sustainability-related areas of focus for Inwido are sustainable products and transactions and a safe and stimulating work environment. See the "Sustainability" section for further information on Inwido's sustainability efforts.

Risks and risk management

The governance of Inwido is based on the company's Articles of Association, the Swedish Companies Act, other relevant Swedish and foreign regulations and legislation, and internal guidelines. Inwido's governance is also based on Nasdaq Stockholm's regulations for issuers, as well as the Swedish Corporate Governance Code ("the Code"). Inwido followed the Code in all respects in 2016. See the Corporate Governance Report in this Annual Report or Inwido's website, inwido.com, for further information about the corporate governance principles applied by Inwido.

Inwido defines risk as something that can affect Inwido's achievement of targets negatively. Risk is a natural part of all business operations, but can be managed and it is the responsibility of Group management to ensure that risks are identified and managed. In turn, this requires an effective and structured risk management process. The overall objective of Inwido's risk management is to ensure a systematic approach to identifying risks and ensuring that they are managed from an early stage. The objective is also to make risk management a natural part of day-to-day operations by engendering a culture of risk awareness among all employees and a knowledge of how to manage risks to achieve business objectives.

The governing document for Inwido's risk management consists of a Group Risk and Insurance Policy. The purpose of this document is to define Inwido's view of risk by setting out objectives and responsibilities. The Board of Directors reviews and approves the Group Risk and Insurance Policy.

The President and CEO is ultimately responsible for the implementation and enforcement of the risk management process and for keeping the Board of Directors updated on an ongoing basis. The President and CEO is also responsible for the risk management process being developed, adapted and reviewed.

In the process of identifying risks that should either be eliminated and prevented, or simply identified and monitored, a "Risk Mapping Matrix" is prepared each year. Each Business Area Manager and Business Unit Manager is responsible for this mapping of risks and for assessing the probability of risks occurring and their potential effects – in monetary terms if possible. Inwido's Group management and the local management teams then define together what risks can be considered acceptable and how the risks that are unacceptable, should be managed (through plans of action) to make them acceptable. The local Business Area Managers, Business Unit Managers and heads of central staff units are responsible for the implementation of risk management within their respective business areas, business units or areas of responsibility.

Inwido divides risks between financial, operational and external risks.

The financial risks are managed primarily by the central finance department. The responsibility of the Board and President and CEO for internal control regarding financial reporting is regulated by the Swedish Companies Act. The Board's responsibility is also regulated in the Code. In accordance with the Code, the Board shall describe how the internal control of financial reporting is organized, which is carried out through the Corporate Governance Report.

The principal purpose of internal control is to ensure the achievement of the company's targets for appropriate and efficient operations, reliable reporting and adherence to applicable legislation and regulations. Internal control relating to financial reporting serves to provide reasonable security with regard to the reliability of external financial reporting and to ensure that external financial reports are prepared in accordance with legislation and applicable accounting standards. See the Corporate Governance Report in this Annual Report or Inwido's website, inwido.com, for further information on internal control regarding financial reporting.

Operational and external risks are managed by the operating units supported by the central functions. The overview below shows the overall risks within each risk category and how Inwido manages those risks.

Financial risks

RISK	MANAGEMENT/EXPOSURE
Financial credit risks	
Credit risks in financial management relate primarily to the probability of financial losses resulting from counterparties' incapacity to meet contractual obligations arising from financial transactions or instruments.	Financial credit risks are limited by using counterparties with a high level of creditworthiness. In 2016, no credit losses were incurred as a consequence of investments in cash equivalents or financial instruments.
Currency risks	
Transaction exposure	
The Group is exposed to currency risk in the form of transaction exposures arising through purchases and sales of goods and services in currencies other than each Group company's local currency.	The Group applies a finance policy adopted by the Board of Directors. Transaction exposure shall primarily be minimized through internal measures such as matching of flows and choice of invoicing currency. Currency clauses can be used if contractually transparent and possible to follow up, ensuring that the Group is not exposed to any hidden currency risks. Secondarily, currency risks are to be mitigated by means of financial instruments.

Currency hedging is arranged with maturities of up to 12 months and is based on the latest estimates available. Currency hedges must meet the following conditions with an accuracy of about +/– 20 percentage points:

Contracted future payments for non-current assets in foreign currency may be secured up to the full cost.

No hedging is required if the net exposure to any single currency is less than the equivalent of EUR 500,000 annually.

Hedging horizon	Hedging level
1-3 months	70%
4-6 months	60%
7-9 months	40%
10-12 months	20%

Translation exposure

When subsidiaries' balance sheets in local currency are translated into SEK, a translation difference arises as a consequence of the current year being translated at a different closing rate than the previous year. The income statement is translated at the average exchange rate for the year while the balance sheet is translated at the exchange rate as per 31 December. The translation exposure forms the risk represented by the translation difference as the change in shareholders' equity.

The Group does not hedge this risk. An annual analysis is made of the translation exposure trend and the related risks. See Note 2.

Interest rate risk

Interest rate risk represents how changes in market interest rates affect cash flow and the Group's earnings, as well as the value of financial instruments.

Management of the Group's interest exposure is centralized, meaning that the central finance function is responsible for identifying and managing this exposure in accordance with the finance policy adopted by the Board of Directors. The proportion of gross borrowing with fixed interest may not exceed 50 percent. The average period of fixed interest on the Group's gross borrowing may not exceed three years.

Financing and liquidity risks

Financing and liquidity risks represent the risk that it will be difficult or costly to refinance loans reaching maturity or that it will not be possible to meet payment obligations due to insufficient liquidity or difficulties in obtaining external financing.

Inwido seeks to achieve good planning and foresight with regard to funding issues with the objective of Inwido always being offered cost-effective financing on favourable market terms for comparable borrowers. To safeguard adequate payment capacity, Inwido's objective is to secure sufficient liquidity or credit facilities. The Group's debt/equity ratio and forecasts of its liquidity are followed up on an on-going basis. See Note 2.

Operational risks

RISK | MANAGEMENT/EXPOSURE

Risk of losses on trade and other receivables

The risk that the Group's customers fail to meet their payment obligations for accounts receivable constitutes a customer credit risk.

Inwido reduces counterparty risks relating to customers by applying the Group's credit policy. Credit checks are performed on the Group's customers with information regarding their financial status being obtained from various credit information agencies. The risk of credit losses is also limited through credit insurance, which covers the majority of Inwido's insurable receivables. Bank guarantees or other sureties are required of customers with low credit ratings or insufficient credit history. Trade and other receivables are subjected to on-going age analysis. The assessment of credit risk is primarily managed by each subsidiary.

As per the balance sheet date, there were no significant concentrations of customer credit exposures. See Note 2.

Refund and product liability risks

Inwido could incur expenses in correcting faults in delivered products and, in certain cases installation, and could be found liable for damages to individuals or property.

Inwido seeks to limit these risks by following locally adapted procedures for quality assurance and through extensive testing of the Group's products. In 2016, compensation expenses incurred as a consequence of complaints amounted to approximately 2.0 percent (1.9) of net sales.

Human capital risk

It is important for Inwido to be able to attract and retain qualified employees. The loss of key individuals could negatively affect the Group's earning capacity.

Inwido works actively to safeguard regeneration and identify future leaders. Senior executives are regularly assessed to identify needs vis-à-vis on-going in-service training and competence development. In addition to applying a market-based salary structure, Inwido also uses various forms of incentives for key individuals within the Group.

Risk of operational interruptions

Inwido could be affected by operational interruptions due to equipment failure, fire, strikes or natural disasters, for example.

Together with its insurance advisors, Inwido conducts regular risk inspections of its production units. The results of these inspections are used to implement preventative measures to reduce the risk of disruptions and accidents in operations. Inwido is, to a certain extent, able to transfer production to other units, mainly within each respective market, in the event that a unit becomes inoperative.

Inwido also strives to maintain well-functioning cooperation with local trade union organizations, thereby reducing the risk of conflicts and strikes.

Risk associated with product development

Inwido's sustained earnings and competitive vigour is to some extent dependent on its capacity to develop and sell new innovative products and solutions demanded by customers. In recent years, market requirements have increased, including in terms of the products' energy performance. Extensive and successful product development by competitors could entail risks in the form of weaker sales for Inwido, and that Inwido must invest significant additional amounts in its own product development in the future. Furthermore, companies currently working in adjacent fields may decide to establish themselves in Inwido's area of operations.

Through Inwido's strong market presence, shifts, trends and new requirements from customers and other stakeholders are caught, providing a basis for the focused, on-going development of the product portfolio. An important part of Inwido's strategy is to develop new products in the areas it considers important for continued growth and to retain its market share. Among other things, Inwido prioritizes the development of new products for the smart home.

Business development risks

Risks associated with business development such as corporate acquisitions and the Group's long-term strategic focus.

In connection with acquisitions, there is a risk that business risks associated with the acquired companies arise. Establishing operations in new markets may also bring unexpected costs for Inwido. In addition to company-specific and geographic risks, the acquired company's relationships with key personnel, customers and suppliers may be adversely affected. There is also a risk that integration processes could take longer than expected, be more costly than anticipated, and that expected synergies totally or partially fail to materialize. This may mean that the asset values attributable to the acquisitions (goodwill) cannot be realized and consequently that it may be necessary to recognize impairment in those values.

Inwido has developed procedures for the analysis, implementation, review and integration of acquisitions, including due diligence. Risks associated with the Group's long-term planning are primarily addressed once a year when the Board adopts the Group's strategic plan.

Corporate governance and policy risks

Risks associated with Group executives making decisions that do not agree with Inwido's strategy, internal guidelines and policy documents. Furthermore, employees at Inwido and others with a close relation to Inwido, as well as its customers and suppliers, could commit acts that are unethical, illegal (for example, in violation of applicable corruption and bribery legislation) or that otherwise contravene applicable legislation and regulations or Inwido's internal guidelines and policies. If Inwido's internal controls and other measures to safeguard compliance with laws, regulations, internal guidelines and policy documents prove insufficient, Inwido's reputation may be damaged and its operations, financial position and earnings could be negatively affected.

Inwido develops internal control procedures on an on-going basis. Examples include the division of duties between the Board and the President and CEO, reporting instructions and Inwido's code of conduct.

Insurance risks

Insurance risk involves the expenses that Inwido could incur due to inadequate insurance cover for products, property, disruptions, liability, the environment, transport, life and pensions.

The Group applies a coordinated programme for insurance and secures insurance policies to the extent that this is considered commercially motivated. At the same time, continuous efforts are made to minimize risks in operations through proactive measures. Insurance cover is also maintained for Inwido's senior executives and Board members. Inwido takes the view that its insurance protection is appropriate for the risks normally associated with its operations. There is naturally no guarantee that Inwido will not incur losses beyond the scope of its insurance cover.

Risk associated with IT systems

Inwido's ability to effectively and securely manage sales and other business-critical operations depends on Inwido's IT systems and processes working well and without interruption. Such systems can be disrupted by, for example, software failures, computer viruses, hacking, sabotage and physical damage. Several different business systems are used within Inwido. Most of these are customized and do not intercommunicate, resulting in a certain degree of task duplication and an increased risk of error in connection with internal sales, for example. Customized business systems can also entail Inwido being dependent on external and internal key competencies and access to external expertise regarding the Group's business systems being limited.

Since the end of 2014, Inwido has begun an extensive process to gradually centralize IT. This will entail greater coordination between business units within Inwido and will facilitate the future use of common systems. Inwido is also focusing on maintaining and, to an appropriate extent, disseminating relevant IT skills in-house to minimize its vulnerability with regard to unique business systems.

Risk associated with suppliers

Inwido's products consist of components from several different suppliers. To be able to manufacture, sell and deliver products, Inwido is dependent on external suppliers meeting agreed requirements regarding volumes, quality and delivery times for example. Deliveries from suppliers that are inaccurate, delayed or that fail to materialize may mean, in turn, that Inwido's deliveries are delayed or must be cancelled, or are deficient or incorrect.

Inwido does not have full insight into its suppliers' operations and consequently it has only a limited capacity to ascertain that its efforts to ensure that suppliers operate in a sustainable and responsible way have an impact. Therefore, Inwido is also exposed to the risk that suppliers act in a manner that could harm Inwido's reputation and brands.

Inwido has close partnerships with leading suppliers within each component group and also reduces the risk of a possible dependence by sourcing through alternative suppliers. Furthermore, Inwido has pre-established contingency plans for the most critical supplies of components, and these plans are reviewed annually. To safeguard supply and to increase its control of the value chain, the Inwido Group also includes a number of companies that produce sealed window panes and fittings and refine aluminium profiles.

Inwido is committed to responsible business and has the ambition that this approach should permeate the entire value chain. As part of this, Inwido requires all major suppliers to acquaint themselves with and sign Inwido's code of conduct for business partners.

External risks

RISK	MANAGEMENT/EXPOSURE
Market risk	
Demand for Inwido's products is affected by activity in the housing market and overall consumer confidence, among other factors. The new building market is more cyclical than the renovation market. In a general economic downturn with lower building activity, demand for Inwido's products and services could decrease. Political decisions can also influence customer demand independently of economic trends (see Political decisions below).	Inwido maintains a presence in a large number of countries and in different market segments, thereby balancing, to a certain extent, various country-specific risks. In addition, most of Inwido's sales take place in the less cyclical consumer market. Inwido's operations are also affected favourably by the debate on climate change and increasing demands for energy-efficient housing, which are not particularly affected by economic trends.
Competition	
Inwido operates in markets that primarily comprise a large number of local competitors but that also include companies that operate internationally.	Inwido is Europe's largest supplier of windows and a leading door supplier, with a strong market position in most of its markets. Inwido's size allows it to derive economies of scale and benefit from best practices in areas including purchasing, product development, production and processes. Inwido constantly strives to meet customer needs with new, innovative, energy-efficient and attractively designed products. This is one of the most important prerequisites for the Group's future competitiveness.
Prices for raw materials	
Inwido relies on ongoing deliveries of wood, glass, aluminium, fittings, etc. Inadequate supply could entail increased expenses and, in certain cases, disrupted production. Normally, there is a certain displacement between purchase and sales price adjustments due to agreements entered with suppliers and customers. Altered price levels affect Inwido's purchasing prices with a delay of up to six months.	Inwido has built up its relations with key suppliers over many years. Inwido's central purchasing organization coordinates purchases of the major material categories. By centralizing its purchasing, Inwido is able to enhance its negotiating position and cut costs for materials.
Political decisions	
Political decisions can affect demand positively or negatively. Political decisions include changes in tax legislation in countries where Inwido operates. Changes in taxation and subsidies for homes and residential building can, in the long term, affect demand for Inwido's products and services. In addition, changed standards and regulations regarding residential building can impose requirements for changes in the product range in specific markets.	The Group mostly operates in countries where the risk of political decisions that would drastically change its market conditions is judged to be relatively low. In addition, Inwido is active in local industrial organizations that often provide Inwido with early insight into external changes that may affect its business operations.
Risk of legal disputes	
This risk involves the expenses that the Group could incur as a consequence of pursuing legal processes, expenses associated with settlements and expenses for any damages it is required to pay.	Inwido's assessment is that there are currently no disputes that could have a material impact on the Group's financial position. Where necessary, Inwido makes provisions for perceived risks of possible losses.
Tax risks	
Inwido conducts operations in several countries. Operations, including the implementation of transactions between Group companies, are conducted in accordance with Inwido's interpretation of applicable tax laws, tax agreements and other regulations in the area of tax law and the requirements of the relevant tax authorities. It is not certain that Inwido's interpretation of the aforementioned laws, agreements, other regulations and requirements is correct in all regards.	Inwido works according to the guidelines in the Group's internal pricing policy.

Significant events after the end of the financial year

No significant events have occurred after the end of the year.

Parent Company

The Parent Company is a public limited company with registered offices in Sweden. The Parent Company, Inwido AB (publ), is purely a holding company with no operations of its own. The Parent Company's profit mainly reflects the net of revenues for joint Group services and deductions for wages, other remunerations and interest expenses.

The share and ownership

On 26 September 2014, Inwido's shares were listed on the Nasdaq Stockholm exchange in the Mid-Cap segment. On 31 December 2016, Inwido AB's paid and registered share capital was SEK 231,870,112 and there was a total of 57,967,528 issued and registered shares. The corresponding number of shares after dilution was 58,071,472. The Company has one (1) class of shares. Each share entitles the holder to one vote at general meetings. On 31 December 2016, the closing price was SEK 94.50 and the company's market capitalization was SEK 5,478 million. At the end of the year, the single largest shareholder, Fjärde AP-fonden, held 9.8 percent of the shares. See "The Inwido share" on page 92 for more information on the share and shareholders.

Guidelines for remuneration and other terms of employment for Group management 2016

Under the Companies Act, the Annual General Meeting shall adopt guidelines for remuneration to the President and CEO and other senior executives. The following guidelines were adopted by the 2016 Annual General Meeting:

Remuneration and terms for senior executives shall be based on local market conditions and consist of a balanced mix of fixed salary, variable compensation, pension benefits, other benefits and terms of dismissal. Cash remuneration shall consist of fixed and variable remuneration. Fixed and variable remuneration shall be related to the executive's responsibilities and authority. Variable remuneration shall be based on performance in relation to set targets. Variable remuneration shall be maximized and may not exceed 50 percent of fixed annual salary. Variable remuneration may also be paid in the form of long-term incentive plans. Programmes for variable remuneration should be structured such that the Board, where exceptional circumstances prevail, is able to restrict or withhold payment of variable remuneration in the event that such action is deemed reasonable and consistent with the company's responsibilities towards its shareholders, employees and other stakeholders. Pension benefits shall be in the form defined contribution plans. With reservation for diverging mandatory national rules, the retirement age for the CEO is to be 60 years and for other executives 65. Variable compensation of at most 50 percent of the maximum variable remuneration should be pension-qualifying for senior executives. For the President and CEO, pension provisions are to be made equivalent to 30 percent of fixed salary. Benefits other than fixed salary, variable remuneration and pension benefits are to be applied restrictively. Salary may be exchanged for a company car benefit or pension benefits. Combined, fixed salary during the period of notice and severance pay shall not exceed an amount equivalent to fixed salary for 12 months; for the President and CEO, a period of 18 months applies. The Board of Directors shall have the right to deviate from these guidelines in individual cases if specific reasons motivate this. In the event that the guidelines are disregarded, the reasons are to be accounted for at the ensuing Annual General Meeting. To the extent a Board member performs work on the company's behalf, alongside his/her board work, it shall be possible to pay consulting fees and other compensation for such work. In the event that the employment contract is terminated by the company, the President and CEO is entitled to remuneration over a period of 18 months. In the event of termination by the President and CEO, a notice period of six months applies. For other senior executives, the corresponding periods are twelve and six months respectively.

The Board's proposed guidelines for remuneration and other terms of employment for Group management in 2017

The Board has resolved to propose to the 2017 Annual General Meeting that the guidelines for determining salaries and other remuneration to senior executives remain unchanged.

Incentive programmes

The 2016 Annual General Meeting approved the Board's proposal on the establishment of a long-term incentive programme consisting of two parts: an issue of convertibles with the opportunity for all employees to participate and an issue of subscription warrants to approximately 50 of the company's senior executives and so-called Senior Leaders.

The convertible loan amounts to at most SEK 40 million, or what corresponds to a maximum increase of the share capital by SEK 1.2 million applying the established conversion price. The convertibles are interest-bearing, issued at nominal amount, corresponding to their market value, and can be convertible into new shares from 1 August 2019 to 15 September 2019. All employees were entitled to subscribe in accordance with the principles presented in the Board of Directors' proposal. The conversion price is SEK 130.30.

The warrants issue will encompass a maximum 500,000 warrants issued to Inwido's wholly owned subsidiary, Inwido Europe AB, to later be transferred to the company's senior executives and Senior Leaders. Transfer is to take place at market value at the time of transfer and allocations will be made according to the principles presented in the Board of Directors' proposal. The subscription of shares based on the warrants is to take place during the period from 1 August 2019 to 15 September 2019. The subscription price corresponds to the conversion price for the convertibles of SEK 130.30.

Inwido AB held an Extraordinary General Meeting on 26 August 2016 in response to the Board's proposal to supplement the existing incentive programme. The Extraordinary General Meeting approved the Board's proposal for an additional long-term incentive programme comprising two parts: an issue of convertibles and an issue of warrants. The incentive programme targets certain individuals in Group management and so-called Senior Leaders, who wished to, but for reasons of insider information, were unable to participate in the incentive programme that the Annual General Meeting adopted on 10 May 2016. The supplementary incentive programme replaces, in part, the incentive programme adopted at the Annual General Meeting and entails no further dilution beyond the original programme.

The convertible loan shall not exceed SEK 12 million. The convertibles are interest-bearing, issued at nominal amount, corresponding to their market value, and can be convertible into new shares from 1 September 2019 to 15 September 2019. The conversion price is SEK 139.20.

The warrants issue will encompass a maximum 144,000 warrants issued to Inwido's wholly owned subsidiary, Inwido Europe AB, to later be transferred to the participants of the program. Transfer shall take place at market value at the time of transfer.

The subscription of shares based on the warrants is to take place during the period from 1 September 2019 to 15 September 2019. The subscription price corresponds to the conversion price for the convertibles of SEK 139.20.

Corporate governance report

See pages 35–39 in the separate Corporate Governance Report.

Proposed treatment of profit

The following funds in the Parent Company are at the disposal of the Annual General Meeting:

Share premium reserve	890,662,715
Accumulated profit	329,505,503
Profit/loss for the year	204,769,723
Total, SEK	**1,424,937,941**

The Board of Directors and President and CEO propose that the profit at the disposal of the Annual General Meeting be distributed in the following manner:

Distributed to shareholders:	
SEK 3.50 per share	202,886,348
Brought forward to new account, SEK	1,222,051,593
Total, SEK	**1,424,937,941**

The Board proposes a dividend for the 2016 financial year of SEK 3.50 per share (2.50). The record date for entitlement to dividends is 11 May 2017. If the Annual General Meeting approves the proposal, it is anticipated that the dividend will be paid on 16 May 2017.

Outlook for 2017

We continue to work towards our vision – to improve life at home – while continuously reviewing our structure to identify further efficiencies. Continued strong growth in sales and profit is being assigned high priority. External developments, both political and financial, remain uncertain with many risks that could affect our business.

Based on the position we have managed to achieve in recent years, we are, on the whole, optimistic about 2017.

Consolidated statement of comprehensive income

1 January – 31 December, SEKm	Note	2016	2015
Net sales	3	5,672.4	5,220.1
Cost of goods sold	10	-4,085.0	-3,937.2
Gross profit		**1,587.4**	**1,282.9**
Other operating income	6	24.6	10.6
Selling expenses	10	-551.2	-468.7
Administrative expenses	9, 10	-348.5	-324.2
Research and development expenses	10	-41.9	-39.3
Other operating expenses	7	-16.4	-2.4
Participations in the profit of associated companies	15	1.8	1.2
Operating profit	8, 24	**655.7**	**460.2**
Financial income	11	3.4	7.8
Financial expenses	11	-62.2	-47.1
Net financial items		**-58.8**	**-39.3**
Profit before tax		**597.0**	**420.8**
Taxes	12	-150.7	-125.2
Profit for the year		**446.3**	**295.7**
Other comprehensive income			
Items reallocated to, or that can be reallocated to profit for the year			
Translation differences, foreign operations		100.3	-80.8
Tax attributable to other comprehensive income		-	-
Other comprehensive income for the year		**100.3**	**-80.8**
Comprehensive income for the year		**546.5**	**214.8**
Profit for the year attributable to:			
Parent Company shareholders		427.7	295.6
Non-controlling interests		18.6	0.1
		446.3	**295.7**
Comprehensive income for the year attributable to:			
Parent Company shareholders		527.6	214.8
Non-controlling interests		18.9	0.1
		546.5	**214.8**
Earnings per share			
Before dilution (SEK)	19	7.38	5.10
After dilution (SEK)		**7.37**	**5.10**

Consolidated statement of financial position

As per 31 December, SEKm	Note	2016	2015
Assets	2		
Intangible non-current assets	13	3,946.9	3,239.5
Tangible non-current assets	14	764.8	628.9
Participations in associated companies	15	9.9	11.2
Financial investments	2	5.4	4.9
Deferred tax assets	12	68.4	74.2
Other non-current assets	2	34.7	34.8
Total non-current assets		**4,830.1**	**3,993.4**
Inventories	17	449.1	400.8
Current tax assets		40.6	55.0
Trade and other receivables	2	566.2	419.4
Prepaid expenses and accrued income		61.4	43.8
Other receivables	2	55.5	49.1
Cash and equivalents	2, 18	308.6	244.6
Total current assets		**1,481.4**	**1,212.6**
Total assets		**6,311.5**	**5,206.0**
Shareholders' equity	19		
Share capital		231.9	231.9
Other capital provided		946.0	943.5
Other reserves		67.0	-33.0
Profit brought forward including profit for the year		1,679.3	1,748.6
Equity attributable to Parent Company shareholders		**2,924.1**	**2,891.0**
Non-controlling interests		**88.5**	**-0.1**
Total shareholders' equity		**3,012.6**	**2,890.9**
Liabilities	2		
Non-current interest-bearing liabilities	20	1,942.8	1,090.3
Deferred tax liabilities	12	125.0	86.8
Other liabilities		32.6	9.5
Total non-current liabilities		**2,100.4**	**1,186.6**
Other current interest-bearing liabilities	20	49.6	47.5
Other provisions	22	70.2	108.9
Trade and other payables		403.9	349.9
Current tax liabilities		135.5	122.9
Other liabilities		174.4	161.7
Accrued expenses and prepaid income	23	365.0	337.5
Total current liabilities		**1,198.5**	**1,128.5**
Total liabilities		**3,298.9**	**2,315.1**
Total equity and liabilities		**6,311.5**	**5,206.0**

Information on the Group's pledged assets and contingent liabilities, see Note 25.

Consolidated statement of changes in equity

2015, SEKm	Equity attributable to Parent Company shareholders: Share capital	Other capital contri-butions	Trans-lation-reserve	Retained earnings	Total	Non-controlling interests	Total equity
Equity, opening balance, 1 Jan 2015	**231.9**	**943.5**	**47.8**	**1,569.4**	**2,792.5**	**0.8**	**2,793.3**
Profit/loss for the year				**295.6**	**295.6**	**0.1**	**295.7**
Other comprehensive income							
Change in translation reserve for the year (exchange rate difference)			-80.8		-80.8	0.0	-80.8
Other comprehensive income for the period			**-80.8**		**-80.8**	**0.0**	**-80.8**
Total comprehensive income for the period, excluding transactions with the company's owners			**-80.8**	**295.6**	**214.8**	**0.1**	**214.8**
Transactions with the Group's owners							
Dividend				-115.9	-115.9	-	-115.9
Acquisition of non-controlling holding				-0.4	-0.4	-1.0	-1.4
Total transactions with the Group's owners	**-**	**-**	**-**	**-116.3**	**-116.3**	**-1.0**	**-117.3**
Equity, closing balance, 31 Dec 2015	**231.9**	**943.5**	**-33.0**	**1,748.6**	**2,891.0**	**-0.1**	**2,890.9**

2016, SEKm	Equity attributable to Parent Company shareholders: Share capital	Other capital contri-butions	Trans-lation-reserve	Retained earnings	Total	Non-controlling interests	Total equity
Equity, opening balance, 1 Jan 2016	**231.9**	**943.5**	**-33.0**	**1,748.6**	**2,891.0**	**-0.1**	**2,890.9**
Profit/loss for the year				**427.7**	**427.7**	**18.6**	**446.3**
Other comprehensive income							
Change in translation reserve for the year (exchange rate difference)			99.9		99.9	0.3	100.3
Other comprehensive income for the period			**99.9**		**99.9**	**0.3**	**100.3**
Total comprehensive income for the period, excluding transactions with the company's owners			**99.9**	**427.7**	**527.6**	**18.9**	**546.5**
Transactions with the Group's owners							
Paid warrant		1.7			1.7	-	1.7
Convertible loan		0.8			0.8	-	0.8
Issued put option/ forward				-348.6	-348.6	-	-348.6
Dividend				-144.9	-144.9	-	-144.9
Acquisition/divestment of participation in non-controlling interests					-	69.7	69.7
Other changes in net wealth		0.0		-3.5	-3.6	0.0	-3.5
Total transactions with the Group's owners	**-**	**2.5**	**-**	**-497.1**	**-494.6**	**69.8**	**-424.8**
Equity, closing balance, 31 Dec 2016	**231.9**	**946.0**	**67.0**	**1,679.3**	**2,924.1**	**88.5**	**3,012.6**

Consolidated cash flow statement

1 January – 31 December, SEKm	Note	2016	2015
Operating activities	18		
Profit before tax		597.0	420.8
Adjustment for items not included in cash flow:			
– Depreciation/amortization and impairment of assets		135.8	141.9
– Provisions		-38.3	69.3
– Unrealized exchange rate differences		-30.4	16.2
– Capital gains		-1.9	-1.0
– Changes in value of derivatives		7.3	-6.3
– Participations in loss of associated companies		-1.8	-1.2
Income tax paid		-128.4	-106.2
Increase (-)/decrease (+) in inventories		13.8	14.9
Increase (-)/decrease (+) in operating receivables		-58.5	-34.3
Increase (-)/decrease (+) in operating liabilities		-5.6	5.2
Cash flow from operating activities		**488.9**	**519.4**
Investing activities			
Acquisitions of tangible non-current assets		-137.2	-113.4
Divestments of tangible non-current assets		14.6	2.5
Acquisitions of intangible assets		-38.9	-28.6
Acquisitions of subsidiary companies/businesses, net effect on liquidity	5	-364.2	-36.8
Divestments of financial assets		1.7	-6.5
Cash flow from investing activities		**-524.0**	**-182.9**
Financing activities			
Acquisition of non-controlling holding	5	-	-1.3
Dividends paid to Parent Company shareholders		-144.9	-115.9
Loans raised		484.2	6.2
Amortization of loans		-242.8	-56.8
Amortization of leasing liability		-1.6	-9.5
Option premiums/convertible debentures paid in		2.6	-
Cash flow from financing activities		**97.4**	**-177.3**
Cash flow for the year		62.4	159.2
Cash and equivalents at beginning of the year		244.6	87.6
Exchange rate difference in cash and equivalents		1.6	-2.2
Cash and equivalents at end of the year		**308.6**	**244.6**
Interest paid		-30.3	-28.0
Interest received		2.7	2.0

Income Statement, Parent Company

1 January – 31 December, SEKm	Note	2016	2015
Net sales	3	62.0	68.6
Gross profit		**62.0**	**68.6**
Administrative expenses	9	-68.4	-71.4
Other operating income	6	1.0	0.1
Other operating expenses	7	-	-
Operating profit	8	**-5.3**	**-2.7**
Result from financial items:			
Loss from participations in Group companies	11	9.6	51.3
Profit from participations in associated companies	15	0.0	0.0
Other interest income and similar profit items	11	25.2	24.4
Interest expense and similar profit items	11	-40.9	-31.5
Profit after financial items		**11.4**	**41.5**
Appropriations			
Difference between depreciation/amortization according to plan and reported depreciation/amortization		0.0	0.0
Group contributions received		306.5	274.4
Group contributions paid		-35.4	-35.2
Profit before tax		**259.7**	**280.6**
Taxes	12	-54.9	-50.0
Profit/loss for the year		**204.8**	**230.6**

Statement of comprehensive income, Parent Company

Items reallocated to, or that can be reallocated to profit for the year		
Profit/loss for the year	204.8	230.6
Other comprehensive income for the year	-	-
Other comprehensive income for the year	**-**	**-**
Comprehensive income for the year	**204.8**	**230.6**

Balance Sheet, Parent Company

As per 31 December, SEKm	Note	2016	2015
Assets			
Non-current assets			
Intangible non-current assets	13	0.4	0.7
Tangible non-current assets	14	0.2	0.1
Financial non-current assets:			
Participations in Group companies	27	2,043.9	2,043.9
Participations in associated and jointly controlled companies	15	1.1	1.1
Receivables from Group companies	16	1,605.8	1,169.8
Deferred tax assets	12	5.6	4.5
Other receivables		2.6	2.6
Total financial non-current assets		**3,659.0**	**3,221.8**
Total non-current assets		**3,659.5**	**3,222.6**
Current assets			
Current receivables:			
Current tax assets		-	-
Receivables from Group companies	16	50.8	64.6
Prepaid expenses and accrued income		1.2	1.3
Other receivables		0.0	0.0
Total current receivables		**52.0**	**65.9**
Cash and equivalents		**162.2**	**146.5**
Total current assets		**214.2**	**212.4**
Total assets		**3,873.8**	**3,435.0**
Equity and liabilities			
Shareholders' equity	19		
Restricted equity:			
Share capital (57,968,000 shares)		231.9	231.9
Statutory reserve		55.3	55.3
Non-restricted equity:			
Share premium reserve		890.7	888.1
Accumulated profit		329.6	243.8
Profit/loss for the year		204.8	230.6
Total shareholders' equity		**1,712.2**	**1,649.8**
Untaxed reserves			
Accumulated depreciation/amortization in addition to plan		0.4	0.4
Total untaxed reserves		**0.4**	**0.4**
Non-current liabilities			
Liabilities to credit institutions	21	1,561.6	1,085.8
Liabilities to Group companies		478.8	628.0
Deferred tax liabilities	12	0.2	-
Other liabilities		23.8	7.8
Total non-current liabilities		**2,064.4**	**1,721.6**
Current liabilities			
Liabilities to Group companies		0.9	0.4
Trade and other payables		8.8	6.6
Current tax liabilities		65.6	31.0
Other liabilities		9.1	10.8
Accrued expenses and prepaid income	23	12.3	14.5
Total current liabilities		**96.8**	**63.3**
Total equity, untaxed reserves and liabilities		**3,873.8**	**3,435.0**

Statement of changes in equity, Parent Company

2015, SEKm	Restricted equity		Non-restricted equity			
	Share capital	**Reserve fund**	**Share-premium reserve**	**Accumu-lated profit/loss**	**Profit/loss for the year**	**Total Equity**
Equity, opening balance, 1 Jan 2015	**231.9**	**55.3**	**888.1**	**540.2**	**-180.5**	**1,535.1**
Profit/loss for the year					230.6	230.6
Other comprehensive income for the year					-	-
Comprehensive income for the year					**230.6**	**230.6**
Appropriation of profit				180.5	180.5	-
Transactions with the Group's owners						
Dividend				-115.9		-115.9
Equity, closing balance, 31 Dec 2015	**231.9**	**55.3**	**888.1**	**243.8**	**230.6**	**1,649.8**

2016, SEKm	Restricted equity		Non-restricted equity			
	Share capital	**Reserve fund**	**Share-premium reserve**	**Accumu-lated profit/loss**	**Profit/loss for the year**	**Total Equity**
Equity, opening balance, 1 Jan 2016	**231.9**	**55.3**	**888.1**	**243.8**	**230.6**	**1,649.8**
Profit/loss for the year					204.8	204.8
Other comprehensive income for the year					-	-
Comprehensive income for the year					**204.8**	**204.8**
Appropriation of profit				230.6	-230.6	-
Transactions with the Group's owners						
Paid warrant			1.7			1.7
Convertible loan			0.8			0.8
Dividend				-144.9		-144.9
Equity, closing balance, 31 Dec 2016	**231.9**	**55.3**	**890.7**	**329.5**	**204.8**	**1,712.2**

Cash flow statement, Parent Company

1 January – 31 December, SEKm	Note	2016	2015
Operating activities			
Profit after financial items		11.4	41.4
Adjustment for items not included in cash flow:			
– Depreciation/amortization and impairment of assets		0.4	75.9
– Changes in value of derivatives		-2.1	-1.7
– Participations in loss of associated companies		0.0	-0.1
– Unrealized exchange rate differences		-11.9	-7.3
Income tax paid		-55.8	-42.8
Increase (-)/decrease (+) in operating receivables		285.1	248.4
Increase (-)/decrease (+) in operating liabilities		-32.5	-1.1
Cash flow from operating activities		**236.7**	**312.7**
Investing activities			
Acquisitions of tangible non-current assets		0.2	-
New share issue and shareholder contributions to subsidiaries	27	-	-185.2
Investments in financial assets		-436.3	-74.3
Cash flow from investing activities		**-436.5**	**-259.5**
Financing activities			
Option premium		2.6	-
Dividends paid		-144.9	-115.9
Loans raised		357.9	209.3
Amortization of loans		-	-
Cash flow from financing activities		**215.4**	**93.4**
Cash flow for the year		15.6	146.6
Cash and equivalents at beginning of the year		146.6	-
Cash and equivalents at end of the year		**162.2**	**146.6**
Interest received		25.2	24.4
Interest paid		-21.5	-20.5

NOTE 1 Accounting principles

Agreement with standards and legislation

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as adopted by the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary accounting rules for groups has also been applied.

Valuation principles applied in the preparation of the consolidated financial accounts.

Assets and liabilities are reported at historical cost with the exception of certain financial assets and liabilities, which are reported at fair value. Financial assets and liabilities measured at fair value consist of derivatives and financial assets classified as financial assets recognized at fair value through profit.

Functional currency and reporting currency

The functional currency of the Parent Company is SEK and this is also the reporting currency of the Group. Consequently, the financial accounts are presented in SEK. All amounts are rounded off to the nearest thousand unless otherwise stated.

Assessments and estimates in the financial accounts

Preparation of the financial accounts in accordance with IFRS requires management making assessments, estimations and assumptions that affect the application of the accounting principles and the figures reported for assets, liabilities, income and expenses. The actual outcome may deviate from these estimations and assessments. The estimations and assessments are reviewed regularly. Changes in estimations are reported in the period in which they are made if they only affect that period, or in the period in which they are made and future periods if they affect both the period concerned and future periods. Assessments made by management in the application of IFRS that have a significant effect on the financial statements and estimates that may cause material adjustments to the financial statements of the ensuing year are described in greater detail in Note 30.

Changes in accounting principles

Detailed below are the changed accounting principles applied by the Group effective as of 1 January 2016. Other changes to IFRS applicable as of 1 January 2016 have had no material effect on the Group's reporting.

Effective from 1 January 2016, Inwido has begun to apply the Present-Access-Method (PAM) for transactions with non-controlling interests, in connection with acquisitions or at other times, for transactions where non-controlling interests remain exposed to returns associated with their holdings. PAM entails a liability being recognized at the present value of the amount for which the shares will be redeemed. The item is offset against shareholders' equity attributable to Parent Company shareholders (retained earnings). For futures and equity relating to options, subsequent changes in the carrying amount of the liability are recognized in the income statement.

New IFRS and interpretations yet to be applied

A number of new or amended IFRS will come into force during the coming financial year and have not been applied in advance in the preparation of these financial statements. These new and amended IFRS for future application are not expected to have any significant impact on the consolidated accounts.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement effective from 2018. Inwido does not plan to adopt IFRS 9 prematurely. IFRS 9 entails changes in the way financial assets are classified and valued in preparation for an impairment model based on expected rather than incurred losses and changes to the principles for hedge accounting, with a view, among other things, to simplifying and increasing consistency with the company's internal risk management strategies. An assessment is being conducted of the impact on the Group's accounting when application of IFRS 9 commences. It has not yet been possible to assess the effects in terms of amounts and these will materialize as the implementation project progresses during 2017. IFRS 9 has brought changes in the disclosure requirements under IFRS 7 Financial Instruments: These requirements will affect the disclosures provided. The extent of these changes for Inwido is not yet known or estimated.

Effective from 2018, IFRS 15 Revenue from contracts with customers will replace the existing standards related to income recognition, such as IAS 18 Revenue, IAS 11 Construction Contracts, and IFRIC 15 Agreements for the Construction of Real Estate. Inwido does not plan to adopt IFRS 15 prematurely. IFRS 15 is based on income being recognized when control of the good or service is transferred to the customer, which differs from the existing basis in the transfer of risks and rewards. IFRS 15 introduces new ways of determining how and when income should be recognized, entailing new approaches compared with how income is currently reported. Inwido has commenced its analysis of IFRS 15 by identifying and analyzing the income flows of each business area. To date, no significant effects have been identified, although the assessment must be completed before any final conclusions can be drawn. In connection with this, the possible effects can be quantified. The selection of transitional methods has yet to take place. Finally, it is noted that IFRS 15 includes expanded disclosure requirements regarding income, which will expand the contents of the notes.

Effective from 2019, IFRS 16 Leases replaces existing IFRS related to the accounting of leases, such as IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. Inwido has yet to decide whether IFRS 16 should be applied prospectively effective from 2018, at the same time as IFRS 9 and IFRS 15 change the accounting, or whether it should be applied effective from 2019. IFRS 16 primarily impacts the lessee, with the main effect being that all leases currently accounted as operating leases are to be recognized in a manner similar to the current accounting for financial leases. This means that assets and liabilities also need to be recognized for operating leases, with associated reporting of expenses for depreciation and interest – in contrast to today where there is no accounting of the leased asset and related liability, and where the lease fees are amortized linearly as the leasing expense. As an operating lessee, Inwido will be affected by the introduction of IFRS 16. No calculations have yet been made of the impact of IFRS 16 in terms of amounts, nor have any choices been made regarding transitional methods. The disclosures provided in Note 25 on operating leases give an indication of the type and scope of the agreements that currently exist.

Amended IAS 7 Statement of cash flows will be applied by Inwido effective from the 2017 Annual Report. Information will be added in which the year's change in liabilities related to financing activities are reconciled against the specification of, for example, new borrowing, amortization, changes related to the disposal/acquisition of subsidiaries, and exchange rate effects.

Other new and amended IFRS for future application are not expected to have any significant impact on the consolidated accounts.

Operating segment reporting

Operating segments are parts of the Group that conduct operations from which it can generate income and incur expenses and for which independent financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the highest executive decision maker. The highest executive decision maker is the function responsible for allocating resources and assessing the performance of the operating segments. In this context, the Group has identified the President and CEO and Group management as the highest executive decision maker. Inwido's operating segments are Sweden, Finland, Denmark, EBE and Norway. See Note 4 for further details of the operating segments.

Classification

Non-current assets and non-current liabilities essentially consist of amounts that are expected to be recovered or paid more than 12 months after the balance sheet date. Current assets and current liabilities essentially consist of amounts that are expected to be recovered or paid within 12 months of the balance sheet date.

Consolidation principles

Subsidiaries

Subsidiaries are companies over which Inwido AB has a controlling influence. A controlling influence exists if the Parent Company has an influence over the target of the investment, is exposed or has rights to variable returns on its commitment and can exercise its influence over the investment to affect the return. In assessing whether a controlling influence exists, shares potentially conveying voting rights are taken into account as is the existence of de facto control.

Acquisitions on or after 1 January 2010

Subsidiaries are reported in accordance with the acquisition method. The method entails acquisitions of subsidiaries being viewed as transactions through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis determines the fair value of the acquired identifiable assets and assumed liabilities, as well as any possible non-controlling interests on the date of acquisition. Transaction expenses that arise, with the exception of transaction expenses attributable to the issue of equity instruments or liability instruments, are recognized directly in profit/loss for the year.

For business combinations for which payment made, possible non-controlling interests and fair value of previously owned participations (in the event of gradual acquisitions) exceed the fair value of the acquired assets and assumed liabilities that are recognized separately, the difference is recognized as goodwill. When the difference is negative, what is known as a bargain purchase, this is recognized directly in profit for the year.

Payment made in connection with the acquisition does not include payments that relate to the settlement of previous business connections. This type of settlement is recognized in profit.

Conditional purchase prices are recognized at fair value at the point of acquisition. In cases where the conditional purchase price is classified as an equity instrument, no revaluation or settlement is carried out under equity. Other conditional purchase prices are revalued on each report date and the change is recognized in profit/loss for the year.

Acquisitions that do not relate to 100 percent of the subsidiary give rise to non-controlling interests. There are two options for reporting non-controlling interests. The two options are to recognize the percentage of non-controlling interests that makes up proportional net assets, or to recognize non-controlling interests at fair value, which means that non-controlling interests form a percentage of goodwill. The choice between the two alternatives for recognizing non-controlling interests can be made on a case by case basis. For acquisitions that are made in stages, goodwill is determined on the day the controlling interest arises. In transactions with non-controlling interests, in connection with acquisitions or on other occasions, the company has chosen to apply the Present Access Method (PAM) for those transactions in which non-controlling interests remain exposed to the return associated with their holding. This represents a selection of accounting policy for such transactions. PAM entails a liability being recognized at the present value of the amount for which the shares will be redeemed. The item is offset against shareholders' equity attributable to Parent Company shareholders (retained earnings). For futures and equity relating to options, subsequent changes in the carrying amount of the liability are recognized in the income statement.

Acquisitions prior to 2010

For acquisitions made by the company before 2010, where the cost exceeded the fair value of the acquired identifiable assets and liabilities, the difference has been recognized as goodwill. For acquisitions made before the date of transition to IFRS, goodwill is carried at cost, equivalent to the carrying amount in accordance with previous principles and taking impairment testing into account.

Acquisitions from non-controlling holdings

Acquisitions from non-controlling interests are recognized as transactions under shareholders' equity, between the Parent Company's owner (under profit brought forward) and non-controlling interests. Consequently no goodwill arises as a result of these transactions. The change in non-controlling interests is based on their proportional share of net assets.

Sales to non-controlling interests

Sales to non-controlling interests where a controlling interest remains are recognized as transactions under shareholders' equity, between the Parent Company's owner and non-controlling interests. The difference between proceeds received and the non-controlling interest's proportional share of acquired net assets is reported under retained profit.

Associated companies

Associated companies are those in which the Group has a significant, but not controlling, influence over operational and financial control, commonly through holdings corresponding to between 20 and 50 percent of votes. From the point at which a significant influence is obtained, holdings in associated companies are reported in the consolidated accounts in accordance with the equity method. The equity method entails the value of holdings in associated companies reported in the consolidated accounts being equivalent to the Group's share of the associated companies' equity, as well as consolidated goodwill and any other consolidated surplus or deficit. In the consolidated income statement, participations in the earnings of associated companies include the Group's participations after tax in the net earnings of associated companies, adjusted for possible amortization/depreciation and impairment or reversal of acquired surpluses or deficits. Dividends received from an associated company decrease the reported value of the investment. The Group's participation in the other comprehensive income of its associated companies is reported as a separate item in the consolidated statement of comprehensive income. Any discrepancy at the point of acquisition between the cost of the holding and the owning company's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities is reported in accordance with IFRS 3 Business combinations. Transaction expenses that arise, with the exception of transaction expenses attributable to the issue of equity instruments or liability instruments, are included under expenses. Where the Group's share of losses reported by the associated company exceeds the reported value of the Group's holdings, the value of the holdings is reduced to zero. Losses are also offset against non-current balances without security, the financial significance of which forms part of the owning company's net investment in the associated company. Continued losses are not recognized unless the Group has given guarantees to cover losses arising in the associated company. The equity method is applied until the time the significant influence ceases. Intragroup receivables and liabilities, income and expenses and unrealized\gains or losses arising from intragroup transactions between Group companies are eliminated in full when preparing the consolidated accounts. Unrealized gains arising from transactions with associated companies and joint ventures are eliminated to the extent of the Group's participating interest in the companies. unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no indication that any write-down is necessary.

Foreign currency

Transactions in foreign currencies

Transactions in foreign currencies are translated into the functional currency at the exchange rate in force on the transaction date. The functional currency is the currency of the primary economic environments in which the Group's companies carry out their business. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate in force at the balance sheet date. Exchange rate differences arising from the conversions are recognized in profit/loss for the year. Non-monetary assets and liabilities recognized at their historical costs are translated at the exchange rate applicable at the time of the transaction. Non-monetary assets and liabilities recognized at fair value are converted to the functional currency at the rate in effect at the time of the fair value assessment.

Foreign businesses financial statements

Assets and liabilities in foreign businesses, including goodwill and other groupwise surplus or deficit values, are translated from the foreign operation's functional currency into the Group's reporting currency, SEK, at the exchange rate applicable on the balance sheet date. Income and expenses in a foreign operation are translated into SEK at an\average exchange rate approximating the currency exchange rates applicable on the relevant transaction dates. Translation differences arising in connection with the translation of foreign operations are reported in other comprehensive income and accumulated in a separate component in equity titled translation reserve.

Income

Sales of goods and execution of service assignments

Income from the sale of goods is recognized in profit or loss when significant risks and rewards associated with the ownership of the goods are transferred to the buyer. Income from service assignments is recognized in profit or loss on the basis of the degree of completion on the balance sheet date. The degree of completion is determined on the basis of the expenses hitherto incurred for the assignment in relation to the total calculated expenses for the assignment. Only expenses corresponding to work that has been carried out may be included in the expenses incurred as per the balance sheet date. Only expenses corresponding to work that has been carried out or that will be carried out may be included in the total calculated expenses.

Revenue is not recognized if it is likely that the economic benefits will not accrue to the Group. If there is significant uncertainty regarding payment, accompanying costs or the risk of returns and if the seller retains a commitment in the on-going administration which is usually associated with ownership, no revenue is recognized. Income is recognized at the fair value of what has been received or is expected to be received with deductions for discounts granted. Volume-based customer bonuses paid at year-end are reported as decreased income.

Contract assignments

Where the outcome of a construction contract can be calculated in a reliable manner, the income and expenses attributable to the assignment are recognized in consolidated profit or loss as income and expenses in relation to the assignment's degree of completion. The degree of completion is determined by calculating the relationship between the expenses hitherto incurred for the assignment and the total calculated expenses for the assignment. For assignments where the outcome cannot be reliably calculated, revenue corresponding to the expenses incurred is recognized. A feared loss on a contract assignment is recognized immediately in consolidated profit or loss.

Government subsidies

Government subsidies are recognized in the statement of financial position as deferred income when there is reasonable certainty that the subsidy will be received and that the Group will meet the conditions associated with the subsidy. Subsidies shall be systematically periodized in profit or loss in the same way and across the same periods as the expenses that the subsidies are intended to offset. Government subsidies associated with assets are recognized in the statement of financial position as a reduction in the recognized value of those assets.

Leasing

Operating leasing agreements

Costs relating to operating lease agreements are recognized in profit or loss on a linear basis over the leasing period. Benefits received in connection with the signature of an agreement are recognized in profit or loss as a reduction of the lease payments on a linear basis over the leasing period. Contingent rents are expensed in the periods in which they arise.

Financial leasing agreements

The minimum lease payments are apportioned between interest expense and reduction of the outstanding liability. The interest expense is distributed over the lease term so that each accounting period is assigned an amount corresponding to a fixed interest rate for the liability in the respective period. Contingent rents are expensed in the periods in which they arise.

Financial income and expenses

Financial income consists of interest income from invested funds (including financial assets available for sale), dividend income, profit from the divestment of financial assets available for sale and value gains from financial assets/liabilities valued at fair value via the income statement. Interest income from financial instruments is recognized according to the effective interest method. Effective interest is the rate at which the net present value of all future inward and outward payments during the anticipated term of the financial instrument is equal to the carrying amount of the receivable or liability. Dividend income is recognized when the right to receive the dividend has been established. Results from the sale of financial investments are recognized when the risks and rewards associated with ownership of the instruments have in all essentials been transferred to the buyer and the Group no longer has control of the instruments. Financial expenses consist of interest expenses on loans, the effect of the resolution of present value calculations for provisions, value losses on financial assets/liabilities valued at fair value via profit and the impairment of financial assets. Borrowing expenses are recognized in profit/loss applying the effective interest method, except where they are directly attributable to the acquisition, construction or production of assets that take considerable time to complete for their intended use or for sale, in which case they are included in the cost of the assets.. Exchange rate gains and losses are reported net. Interest is expensed as at is incurred, since, in the Group's assessment, it does not have any assets that qualify in accordance with IAS 23.

Taxes

Income taxes consist of current tax and deferred tax. Income taxes are recognized in profit or loss unless the underlying transaction is recognized in other comprehensive income or in shareholders' equity, whereby the associated tax effect is recognized outside profit or loss. Current tax is tax due for payment or receipt in respect of the financial year, using tax rates decided or virtually decided upon on the balance sheet date. Adjustment of current tax related to earlier periods is also included. Deferred tax is calculated in accordance with the balance sheet method, proceeding on the basis of temporary differences between the carrying amounts and taxable values of assets and liabilities. Temporary differences are not taken into consideration that arise on initial recognition of goodwill or of assets and liabilities that are not business combinations affecting reported or taxable profit at the time of the transaction. Nor are temporary differences taken into account that are related to investments in subsidiaries and associated companies which are not expected to be reversed in the foreseeable future. The valuation of deferred tax provided is based on how carrying amounts of assets or liabilities are expected to be realized or settled. Deferred tax is calculated by applying the tax rates and regulations decided or virtually decided upon at the balance sheet date. Deferred tax receivables for tax-deductible temporary differences and loss carryforwards are recognized only to the extent it is likely that these items will be able to be utilized. The value of deferred tax receivables is derecognized when it is no longer deemed likely that they can be utilized. Any additional income tax arising from a dividend is recognized at the same\time as the dividend is recognized as a liability.

Financial instruments

Financial instruments recognized as assets in the statement of financial position include cash and cash equivalents, loan receivables and accounts receivable. Liabilities include trade and other payables and borrowing. Derivatives are also included among financial instruments, both on the asset and liability side.

Recognition in and derecognition from the statement of financial position

Liabilities are recognized once the counterparty has completed its task and there is a contractual obligation to pay, even though an invoice may not yet have been received. Accounts receivable are recognized in the statement of financial position once an invoice has been sent. Liabilities are recognized once the counterparty has completed its task and there is a contractual obligation to pay, even though an invoice may not yet have been received. Accounts payable are recognized once the invoice has been received. A financial asset is removed from the statement of financial position when the rights in the agreement are realized, fall due or the company loses control over them. This also applies for parts of a financial asset. A financial liability is removed from the statement of financial position when the commitment in the agreement is fulfilled or extinguished in some other manner. The same applies for part of a financial liability. A financial asset and a financial liability are offset and recognized as a net amount in the statement of financial position only when a legal entitlement to offset the amounts is in place, and where there is an intention to balance the items with a net amount or to simultaneously realize the asset and settle the liability. The acquisition or sale of financial assets is reported on the transaction date, which is the date on which the company pledges to acquire or sell the asset.

Classification and measurement

Financial instruments that are not derivatives are initially recognized at cost, corresponding to their fair value plus transaction expenses for all financial instruments except those classified as financial assets at fair value through the income statement, which are recognized at fair value excluding transaction expenses. On first recognition, a financial instrument is classified based on the reason for its purchase. The classification determines how the financial instrument is measured after the first recognition as described below. Derivative instruments are initially recognized at fair value, which means that any transaction expenses are charged against the profit/loss for the period. After the initial recognition, derivative instruments are accounted for as\described below. Hedge accounting is not applied. Value gains and losses on derivatives are reported as income or expense in operating profit or in net financial items based on whether the use of the derivative is related to an operating or financial item. Cash and cash equivalents comprise cash and instantly accessible balances at banks and equivalent institutions as well as current investments with a term from the acquisition date of less than three months which are exposed to only a negligible risk of fluctuations in value.

Financial assets recognized at fair value in profit

This category consists of two sub-groups: financial assets held for sale and other financial assets that the Group has initially chosen to place in this category. A financial asset is classified as being held for sale if it is retained with the intention of being sold in the near future. Derivatives with positive fair value are classified as being held for sale. Assets belonging to this category are continuously recognized at fair value with changes in value recognized in profit/loss for the year.

Changes in loans and trade and other receivables

Loan receivables and trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at the amortized cost. The amortized cost is determined based on the effective interest calculated at the time of acquisition. Accounts receivable are recognized at the amount estimated to be paid, . with a deduction for doubtful receivables.

Financial assets available for sale

The Company's holdings of unlisted shares and participations are valued at cost in accordance with the exemption rule in IAS 39 for equity instruments for which fair value cannot be reliably determined. These are classified as financial assets available for sale.

Financial liabilities recognized at fair value in profit

This category consists of two sub-groups: financial liabilities held for sale and other financial liabilities that the Group has initially chosen to place in this category. Derivatives with negative fair value are classified as being held for sale, with the exception of derivatives that are identified and effective hedging instruments. Fair value changes are recognized in profit/loss for the year.

Other financial liabilities

Loans and other financial liabilities, such as trade and other payables, are included in this category. The liabilities are measured at the amortized cost.

Derivatives and hedge accounting

The Group's derivative instruments have been acquired to financially hedge its interest and exchange rate exposures. Currency forward contracts are used to hedge forecast sales in foreign currencies. To hedge the uncertainty in highly probably forecast interest flows in borrowing at variable rates, interest rate swaps are used whereby the company receives variable interest but pays fixed interest. Derivatives are initially recognized at fair value, which means that any transaction expenses are charged against profit/loss for the period. The Group has elected not to apply hedge accounting, meaning that on-going changes in the fair value of the derivatives are reported in profit for the year. For derivatives pertaining to financial assets and liabilities and interest rate swaps, the change in value is recognized in profit from financial items. For derivatives pertaining to the hedging of forecast currency flows, the change in value is recognized in operating profit.

Tangible non-current assets

Owned assets

Tangible non-current assets are stated in the Group at cost less accumulated depreciation and any write-downs. The cost includes the purchase price and expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Borrowing expenses directly attributable to the purchase, construction or production of assets that take considerable time to complete for the intended use or for sale are included in cost. Accounting principles for impairment are described on the following page. The cost of non-current assets manufactured in-house includes expenses for materials, expenses for employee benefits, if applicable, other manufacturing expenses considered directly attributable to the non-current asset and estimated costs of dismantling and removing the asset and restoring the site or area where they are located. Tangible assets comprising parts with different useful lives are treated as separate components of tangible assets. The carrying amount for a tangible non-current asset is derecognized from the statement of financial position on scrapping or sale, or when no future economic benefits are expected from the use, scrapping or sale of the asset. Gains or losses arising from the sale or scrapping of an asset constitute the\difference between the sale price and the asset's carrying amount less direct sales costs. Gains and losses are recognized as other operating income/expense.

Leased assets

Leases are classified in the consolidated accounts as either financial or operating leases. A financial lease is a lease whereby the financial risks and rewards associated with the ownership are in all essentials transferred to the lessee. If this is not the case the lease is considered an operating lease. Assets leased through financial leasing agreements are reported as assets in the statement of financial position and initially valued at the lower of the fair value of the leased item of the current value of the minimum leasing fees at the commencement of Obligations to pay future lease payments have been recognized as long-term and current liabilities. The leased assets are depreciated according to plan while the lease payments are recognized as interest and reduction of the liabilities. For operating leases, the lease payment is expensed over the lease term in accordance with the usage, which may differ from what is de facto paid in leasing fees during the year.

Subsequent expenses

Subsequent expenses are only added to the cost if it is probable that the future economic benefits associated with the asset will flow to the company and the cost can be measured reliably. All other subsequent expenses are expensed in the period they arise. The question of whether a subsequent expense is attributable to the replacement of identified components, or parts thereof (whereby such expenses are capitalized) plays a decisive role in determining if that expense should be added to cost. Even in cases where new components are constructed, the expense is added to the cost. Any non-depreciated carrying amounts for replaced components, or parts of components, are scrapped and derecognized in connection with replacement. Repairs are expensed as they are incurred.

Depreciation principles

Depreciation is carried out on a linear basis over the asset's estimated useful life. Leased assets are also depreciated over their estimated useful life or over the agreed lease term, whichever is shorter. The Group applies the

component approach, whereby the component's assessed useful life forms the basis for depreciation.
Estimated useful lives:

• Buildings	25–50 years
• Land improvements	20–27 years
• Machinery and technical plant	10 years
• Equipment, tools, fixtures and fittings	3–5 years

Land is not depreciated. Depreciation methods used and the residual value and useful life of assets are reviewed at each year-end.

Intangible assets

Goodwill

Goodwill represents the difference between the cost of the business combination and the fair value of acquired assets, assumed liabilities and contingent liabilities. Since the Group's inception on 28 December 2004, all acquisitions have been reported in accordance with IFRS 3. Goodwill is stated at cost less any accumulated impairment. Goodwill is distributed to cash generating units and is tested annually to determine possible impairment needs. Goodwill arising from acquisitions of associated companies is included in the carrying amount for participations in associated companies. For business combinations where the cost is less than the net value of the acquired assets and assumed liabilities and contingent liabilities, the difference is recognized directly in profit or loss.

Product development expenses

Development expenses, where research results or other knowledge are applied to achieve new or improved processes, are recognized as an asset in the statement of financial position if the product or process is technically and commercially feasible and the company has sufficient resources to complete development and to then use or sell the non-current asset. Most of the Group's product expenses pertain to unique customer adaptations or updating existing products in line with technical advances. For such expenses, the criteria for capitalization stipulated by IAS 38 are not considered to have been met and the expenses are recognized as expenses against profit/loss for the year in which they are incurred.

Market and customer-based assets

Market and customer-based assets primarily include valued customer relationships and brands identified in connection with acquisitions. Customer relations are recognized at cost less accumulated amortization and impairment. Brands acquired by the Group are recognized at cost less accumulated depreciation (see below) and any impairment alternatively considered to have an indefinite useful life where they are recognized at cost less accumulated impairment. For brands with an indefinite useful life, impairment testing is performed at least once annually.

Other intangible assets

Other intangible assets mainly include customer agreements and software acquired by the Group. These assets are recognized at cost less accumulated amortization and impairment. Expenses for internally generated goodwill and internally generated trademarks are recognized in profit or loss as they are incurred.

Subsequent expenses

Subsequent expenses for capitalized intangible assets are only recognized as assets in the statement of financial position if they increase the future economic benefits for the specific assets to which they refer. All other expenses are expensed as they are incurred.

Depreciation principles

Amortization is charged to statement of comprehensive income on a linear basis over the intangible assets' estimated useful lives, provided the useful life is not indefinite. The useful lives of assets are reassessed at least once per year. Goodwill and brands with an indefinite useful life or that are not yet ready for use are tested for possible impairment annually and as soon as indications arise that the asset in question has decreased in value. Intangible assets with a definite useful life are depreciated from the point at which they are available for use.

The estimated useful lives are:

• Customer agreements	5 years
• Software	5–10 years
• Development expenditure generated internally	5–10 years
• Customer relations	5–15 years
• Brands	indefinite useful life

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost for inventories is based on the first-in first-out principle (FIFO) and\ includes costs arising upon acquisition of the inventories and their transport\to their current location and condition. For manufactured goods and work in progress, the purchase value includes a reasonable proportion of indirect expenses based on normal capacity. Net realizable value is the estimated sales price in the ordinary course of\business, less estimated expenses for completion and bringing about a sale.

Impairment

Carrying amounts of the Group's assets are reviewed at each balance sheet date to assess whether there is any indication of impairment. IAS 36 is applied in impairment testing for assets other than financial assets which are tested in accordance with IAS 39, inventories and deferred tax assets. For the exceptions stated above, the carrying amount is assessed according to the relevant standard.

Impairment tests for tangible and intangible assets, and holdings in subsidiaries, associated companies, joint ventures, etc.

If a need for impairment is indicated, the recoverable amount of the asset\is calculated in accordance with IAS 36 (see below). The recoverable amount for goodwill, other intangible assets with indefinite useful lives and intangible assets that are not yet ready for use is calculated annually. If, in connection with impairment testing, largely independent cash flows cannot be established for an individual asset, assets are grouped at the lowest level at which largely independent cash flows can be identified – this is known as a cash generating unit. Impairment is recognized when an asset's or cash generating unit's carrying amount exceeds the recoverable amount. Impairment is charged to the statement of comprehensive income. Impairment of assets attributable to a cash generating unit is primarily allocated to goodwill. After this, a proportional impairment of all other assets included in the unit is implemented.

The recoverable amount is the higher of fair value less expenses to sell and value in use. Upon calculating the value in use, future cash flows are discounted at a discount rate that takes into account risk-free interest and the risk associated with the specific asset.

Impairment tests for financial assets

At each reporting date, the company evaluates whether there is objective evidence that any impairment is necessary for a financial asset or group of assets. Objective evidence constitutes observable events that have an adverse impact on the potential to recover the cost, and a significant or long-term decrease in the fair value of a component of a financial investment classified as a financial asset available for sale. The Company classifies trade and other receivables as doubtful when: 1) the customer is insolvent or subject to bankruptcy proceedings, 2) the payment is more than 60 days overdue (whereupon the financial position of the individual customer is assessed and provisions are implemented as deemed necessary). For impaired trade and other receivables, the amount of the expected future payment is reported. Short-term receivables are not discounted. The recoverable amount of loans, trade and other receivables and assets classed as investments held to maturity is calculated as the present value of future cash flows discounted by the effective interest rate applicable on the initial recognition of the Short-term assets are not discounted. Impairment is charged to the statement of comprehensive income.

Reversal of impairment

Impairment is reversed if there is an indication that it is no longer necessary, and there has been a change in the assumptions which formed the basis of the calculation of the recoverable amount. However, impairment of goodwill is never reversed. A reversal is only made to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that the asset would have had, with a deduction for amortization, if no write-down had been carried out.

Impairment losses on loan receivables and accounts receivable reported at accrued cost are reversed if the former grounds for impairment no longer apply and full payment from the customer is expected. Impairments of interest-bearing instruments classified as financial assets available for sale are reversed through the statement of comprehensive income if the fair value increases and the increase can objectively be attributed to an event which occurred.

Share capital

Dividends

Dividends are recognized as a liability once approved by the Annual General Meeting.

Employee benefits

Defined contribution plans

For salaried employees in Sweden, defined benefit pension commitments for retirement and family pension under the ITP 2 plan are secured through an insurance policy with Alecta. Consequently, the ITP2 pension plan insured through a policy with Alecta is recognized as a defined contribution plan. Other pension plans in the Group are defined contribution pension plans. Defined contribution pension plans are those for which the Group only pays fixed fees and is under no obligation to pay additional fees if plan assets are insufficient. Consequently the employee bears the risk regarding future pension levels. Obligations regarding defined contribution plans are recognized as an expense in the statement of comprehensive income at the rate at which they are earned by employees performing services for the company.

Remuneration on termination of employment

An expense for remuneration in connection with termination of employment for employees is recognized only if the company is demonstrably obliged in a formal detailed plan to terminate employment ahead of the normal point in time, with no realistic possibility of a retraction. When remuneration is paid as an incentive for voluntary departure, an expense is recognized when the offer has been made and can no longer be withdrawn. The amount is calculated based on a probability calculation regarding the number of employees who will accept the offer.

Short-term employee benefits

Current employee benefits are calculated without discounting and are expensed as the relevant services are received. Expected expenses for profit sharing and bonus payments are recognized as liabilities when the Group has a present legal or constructive obligation to make such payments as a consequence of services being received from employees and that obligation can be calculated reliably.

Options and convertibles programme

Inwido has a warrants programme whereby warrants have been sold to senior executives. The options have been sold at a price equal to the estimated fair value on the acquisition date, meaning that there are no amounts to report as share-based compensation in the balance sheet or in the income statement under IFRS 2. The Group also has a convertible programme in which all employees have been given the opportunity to participate. The convertibles have also been issued at a price equal to fair value on the acquisition date. The convertibles have been split into one part that is debt and another that is equity. The value of the debt portion has been calculated as the fair value of a similar liability not conveying entitlement to conversion. The equity portion represents the difference between the fair value of the convertible as a whole and the estimated fair value of a similar liability not conveying entitlement to conversion.

Provisions

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made. When the effect of the timing of the payment is important, provisions are calculated by discounting the expected future cash flow at a pre-tax interest rate which reflects current market assessments of the time value of money and, if applicable, the risks associated with the liability.

Guarantees

A provision is made for guarantees when the underlying products or services are sold. The provision is based on historical data regarding guarantees and a total appraisal of conceivable outcomes in relation to the probabilities with which those outcomes are associated.

Restructuring

Restructuring provisions are recognized when the Group has adopted a detailed formal restructuring plan and the restructuring has been commenced or publicly announced. No provisions are made for future operating expenses.

Parent Company's accounting principles

The Parent Company has prepared its Annual Report in accordance with the Swedish Annual Accounts Act (1995:1554) and Recommendation RFR 2 of the Swedish Financial Accounting Standards Council, on Accounting for Legal Entities. Statements issued by the Swedish Financial Reporting Board are also applied.

RFR 2 means that the Parent Company in the annual report for the legal entity shall apply all EU-approved IFRS standards and statements as far as possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act (tryggandelagen) and taking into consideration the relationship between accounting and taxation.

The recommendation stipulates which exceptions and additions to IFRS shall be applied.

Differences between the Group's and Parent Company's accounting principles

The differences between the Group's and Parent Company's accounting principles are shown below. The accounting principles shown below for the Parent Company have been applied consistently to all periods presented in the Parent Company's financial statements.

Classifications and presentation

The income statement and statement of comprehensive income are produced separately for the Parent Company, whereas for the Group these two reports are combined into a single statement of comprehensive income. In addition the titles 'balance sheet' and 'cash flow statement' are used for the Parent Company for statements that for the Group are titled 'consolidated statement of financial position' and 'consolidated statement of cash flows' respectively. The Parent Company income statement and balance sheet have been prepared in accordance with regulations stipulated in the Annual Accounts Act, while the statement of comprehensive income, summary of changes in equity and cash flow statement is based on IAS 1.

Presentation of Financial Statements and IAS Cash Flow Statements

The differences compared with the consolidated statements that are evident in the Parent Company's income statement and balance sheet comprise mainly the reporting of financial income and expenses, non-current assets and equity.

Subsidiaries, associated companies and joint ventures

Investments in subsidiaries, associated companies and joint ventures are accounted for in the Parent Company in accordance with the cost method. This means that transaction expenses are included in the carrying amount for holdings in subsidiaries, associated companies and joint ventures. In the consolidated accounts, transaction expenses attributable to subsidiaries are recognized directly in profit/loss as they are incurred. Conditional purchase prices are valued based on the likelihood that the purchase price will be paid. Possible changes in the provision/receivable are added to/reduce the cost. In the consolidated accounts, conditional purchase prices are recognized at fair value with changes in value over profit/loss. Bargain purchases that correspond to expected future losses and expenses are resolved over the anticipated periods during which losses and expenses arise. Bargain purchases that arise due to other reasons are recognized as provisions, to the extent that they do not exceed the fair value of the acquired identifiable non-monetary assets. The portion that exceeds this value is immediately taken up as income. The portion that does not exceed the fair value of the acquired identifiable non-monetary assets is systematically taken up as income over a period that is calculated as the remaining weighted average useful life for the acquired identifiable assets that can be depreciated. In the consolidated accounts, bargain purchases are reported directly in profit/loss.

Untaxed reserves

Untaxed reserves including deferred tax liability are recognized in the Parent Company. In the consolidated accounts however, untaxed reserves are divided into deferred tax and equity.

Group contributions

Group contributions received by the Parent Company from its subsidiaries are reported in the Parent Company according to the same principles as normal dividends from subsidiaries, in other words, as a financial income item in the income statement. Group contributions paid by the Parent Company to its subsidiaries are recognized as an appropriation in the income statement.

NOTE 2 Financial risks and policies

Through its operations, the Group is exposed to various kinds of financial risks.

The financial risks mainly include financing, interest rate, credit and currency risks. The Group's financial policy for the management of financial risks has been designed by the Board of Directors and provides a framework of guidelines and regulations in the shape of risk mandates and limits for financing activities. To read more about the company's financial risks, please see the Financial Risks section in the Directors' Report.

Responsibility for the Group's financial transactions and risks is managed centrally by the Parent Company's finance department. The overarching objective for risk management efforts is to provide cost effective financing and to minimize the negative effects of market fluctuations on the Group's earnings.

Financing and liquidity risk

Financing and liquidity risks represent the risk that it will be difficult or costly to refinance loans reaching maturity or that it will not be possible to meet payment obligations due to insufficient liquidity or difficulties in obtaining external financing.

To ensure that the Group always has access to external financing, the finance department shall make sure that commitments to grant credit, both short and long-term, are available. Efforts shall be made to maintain the highest level of cost efficiency possible within the set framework. Inwido's principal external financing consists of bank loans based on credit agreements that mature in September 2019. These long-term credit facilities amount to SEK 2,230 million, comprising term loans of SEK 1,580 million and a revolving credit facility of SEK 650 million. The agreement includes financial covenants that are followed up on a quarterly basis. Inwido meets the terms of existing credit agreements.

Consolidated cash and equivalents were SEK 309 million (245) at the end of the period. Available funds, including unutilized credit facilities, amounted to SEK 1,050 million (774).

At year-end, consolidated interest-bearing financial debt amounted to a nominal SEK 1,992 million.

Reported among interest-bearing financial liabilities is the current value of expected purchase considerations for the remaining 17 percent stake in Värmelux, amounting to about SEK 72 million, and the current value of expected purchase considerations for the remaining 75 percent stake in Outrup Vinduer & Døre, at SEK 281 million. The put option issued with regard to Värmelux and the futures contracts held with regard to Outrup Vinduer & Døre are reported in equity and correspond to the net current value calculated at the time at which these balance sheet items arose. The average time to maturity of Inwido's long-term financing, consisting of bank loans and financial leases, was 2.9 years at the end of 2016.

Maturity structure, financial and operational liabilities – undiscounted cash flows

	2016							2015					
SEKm	Nominal amount, functional currency	0-6 mths	6-12 mths	2 yrs	3-4 yrs	5 yrs or later	Total	0-6 mths	6-12 mths	2 yrs	3-4 yrs	5 yrs or later	Total
Bank loans	1,589.8	16.8	16.9	33.8	1,596.9	21.1	1,685.5	11.1	11.1	30.2	1,122.5	2.3	1,177.2
Overdraft facilities	46.0	40.0	1.5	10.4	3.0	-	54.9	1.7	1.7	7.7	41.8	-	53.0
Derivatives	7.9	0.5	0.1	0.7	7.0	-	8.3	0.0	0.0	0.5	4.8	-	5.5
Trade and other payables	403.9	399.8	4.1	-	-	-	403.9	347.0	2.9	-	-	-	349.9
Financial lease liabilities	3.2	1.0	0.7	1.2	0.5	0.0	3.5	0.8	0.4	0.4	0.3	0.0	1.9
Other liabilities	552.4	174.6	3.8	326.6	51.9	5.0	561.9	155.9	5.9	0.1	0.2	4.1	166.2
Total		**632.8**	**27.1**	**372.7**	**1,659.3**	**26.1**	**2,718.0**	**516.6**	**22.0**	**39.0**	**1,169.5**	**6.5**	**1,753.7**

Interest rate risk

Interest rate risk represents how changes in market interest rates affect cash flow and the Group's earnings, as well as the value of financial instruments. The fixed interest period is the factor that most affects the interest rate risk. Management of the Group's interest rate risk is centralized, meaning that the central finance department is responsible for identifying and managing interest rate risk in accordance with the finance policy adopted by the Board of Directors. Derivative instruments, such as interest rate swaps, are used to manage interest rate risk by allowing interest rates to be switched from fixed to floating or vice versa. Interest swap contracts are recognized in the Group company whose interest-bearing liabilities are hedged. Net interest paid regarding interest swap agreements is recognized as an interest expense, while net interest received is recognized as interest income.

Essentially, net interest risk in the Group is associated with the Group's interest-bearing financial liabilities, which are listed in the table in Note 21. As per 31 December 2016, the fair value of the swaps amounted to a negative SEK 6.9 million (5.2). The underlying nominal debt amounted to SEK 370 million (357).

As per 31 December 2016, interest-bearing liabilities, excluding financial leasing and overdraft facilities, amounted to SEK 1,590 million (1,090). The average period of fixed interest, excluding derivatives was approximately 3.0 months (3.4). The average period of fixed interest, including derivatives was approximately 9.6 months (16.3)

Sensitivity analysis – interest risk

If interest rates had been 1 percent higher/lower, the interest expense for the year would have been SEK 14 million (11) higher/lower before tax, based on average interest-bearing liabilities in 2016 and without taking existing interest rate derivatives outstanding on 31 December 2016 into account. Taking existing interest rate derivatives into account, the interest expense for the year would have been SEK 10 million (8) higher/lower before tax. Interest rates with different maturities and in different currencies can fluctuate differently. These calculations are based on all yield curves shifting in parallel by one percentage point. The Group has a seasonal debt for which the interest rate risk is not calculated due to its short term nature.

Credit risks in accounts receivable

The risk that the Group's/company's customers fail to meet their obligations, that is, that no payment is obtained for accounts receivable, constitutes a customer credit risk. Credit checks are performed on the Group's customers with information regarding their financial status being obtained from various credit information agencies. Bank guarantees or other sureties are required for customers with low credit ratings or insufficient credit history. The Group holds global customer credit insurance, meaning that most of the Group's insurable accounts receivable are covered. The credit quality of non-provisioned trade and other receivables is deemed to be good.

As per the balance sheet date, there were no significant concentrations of credit exposures. At the end of 2016, the Group's 20 largest insured customers were fully insured and the Group's acceptance rate with the insurance company was higher than 75 percent.

Specification of trade and other receivables

	2016			2015		
Group, SEKm	Book invoice amount	Provision for customer losses	Book amount	Book invoice amount	Provision for customer losses	Book amount
Not overdue	427.5	-	427.5	327.1	0.0	327.1
Overdue 0-60 days	105.8	-0.5	105.3	79.5	-0.7	78.8
Overdue 61-180 days	28.5	-3.5	25.0	14.0	-4.6	9.4
Overdue 181-365 days	9.8	-4.9	4.9	3.4	-2.2	1.2
More than 1 year	17.2	-13.7	3.5	14.4	-11.4	3.0
Total trade receivables	**588.8**	**-22.6**	**566.2**	**438.4**	**-19.0**	**419.4**

Provision account for impairment of trade and other receivables

Group, SEKm	2016	2015
Opening balance	-19.0	-20.2
Impairment for the year	-8.7	-0.5
Reversal of previous impairments	5.5	1.1
Exchange-rate differences	-0.5	0.7
Closing balance	**-22.6**	**-19.0**

Currency risks

Transaction exposure

The Group applies a finance policy adopted by the Board of Directors.

Transaction exposure shall primarily be minimized through internal measures such as matching of flows and choice of invoicing currency. Currency clauses can be used if contractually transparent and possible to follow up, ensuring that the Group is not exposed to any hidden currency risks. Secondarily, currency risks are to be mitigated by means of financial instruments.

Currency hedging is arranged with maturities of up to 12 months and is based on the latest estimates available. Currency hedges are to meet the following conditions with an accuracy of about +/– 20 percentage points.

Hedging horizon	Hedging level
1–3 months	70%
4–6 months	60%
7–9 months	40%
10–12 months	20%

Contracted future payments for non-current assets in foreign currency may be secured up to the full cost.

If the net exposure to a single currency is less than the equivalent of EUR 500,000 annually, hedging is not necessary.

The table below shows the net flows and hedge volumes that Group companies have had in each currency during each relevant year.

	2016		2015	
Group, SEKm	12 months net flows	Total* hedges	12 months net flows	Total hedges
SEK	-186.9	108.4	-193.4	111.0
EUR	-130.7	96.6	-106.6	22.9
NOK	3.2	-	1.3	-
DKK	-63.7	-	-38.5	-
GBP	2.6	-	-2.5	-
PLN	-59.8	7.1	-48.0	5.8
USD	-5.0	-	-5.2	-
Other	-0.1	-	0.0	-

* Net flows in EUR and DKK have been adjusted for exposure against DKK and EUR respectively due to the currency peg between these currencies.

Translation exposure

The hedging of translation exposure is guided by the Group's finance policy. Translation exposure is not currently hedged as the risk is relatively limited. However, an analysis of these risks is made once a year to ensure that they do not increase. Foreign net assets in the Group are mainly distributed among the following currencies:

	2016			2015	
Group Currency	Local currency	Amount SEKm	%	Amount SEKm	%
SEK	2,223.2	2,223.2	76.0	2,153.4	74.5
NOK	-99.7	-106.9	-3.7	-86.6	-3.0
DKK	83.3	125.9	4.3	245.7	8.5
EUR	77.8	744.1	25.4	635.8	22.0
GBP	-6.2	-78.0	-2.7	-61.1	-2.1
PLN	12.3	15.9	0.5	3.8	0.1
Total		**2,924.2**	**100**	**2,891.0**	**100**

A ten percent strengthening of the SEK against other currencies as of 31 December 2016 would entail a negative change in shareholders' equity of SEK 70.3 million (78.5) and a negative change in profit of SEK 21.3 million (10.0). This sensitivity analysis is based on all other factors e.g. interest rates remaining unchanged. The same conditions were applied for 2015.

Fair value

In all instances, fair value corresponds to the financial instrument's carrying amount. In all material respects, the carrying amounts for assets and liabilities recognized at their carrying amounts are equivalent to their fair value.

Fair values and carrying amounts are detailed in the balance sheet below:

		Held for trade					
Group 2016, SEKm	**Account and loan receivables**	**Financial assets available for sale**	**Financial assets recognized at fair value in profit**	**Financial liabilities recognized at fair value in profit**	**Other liabilities**	**Total carrying amount**	**Fair value**
Financial investments		5.4				5.4	5.4
Other non-current receivables	34.7					34.7	34.7
Trade and other receivables	566.2					566.2	566.2
Other current receivables	55.5					55.5	55.5
Cash and equivalents	308.6					308.6	308.6
Total	**965.0**	**5.4**	**-**	**-**	**-**	**970.3**	**970.3**
Non-current interest-bearing liabilities					1,942.8	1,942.8	1,942.8
Other non-current liabilities				14.1	18.5	32.6	32.6
Current interest-bearing liabilities					49.6	49.6	49.6
Trade and other payables					403.9	403.9	403.9
Other current liabilities				0.5	173.9	174.4	174.4
Total	**-**	**-**	**-**	**14.6**	**2,588.7**	**2,603.3**	**2,603.3**

Group 2015, SEKm							
Financial investments	0.0	4.9				4.9	4.9
Other non-current receivables	32.6		2.2			34.8	34.8
Trade and other receivables	419.4					419.4	419.4
Other current receivables	49.1					49.1	49.1
Cash and equivalents	244.6					244.6	244.6
Total	**745.7**	**4.9**	**2.2**	**-**	**-**	**752.8**	**752.8**
Non-current interest-bearing liabilities					1,090.3	1,090.3	1,090.3
Other non-current liabilities				5.0	4.5	9.5	9.5
Current interest-bearing liabilities					47.5	47.5	47.5
Trade and other payables					349.9	349.9	349.9
Other liabilities				5.2	156.5	161.7	161.7
Total	**-**	**-**	**-**	**10.2**	**1,648.8**	**1,659.0**	**1,659.0**

Investments in shares and participations classified as available for sale and not quoted in an active market and whose value cannot be measured reliably are valued at cost.

Group, SEKm	**2016**	**2015**
Shares and participations		
Opening balance	4.9	2.1
Acquisitions	0.3	2.9
Business combinations	0.1	-
Divested assets	-	-0.1
Translation difference	0.0	0.0
Closing balance	**5.4**	**4.9**

Disclosures regarding determination of fair value

	2016				2015			
Group, SEKm	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-current receivable – derivative	-	-	-	-	-	2.2	-	2.2
Current receivable – derivative	-	-	-	-	-	-	-	–
Total	**-**	**-**	**-**	**-**	**-**	**2.2**	**-**	**2.2**
Non-current liability – derivative	-	7.4	-	7.4	-	5.0	-	5.0
Current liability – derivative	-	0.5	-	0.5	-	-	-	-
Long-term liability – acquisition-related	-	-	6.7	6.7	-	-	5.2	5.2
Total	**-**	**7.9**	**6.7**	**14.6**	**-**	**5.0**	**5.2**	**10.2**

Level 1: according to prices noted in an active market for the same instrument
Level 2: based on directly or indirectly observable market data not included in Level 1
Level 3: based on input data not observable in the market

The Group enters into derivative contracts under the International Swaps and Derivatives Association's (ISDA) master netting agreement. According to these agreements, when counterparty fails to settle its obligations under all transactions, the agreement is cancelled and all outstanding balances are settled with a net amount. No derivatives have been offset in the balance sheet.

The table below presents a reconciliation of opening and closing balances for financial instruments recognized at fair value in the statement of financial position using valuation techniques based on non-observable in-data (level 3).

Acquisition-related liabilities

Amounts in SEKm	
Fair value 1 Jan 2016	5.2
Acquisition-related liability	6.6
Translation difference	-0.6
Total recognized gains and losses:	
– recognized in profit for the year*	-4.5
Fair value 31 Dec 2016	**6.7**
Fair value 1 Dec 2015	-
Acquisition-related liability	5.2
Translation difference	0.0
Total recognized gains and losses:	
– recognized in shareholders' equity	-
– recognized in profit for the year*	-
Fair value 12 Dec 2015	**5.2**

* Acquisition liability recognized as other operating income in profit for the year

Calculation of fair value

The following is a summary of the main methods and assumptions used to establish the fair value of the financial instruments presented in the table above.

Derivative instruments

For foreign exchange forward contracts, fair value is determined on the basis of quoted prices where available. If these are not available, fair value is calculated by discounting the difference between the contracted forward rate and the forward rate that can be signed on the balance sheet date for the remaining contract period. Discounting is applied at a risk-free interest rate based on government bonds.

For interest rate swaps, fair value is based on the valuation made by the mediating credit institute, with the fairness of this being tested by discounting calculated future cash flows in accordance with the terms and maturity dates of the contract based on market interest rates for similar instruments on the balance sheet date.

Where discounted cash flows are applied, future cash flows are calculated based on company management's best assessment. The interest rate applied in discounting is based on market rates for similar instruments on the balance sheet date. Where other valuation methods have been applied, input data are based on market related data on the balance sheet date.

Interest-bearing liabilities

For financial liabilities that are not derivative instruments, fair value is calculated by discounting future cash flows on principals and interest applying market interest rates on the balance sheet date.

Financial lease liabilities

Fair value is based on the present value of future cash flows discounted at market interest rates for similar lease agreements.

Trade and other receivables and trade and other payables

For trade and other receivables and payables with a remaining maturity of less than six months, the carrying amount is considered to reflect fair value. Accounts receivable and accounts payable with a maturity of more than six months are discounted in connection with the determination of fair value.

Parent Company

The Parent Company conducts certain Group-wide services and is therefore not exposed to any substantial financial risks.

NOTE 3 Distribution of income

Income by major income category

	Group		Parent Company	
SEKm	2016	2015	2016	2015
Sales of goods	5,352.4	4,939.9	-	-
Service assignments	320.0	280.2	62.0	68.6
Net sales	**5,672.4**	**5,220.1**	**62.0**	**68.6**

Net sales include no income in connection with the exchange of goods and services, either in the Group or the Parent Company. Income is allocated by customer domicile.

Income by geographical market

Group, SEKm	2016	2015
Sweden	2,190.1	2,221.1
Finland	1,470.3	1,264.9
Denmark	1,184.1	1,068.7
Norway	287.4	277.6
EBE*	498.0	338.3
Other countries	42.4	49.3
	5,672.4	**5,220.1**

* The geographic market EBE includes Poland, the UK, Ireland and Austria

NOTE 4 Segment reporting

Inwido's operations are divided into business areas based on the parts monitored by the company's highest executive decision makers. Inwido's operations are organized so that Group management monitors the EBITA, return and cash flow generated by the Group's business areas. The principal measure of profit followed up by Group management is operating EBITA. Since decisions are made regarding the allocation of resources on the basis of the business areas, these constitute the Group's segments. Consequently, the Group's internal reporting is structured so that Group management can monitor all business areas' performance and earnings. The following five operating segments have been identified: Sweden, Finland, Denmark, Norway and EBE (Emerging Business Europe).

The operating segment "Other" includes Inwido Supply, which consists of companies that manufacture components for windows and doors, such as glass, fittings and aluminium, and that manufactures doors and windows sold internally within the Group.

Inwido views the Group's income from windows, doors, sliding doors, accessories and installation as a single product since doors, sliding doors, accessories and installation account for a relatively small part of the total consolidated balance sheet, income statement and cash flow. Consequently, the segmentation is based on the business areas and not product groups.

Group-wide expenditures derive from shared Group projects and functions such as central management, the finance department, purchasing, product development, sales and marketing, HR and eliminations of internal profits.

Sales and purchases within the Group are priced and allocated in accordance with the Group's transfer pricing documentation. Other transactions within the Group are priced on market terms. For receivables from, and liabilities to, Group companies, terms are in line with the market.

Group 2015, SEKm	Sweden	Finland	Denmark	Norway	EBE	Other	Group-wide and eliminations	Total
External sales	2,097.1	1,264.0	899.3	234.4	541.5	183.7	0.0	5,220.1
Internal sales	109.6	1.6	60.4	0.0	19.4	371.4	-562.4	
Total net sales	**2,206.7**	**1,265.6**	**959.7**	**234.4**	**560.9**	**555.1**	**-562.4**	**5,220.1**
Operating EBITDA	326.4	181.0	188.1	-21.7	39.7	61.0	-70.9	703.5
Operating EBITA	301.1	154.1	163.2	-25.3	22.3	45.4	-71.3	589.5
EBITA	262.0	151.7	95.5	-25.3	22.3	45.4	-71.3	480.3
Of which, EBITA in associated companies	1.1	-	0.0	-	-	-	0.0	1.2
EBIT								460.2
Net financial items								-39.3
Earnings before tax								**420.8**
Goodwill	1,022.4	466.9	1,162.6	100.0	266.0	116.7	0.0	3,134.6
Tangible non-current assets	189.5	145.3	85.3	22.6	103.4	82.8	0.1	628.9
Acquisitions of tangible non-current assets	41.3	20.6	18.8	2.5	22.5	9.7	0.0	115.6
Acquisitions of intangible assets, including goodwill	0.0	9.9	17.4	1.1	59.2	0.0	0.8	88.4
2016, Group, SEKm								
External sales	2,038.6	1,469.4	1,009.3	234.1	733.2	187.9	0.0	5,672.4
Internal sales	102.4	4.5	47.7	0.0	0.1	458.3	-612.9	
Total net sales	**2,140.9**	**1,473.9**	**1,057.0**	**234.1**	**733.2**	**646.2**	**-612.9**	**5,672.4**
Operating EBITDA	317.6	224.1	228.4	-3.2	27.7	72.5	-66.3	800.8
Operating EBITA	292.1	192.1	199.4	-6.6	12.0	51.0	-66.7	673.3
EBITA	292.1	185.9	195.4	-12.8	19.4	51.0	-67.4	663.6
Of which, EBITA in associated companies	1.8	-	-	-	-	-	0.0	1.8
EBIT								655.7
Net financial items								-58.8
Earnings before tax								**597.0**
Goodwill	1,022.4	838.1	1,267.2	110.3	316.5	116.7	0.0	3,671.3
Tangible non-current assets	219.7	148.6	166.9	25.5	84.9	119.0	0.2	764.8
Acquisitions of tangible non-current assets	60.3	24.4	100.2	3.4	48.0	11.7	0.2	248.2
Acquisitions of intangible assets, including goodwill	2.1	393.9	127.9	0.7	100.1	0.0	0.0	624.7

NOTE 5 Acquisitions and disposals

Värmelux OY

On 12 May 2016, the acquisition was completed of 82.77 percent of the shares and votes in the business Värmelux OY for SEK 188.9 million, of which SEK 188.9 million was paid in cash on the transition of ownership. Inwido has issued a put option for the remaining 17.23 percent of shares, which are held by senior executives in Värmelux. The put option gives minority shareholders the right, but not the obligation, to gradually sell their shares to Inwido over two pre-defined periods of time up to 31 March 2019. Inwido also has a call option that gives it the right, but not the obligation, to acquire any outstanding shares during the period 1 April to 31 May 2019. This call option has been recognized in shareholders' equity and other long-term liabilities in the amount of approximately SEK 72 million and has been calculated as the present value at the point in time at which the balance sheet item arose. In connection with the acquisition, intangible assets in the form of customer relationships were identified. Remaining surplus value consists of goodwill. Goodwill includes the value of market knowledge and future purchasing synergies. Of the goodwill of SEK 329.2 million, SEK 129.9 million arose in connection with Inwido's acquisitions. No portion of goodwill is expected to be tax deductible. The gross value and fair value of accounts receivable are essentially the same.

The acquisition has strengthened Inwido's position in the Finnish market and is expected to generate significant opportunities for synergies with Inwido's existing operations and for expansion. Värmelux, which has been in the market since 2010, sells and installs windows, doors and garage doors made of wood and wood/aluminium through 18 sales offices throughout Finland. The Company, which was founded by the current management team, has no proprietary production, but has been a customer of Inwido Finland, among others.

During the period in which the company was owned until 31 December 2016, the company contributed SEK 213.8 million to consolidated external income and affected profit for the year by SEK 22.8 million. Acquisition-related costs amounted to SEK 6.1 million in the form of consulting fees in connection with the acquisition process. These consulting expenses have been recognized as other operating expenses in the income statement and statement of other comprehensive income for the Parent Company, Inwido Finland OY and are excluded from consolidated operating EBITA.

CWG Choices Ltd

On 29 July 2016, the acquisition was completed of 100 percent of the shares in the UK window and door company CWG Choices Ltd for SEK 195.7 million, of which SEK 195.7 million was paid in cash on the transition of ownership. In connection with the acquisition, intangible assets in the form of customer relationships were identified. Remaining surplus value consists of goodwill. Goodwill includes the value of market knowledge. No portion of goodwill is expected to be tax deductible. The gross value and fair value of accounts receivable are essentially the same.

In the UK, PVC windows account for about 80 percent of the market. With this acquisition, Inwido complements the product offering of its UK sister companies Allan Bros. and Jack Brunsdon & Son by establishing itself in the market for PVC-based windows and doors.

With the acquisition of CWG, Inwido has strengthened its position in the UK and also in the important and profitable channel where sales to final consumers are made through installers. Inwido has also been given the opportunity to sell wood-based products through this channel.

During the period in which the company was owned until 31 December 2016, the company contributed SEK 124.9 million to consolidated external income and affected profit for the year by SEK 10.8 million. Acquisition-related costs amounted to SEK 3.6 million in the form of consulting fees in connection with the acquisition process. These consulting expenses have been recognized as other operating expenses in the income statement and statement of other comprehensive income for the Parent Company, Inwido UK Ltd and are excluded from consolidated operating EBITA.

Outrup Vinduer & Døre A/S

On 16 August 2016, the acquisition was completed of 25 percent of the shares and votes in the business Outrup Vinduer & Døre A/S for SEK 68.3 million, of which SEK 68.3 million was paid in cash on the transition of ownership. The parties have entered into a binding agreement in which Inwido has committed to acquiring the remaining shares, and the seller has committed to selling the remaining shares over a period extending through January 2019. Together with the shareholders agreement, the acquisition agreement gives Inwido a decisive influence and, accordingly, Outrup was consolidated in its entirety effective from August 2016. The futures contract has been recognized in shareholders' equity and other long-term liabilities in the amount of approximately SEK 281 million and has been calculated as the present value at the point in time at which the balance sheet item arose. In connection with the acquisition, intangible assets in the form of customer relationships were identified. Remaining surplus value consists of goodwill. Goodwill includes the value of market knowledge and future purchasing synergies. No portion of goodwill is expected to be tax deductible. The gross value and fair value of accounts receivable are essentially the same.

The acquisition has strengthened Inwido's position in the Danish market and is expected to generate significant growth opportunities and synergies with Inwido's existing operations.

During the period in which the company was owned until 31 December 2016, the company contributed SEK 127.3 million to consolidated external income and affected profit for the year by SEK 19.5 million. Acquisition-related costs amounted to SEK 4.0 million in the form of consulting fees in connection with the acquisition process. These consulting expenses have been recognized as other operating expenses in the income statement and statement of other comprehensive income for the Parent Company, Inwido Denmark A/S and are excluded from consolidated operating EBITA.

Klas1 Yhtiöt OY

On 1 July 2016, the acquisition was completed of 100 percent of the shares and votes in the business Klas1 Yhtiöt for SEK 7.8 million, of which SEK 1.2 million was paid in cash on the transition of ownership. It has been agreed that an additional purchase consideration may be paid two years after the date of the takeover based on the future financial performance of Klas1 Yhtiöt.

With this acquisition, Inwido will be able to meet architects' requirements for challenging architectural solutions.

Acquisitions and divestments in 2015

On 1 November 2015, the Group acquired 100 percent of shares and votes in the company Jack Brunsdon & Son Ltd for SEK 44.3 million, of which SEK 38.5 million was paid in cash in connection with the takeover. Of the initial purchase consideration for Jack Brunsdon & Son Ltd of SEK 44.3 million, about SEK 11 million was paid into a blocked account. In the event that EBITDA for the financial year 2016 does not reach a predetermined level ("refund level"), all or parts of the blocked amounts would revert to Inwido, depending on the actual EBITDA outcome. In addition to the initial purchase consideration, the purchase agreement also provided that a contingent consideration be paid to Jack Brunsdon & Son's previous owner in the event that EBITDA for 2016 reached a certain level ("additional payment level"). The additional payment level was higher than the refund level. For this purpose, an amount of approximately SEK 5 million has been paid into an blocked account. No part of the conditional additional purchase consideration has been paid during the year, this has been fully recognized as income under other operating income.

The acquisition is in line with Inwido's strategy to grow both organically and through acquisitions. The Company sells windows and doors, including installation, direct to end-consumers within the premium segment. Its sales are made through proprietary stores in the London area. Jack Brunsdon & Son has no proprietary production. Over the two months leading up to 31 December 2015, the company contributed SEK 13.8 million to the Group's external income.

If the acquisition had occurred on 1 January 2015, company management estimates that the acquired company's external income would have been SEK 78.7 million for the 12 months ending on 31 December 2015.

Goodwill includes the value of an expanded distribution network and knowledge of the market. No portion of goodwill is expected to be tax deductible.

Acquisition-related costs amounted to SEK 2 million in the form of consulting fees in connection with due diligence. These consulting expenses have been recognized as other operating expenses in the income statement and statement of other comprehensive income for the Parent Company, Inwido UK Ltd.

In the second quarter of 2015, Inwido acquired 40 percent of the shares from non-controlling interests in IP glass S. Ownership thus increased from 60 percent to 100 percent. The investments totalled SEK 0.1 million, of which SEK 0.1 million was paid in cash. The carrying amount for Inwido Supply's net assets in the consolidated accounts amounted at the time of acquisition to SEK 5.8 million. The Group recognizes a decrease in its non-controlling interests of SEK 1.0 million and a decrease in profit brought forward of SEK 0.4 million.

The acquired companies' net assets on the acquisition date:

	2016				2015
Group, SEKm	**Värmelux OY**	**CWG Choices Ltd**	**Outrup Vinduer & Døre A/S**	**Klas1 Yhtiöt OY**	**Jack Brundon & Son Ltd**
Fair value of acquired net assets	-140.3	143.3	93.0	-0.2	-15.5
Non-controlling interests	-	-	-69.7	-	-
Goodwill, Group	329.2	52.3	45.0	8.1	59.8
Consolidated cost	**188.9**	**195.7**	**68.3**	**7.8**	**44.3**
Compensation paid	188.9	195.7	68.3	1.2	38.5
Cash and equivalents in the acquired operations	16.6	73.3	0.0	0.0	1.7
Effect on consolidated cash flow	**172.3**	**122.4**	**68.2**	**1.2**	**36.8**
Acquired assets and liabilities, consolidated fair value					
Tangible non-current assets	3.3	28.2	79.0	0.4	2.1
Intangible assets	39.9	47.5	62.8	0.8	-
Inventories	16.9	10.4	20.1	0.8	4.7
Trade and other receivables	28.3	31.5	16.5	2.2	8.9
Deferred tax assets	-	-	-	-	1.9
Cash and equivalents	16.6	73.3	0.0	0.0	1.7
Other non-interest-bearing liabilities	-56.2	-35.8	-21.6	-3.0	-32.4
Interest-bearing liabilities	-181.9	-2.0	-45.5	-1.5	-2.4
Deferred tax liabilities	-7.3	-9.7	-18.3	0.0	-
Fair value of acquired net assets	**-140.3**	**143.3**	**93.0**	**-0.2**	**-15.5**

The acquisition analysis is preliminary, meaning that fair value has not been conclusively determined for all items.

NOTE 6 Other operating income

Group, SEKm	2016	2015
Rental income	0.9	0.9
Gain on sale of non-current assets	1.7	1.3
Exchange gains on operating receivables/liabilities	-	1.5
Insurance compensation	1.2	0.5
Reversed purchase consideration	13.9	–
Other	6.9	6.5
Total	**24.6**	**10.6**
Parent Company, SEKm		
Exchange gains on operating receivables/liabilities	1.0	0.1
Other	0.1	-
Total	**1.0**	**0.1**

NOTE 7 Other operating expenses

Group, SEKm	2016	2015
Loss, sale of non-current assets	0.3	0.3
Exchange losses on operating receivables/liabilities	0.5	-
Acquisition-related expenses	12.7	-
Other	2.9	2.1
Total	**16.4**	**2.4**
Parent Company, SEKm		
Exchange losses on operating receivables/liabilities	-	-
Other	-	-
Total	**-**	**-**

NOTE 8 Employees and personnel expenses

Group, SEKm	2016	2015
Wages, remunerations, etc.	1,273.7	1,210.9
(of which, wages and remunerations to Board, President and CEO and senior management)	(67.2)	(66.0)
(of which, bonuses to Board, President and CEO and senior management)	(8.8)	(12.9)
Pension expenses, defined contribution plans	114.7	113.3
(of which, to Board, President and CEO and senior management)	(11.7)	(11.7)
Social security contributions	227.2	210.8
	1,615.7	**1,535.0**

Management groups refer to senior executives within each operating segment. The number of executives may vary from year to year. The Group had 41 senior executives during 2016.

Average number of employees

	2016	%, men	2015	%, men
Parent Company: Sweden	20	75%	18	72%
Total, Parent Company	**20**	**75%**	**18**	**72%**
Subsidiaries:				
Sweden	1,326	68%	1,233	69%
Finland	788	76%	648	75%
Denmark	638	76%	647	79%
Poland	375	74%	358	75%
Estonia	224	58%	204	60%
Norway	87	54%	93	53%
UK	211	74%	107	87%
Lithuania	46	50%	40	55%
Ireland	16	63%	14	50%
Austria	10	90%	8	88%
Russia	0	0%	0	0%
Total in subsidiaries	**3,721**	**71%**	**3,352**	**72%**
Total, Group	**3,741**	**71%**	**3,370**	**72%**

The calculation of the average number of employees has taken into account the number of months that acquired companies have been included in the Group over the year.

The 2016 Annual General Meeting approved the Board's proposal on the establishment of a long-term incentive programme consisting of two parts: an issue of convertibles with the opportunity for all employees to participate and an issue of subscription warrants to approximately 50 of the company's senior executives and so-called Senior Leaders.

Senior executives in group management subscribed for a total of SEK 8.2 million in convertible loans and subscribed a total of 104,480 warrants.

For more information about the incentive programme, see Note 19.

Gender distribution in executive management

Parent Company, women	2016	2015
Board of Directors (proportion of members elected by the AGM)	40%	29%
Group total, women		
Boards of Directors	12%	16%
Other senior executives	17%	23%

Salaries, other remunerations and social security expenses

	2016		2015	
Parent Company, SEKm	Wages and remunerations	Social security expenses	Wages and remunerations	Social security expenses
Board of Directors, CEO and senior management	16.4	11.1	19.3	11.5
(of which, bonuses)	(1.5)		(5.3)	
Other employees	11.0	6.7	8.5	5.5

Of social security expenses, SEK 4.6 million (4.6) represent pension expenses for members of the Board of Directors, the President and CEO and senior management, and SEK 2.3 million (2.4) for other employees.

Guidelines

At an Extraordinary General Meeting in September 2014, the following terms were adopted to be applied for new senior executives. These guidelines were adopted unchanged by the 2016 Annual General Meeting. Remuneration and terms for senior executives shall be based on local market conditions and consist of a balanced mix of fixed salary, variable compensation, pension benefits, other benefits and terms of dismissal.

Cash remuneration shall consist of fixed and variable remuneration. Fixed and variable remuneration shall be related to the executive's responsibilities and authority. Variable remuneration shall be based on performance in relation to set targets. Variable cash remuneration shall be maximized and may not exceed 50 percent of fixed annual salary.

Variable remuneration may also be paid in the form of long-term incentive plans. Programmes for variable remuneration should be structured such that the Board, where exceptional circumstances prevail, is able to restrict or withhold payment of variable remuneration in the event that such action is deemed reasonable and consistent with the company's responsibilities towards its shareholders, employees and other stakeholders.

Pension benefits shall be in the form defined contribution plans. With reservation for diverging mandatory national rules, the retirement age for the CEO is to be 60 years and for other executives 65. Variable compensation of at most 50 percent of the maximum variable remuneration should be pension-qualifying for senior executives. For the President and CEO, pension provisions are to be made equivalent to 30 percent of fixed salary.

Benefits other than fixed salary, variable remuneration and pension benefits are to be applied restrictively. Salary may be exchanged for a company car benefit or pension benefits. Combined, fixed salary during the period of notice and severance pay shall not exceed an amount equivalent to fixed salary for 12 months; for the President and CEO, a period of 18 months applies.

Salaries and other remunerations to senior executives

Group 2016, SEKm		Basic salary, Board fee	Variable remuneration	Pension expense	Share-related remuneration	Other remuneration	Total	Pension obligations
Chairman of the Board:	Arne Frank	0.6	-	-	-	-	0.6	-
Board members:	Anders Wassberg	0.3	-	-	-	-	0.3	-
	Benny Ernstson	0.2	-	-	-	-	0.2	-
	Eva S Halén	0.2	-	-	-	-	0.2	-
	Sisse Fjelsted Rasmussen	0.3	-	-	-	-	0.3	-
President and CEO:	Håkan Jeppsson	6.8	0.6	2.4	-	0.1	9.9	-
Other senior executives (10 persons)		17.3	2.8	4.0	-	0.8	24.9	-
Total		**25.6**	**3.4**	**6.4**	**-**	**1.0**	**36.4**	**-**
Group 2015, SEKm								
Chairman of the Board:	Arne Frank	0.4	-	-	-	-	0.4	-
Board members:	Anders Wassberg	0.2	-	-	-	-	0.2	-
	Benny Ernstson	0.2	-	-	-	-	0.2	-
	Eva S Halén	0.2	-	-	-	-	0.2	-
	Henrik Lundh	0.2	-	-	-	-	0.2	-
	Leif Johansson	0.2	-	-	-	-	0.2	-
	Sisse Fjelsted Rasmussen	0.2	-	-	-	-	0.2	-
President and CEO:	Håkan Jeppsson	6.4	2.6	3.2	-	0.1	12.3	-
Other senior executives (9 persons)		14.9	5.0	3.9	-	0.8	24.5	-
Total		**23.0**	**7.6**	**7.1**	**-**	**0.9**	**38.5**	**-**

The variable remuneration is paid out in the year following the year on which the variable remuneration is based. The variable remuneration in the above table represents the company's estimated expense for the current year.

Remuneration to senior executives

Total remuneration to the President and CEO and other senior executives includes fixed salary, variable remuneration, pension and other benefits. These remuneration components are based on the guidelines for remuneration for senior executives adopted by the Annual General Meeting 2016 and which are set out in the Directors' Report.

The tables below account for the actual cost of remuneration and other benefits for the financial years 2016 and 2015 to the Board of Directors, the President and CEO and other senior executives. The latter are those individuals who, alongside the President and CEO, are members of Group Management.

Remuneration to the Board

Fees are paid to the Chairman and other Board members as determined by the Annual General Meeting. The Annual General Meeting resolved that the fees to the Board should total of SEK 1,600,000 (1,650,000) to be distributed among the members as follows: SEK 440,000 (420,000) to the Chairman and SEK 215,000 (205,000) to each of the other members of the Board who are not employees of the company, that fees for work on the audit committee shall be SEK 100,000 to the chairman and SEK 50,000 each to the other members, and that fees to the members and chairman of the Remuneration Committee shall amount to SEK 25,000 each. Other remunerations have been paid in the form of taxable travel expenses.

Remunerations to other senior executives

Remunerations

Remuneration to the President and CEO includes fixed salary, variable remuneration, pension and other benefits. Basic salary for the President and CEO amounts to SEK 6,615,000 (6,300,000). For the President and CEO, variable remuneration may amount to at most 50 percent of basic salary. Any bonus payments and the size of these are related to the degree to which predefined annual targets are met.

Remunerations to other senior executives include fixed salary, variable remuneration, pension and other benefits. For other senior executives, variable remuneration may amount to at most 45 percent of basic salary. Any bonus payments and the size of these are determined by the President and CEO based on the degree to which financial and individual targets are met. The financial targets are linked to operating EBITA. The individual targets are based on personal performance.

Periods of notice and severance pay

The President and CEO has 18 months' notice on termination by the company and six months' notice on resignation. During the period of notice, the President and CEO is entitled to full salary and other employment benefits, whether obliged to work or not. He is not entitled to any additional severance pay.

Other senior executives have a period of notice of 6–12 months. On voluntary resignation, a period of termination of six months applies. During the period of notice, other senior executives are entitled to full salary and other employment benefits. They are not entitled to any additional severance pay.

Pension benefits

In addition to benefits under the Act on Income-Based Retirement Pension, pension payments are made for the President and CEO in the amount of 35 percent (35) of fixed annual salary plus holiday pay, which comprise pensionable income. The pension provision was agreed before the guidelines for remuneration to senior executives were adopted and the company's obligation is limited to paying the annual premium. The pension is not non-vesting.

For other senior executives, a defined contribution pension solution and traditional ITP2 plan are applied. The Company's commitment is limited to paying the annual premium. The pension is not non-vesting.

Remuneration Committee

For information about the company's process to prepare and determine remunerations to senior executives, please see the Corporate Governance Report on pages 34–39.

Defined benefit pensions

For salaried employees in Sweden, defined benefit pension commitments for retirement and family pension (alternatively family pension) under the ITP 2 plan are secured through an insurance policy with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 Classification of ITP plans financed through insurance with Alecta, this is a defined benefit plan that covers several employers. For the 2016 financial year, the company has not had access to information enabling it to report its proportional share of the plan's obligations, plan assets and costs, which means that it has not been possible to account for the plan as a defined benefit plan. Consequently, the ITP2 pension plan, which is insured through a policy with Alecta, is recognized as a defined contribution plan. The premium for the defined benefit retirement and family pension is calculated individually and is dependent on factors including previously earned pension and the expected remaining period of service. The Group's share of the total contributions to the plan amounted to SEK 8.1 million (6.3) for 2016. For the next year, the estimated total fees amount to SEK 7.9 million.

NOTE 9 Auditors' fees and reimbursements

SEKm	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
KPMG				
Audit assignments	3.7	3.7	0.8	1.1
Audit work not included in the audit assignment	0.2	0.2	0.0	-
Advisory services:				
– taxes	0.2	0.3	0.0	0.1
– other	3.7	0.4	0.6	0.0
Other auditors				
Audit assignments	1.0	1.6	-	-
Audit work not included in the audit assignment	0.0	0.1	-	-
Advisory services:				
– taxes	0.1	0.1	-	-
– other	0.1	0.1	-	-
	9.0	**6.5**	**1.4**	**1.1**

Auditing assignments refer to the audit of the annual report and accounting, the administration of the Board and President and CEO, as well as other tasks undertaken by the company's auditors in order to complete the assignment.

Auditing activities beyond the auditing assignment refers to reviews such as certificates, interim reports etc., that have resulted in a report from the auditor.

Consultancy services taxes refers to assignments that have been carried out in relation to taxes and fees.

Consultancy services other refers to all other assignments that are not included in the above.

NOTE 10 Operating expenses by type of expense

Group, SEKm	2016	2015
Raw materials and input goods	1,938.3	1,793.1
Changes in inventories of finished products and products in progress	-8.2	15.9
Personnel expenses	1,784.3	1,693.2
Depreciation and impairment	135.4	134.1
Transport	216.1	199.1
Installation	279.4	263.5
Energy	45.6	44.4
Repairs and maintenance	81.7	70.3
IT and telephony	114.4	98.9
Other external expenses	439.8	456.7
Total	**5,026.6**	**4,769.2**

NOTE 11 Financial income and expenses

Group, SEKm	2016	2015
Financial income		
Interest income [1]	2.7	2.0
Assets and liabilities valued at fair value		
– Held for trade	-	5.2
Other financial income	0.7	0.5
Divestments of financial assets held for sale	-	0.1
Total	**3.4**	**7.8**

Group, SEKm	2016	2015
Financial expenses		
Interest expenses [1]	-30.3	-28.0
Assets and liabilities valued at fair value		
– Held for trade	-7.3	-
Exchange rate difference	-11.5	-11.9
Other financial expenses	-13.2	-7.2
Total	**-62.2**	**-47.1**
Net financial items	**-58.8**	**-39.3**

1) Interest income and expenses are attributable to all intents and purposes to financial assets and liabilities measured at accrued cost.

Parent Company, SEKm	2016	2015
Profit/loss from participations in subsidiaries		
Impairment of shares in subsidiaries	0.0	-75.5
Dividend	9.6	126.8
Total	**9.6**	**51.3**
Other interest income and similar profit/loss items		
Interest income	0.1	0.3
Interest income, Group companies	25.1	24.1
Exchange rate difference	-	-
Change in synthetic options	-	-
Change in value of derivatives	-	-
Total	**25.2**	**24.4**
Interest expense and similar profit/loss items		
Interest expenses	-21.5	-20.5
Interest expenses, Group companies	0.0	0.0
Exchange rate difference	-12.9	-7.4
Change in synthetic options	-	-
Change in value of derivatives	-2.1	-1.7
Other financial expenses	-4.3	-1.9
Total	**-40.9**	**-31.5**
Net financial items	**-6.1**	**44.1**

NOTE 12 Taxes

Group, SEKm	2016	2015
Current tax expense (-) / income (+)		
Tax expense/income for the period	-138.6	-117.9
Adjustment for taxes attributable to previous years	-2.4	-2.0
Taxes on participation in profit/loss of associated companies	-	0.0
Deferred tax expense (-) / income (+)		
Deferred tax on temporary differences	-1.2	8.4
Deferred tax expense/income due to changes in tax rates	-2.9	-3.8
Deferred tax income on tax value of loss carryforwards capitalized during the year	10.1	0.5
Utilization of previously capitalized loss carryforwards	-	-1.0
Impairment of previously capitalized loss carryforwards	-15.8	-9.4
Total consolidated tax recognized	**-150.7**	**-125.2**

Parent Company, SEKm	2016	2015
Current tax expense (-) / income (+)		
Tax expense (-) / income (+) for the period	-56.3	-51.6
Adjustment for taxes attributable to previous years	0.2	0.5
Deferred tax expense (-) / income (+)		
Deferred tax on temporary differences	-1.2	1.2
Total consolidated tax recognized	**-54.9**	**-50.0**

Reconciliation of effective tax

Group, SEKm	2016	2015
Profit before tax	597.0	420.8
Less participations in profit/loss of associated companies	-1.8	-1.2
Estimated profit before tax	**595.1**	**419.7**
Tax according to the current tax rate for the Parent Company, 22.0%	-130.9	-92.3
Effect of different tax rates for foreign subsidiaries	6.3	8.3
Non-deductible expenses	-5.6	-7.1
Non-taxable income	3.3	1.8
Increase in loss carryforwards with no equivalent capitalization of deferred tax	-9.4	-19.2
Impairment of previously capitalized loss carryforwards	-15.8	-9.4
Utilization of previously capitalized loss carryforwards	6.9	0.2
Effects of changed tax rates and regulations	-2.9	-6.1
Taxes attributable to previous years	-2.4	-2.0
other	-0.2	0.7
Recognized effective tax	**-150.7**	**-125.2**

Parent Company, SEKm	2016	2015
Profit before tax	259.7	280.6
Tax according to the current tax rate for the Parent Company	-57.1	-61.7
Non-deductible expenses	-1.3	-16.9
Non-taxable income	3.4	28.2
Taxes attributable to previous years	0.2	0.5
Recognized effective tax	**-54.9**	**-50.0**

Weighted average nominal tax rate for the year 21% (20).

Deferred tax receivables and liabilities recognized

Recognized deferred tax assets and liabilities relate to the following:

	Deferred tax assets		Deferred tax liabilities		Net	
Group, SEKm	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Tangible non-current assets	0.3	0.8	-13.5	-49.4	-13.2	-48.6
Intangible assets	-0.4	0.0	-81.7	-7.0	-82.1	-7.0
Financial assets	-	-	-0.4	-0.4	-0.4	-0.4
Inventories	1.2	1.1	-0.7	-0.4	0.5	0.7
Trade and other receivables	0.2	0.2	0.0	0.0	0.2	0.2
Other receivables	0.0	0.0	-0.1	-0.2	-0.1	-0.2
Trade and other payables	-	-0.2	-	-	-	-0.2
Interest-bearing liabilities	-	-	-	-	-	-
Pensions	4.5	3.8	-	-	4.5	3.8
Provisions	9.7	15.5	6.4	-1.3	16.1	14.2
Other	2.0	1.4	-0.8	-0.4	1.2	1.1
Tax loss carryforwards	46.3	51.5	-	-	46.3	51.5
Tax allocation reserve	4.6	-	-34.1	-27.8	-29.5	-27.8
Current tax assets/liabilities net	**68.4**	**74.2**	**-125.0**	**-86.8**	**-56.5**	**-12.7**
Deferred tax assets/liabilities maturing within one year	2.8	16.2	-0.0	-0.9	-2.8	15.3
Deferred tax assets/liabilities maturing after one year	13.7	5.6	-0.7	-7.7	-13.0	2.1
Deferred tax assets/liabilities without maturity	51.9	52.4	-124.3	-78.3	-72.4	-25.9
Parent Company, SEKm						
Pensions	4.1	3.4	-	-	4.1	3.4
Other	1.5	1.1	-	-	1.5	1.1
Current tax assets/liabilities	**5.6**	**4.5**	**-**	**-**	**5.6**	**4.5**
Set-off	-	-	-	-	-	-
Current tax assets/liabilities net	**5.6**	**4.5**	**-**	**-**	**5.6**	**4.5**

Deferred tax assets for loss carryforwards are mainly attributable to Norway and EBE. If the operations in Norway and EBE not generate profits in the future, tax assets for loss carryforwards may be impaired.

Temporary difference between recognized value and tax base for participations etc. directly owned by the Parent Company

For both years, the temporary differences in the Parent Company's directly owned participations amount to zero. For the Group, the amount is not material.

Deferred tax receivables and liabilities not recognized

Deductible temporary differences and tax loss carryforwards for which deferred tax receivables have not been recognized amount to:

	Group		Parent Company	
SEKm	**2016**	**2015**	**2016**	**2015**
Tax losses	43.5	38.8	-	-

Nearly all of the Group's tax loss carryforwards have an indefinite period of applicability. According to current tax regulations, deductible temporary differences do not expire. Deferred tax assets have not been recognized for these items as the Group is likely to use them to offset future taxable profits.

In certain countries where the Group has operations, the results of operations are tax exempt, provided that the profits generated are not distributed. On the balance sheet date, the total tax exempt reserves amounted to SEK 82 million (69), which would mean a tax liability of SEK 16 million (14) if the subsidiaries were to pay dividends from these reserves.

The Group, SEKm	2016 Balance at 1 Jan. 2016	2016 Recognized in profit for the year	2016 Recognized in shareholders' equity	2016 Acquired operations	2016 Translation difference	2016 Balance at 31 Dec. 2016	2015 Balance at 1 Jan. 2015	2015 Recognized in profit for the year	2015 Recognized in shareholders' equity	2015 Acquired operations	2015 Translation difference	2015 Balance at 31 Dec. 2015
Tangible assets	-48.6	42.4	-	-4.8	-2.3	-13.2	-48.6	-1.8	-	-	1.8	-48.6
Intangibleassets	-7.0	-44.3	-	-30.6	-0.2	-82.1	-8.2	0.8	-	-	0.4	-7.0
Financial assets	-0.4	-	-	-	0.0	-0.4	-0.4	-	-	-	0.0	-0.4
Inventories	0.7	-0.1	-	-0.1	0.0	0.5	1.4	-0.7	-	-	0.0	0.7
Trade and other receivables	0.2	-0.1	-	-	0.0	0.2	0.6	-0.3	-	-	0.0	0.2
Other receivables	-0.2	0.1	-	-	0.0	-0.1	-0.7	0.5	-	-	0.0	-0.2
Trade and other payables	-	0.2	-	-	0.0	-	-	-0.2	-	-	0.0	-0.2
Pensions	3.8	0.7	-	-	0.0	4.5	3.1	0.7	-	-	0.0	3.8
Provisions	14.3	1.1	-	-	0.7	16.1	3.8	11.0	-	-	-0.4	14.3
Other liabilities	1.1	0.4	-0.2	0.0	0.0	1.2	0.9	0.1	-	-	0.0	1.1
Tax loss carryforwards	51.5	-8.9	-	-	3.8	46.3	69.4	-15.4	-	1.9	-4.4	51.5
Tax allocation reserve	-27.9	-1.5	-	-	-0.2	-29.5	-28.1	-	-	-	0.2	-27.9
Total	**-12.7**	**-9.8**	**-0.2**	**-35.5**	**1.7**	**-56.5**	**-6.9**	**-5.3**	**-**	**1.9**	**-2.4**	**-12.7**

NOTE 13 Intangible assets

	Internally developed intangible assets	Acquired intangible assets			
Group, SEKm	**Development expenditure**	**Market and customer-based assets**	**Other intangible assets**	**Goodwill**	**Total**
Accumulated cost					
Opening balance, 1 Jan. 2015	17.2	74.7	152.1	3,193.7	3,437.7
Acquired business	-	-	-	59.8	59.8
Other investments	7.6	-	21.0	-	28.6
Disposals and scrappings	-	-	-0.7	-	-0.7
Divestments of operations	-	-	-	-	0.0
Reclassifications	-	-	0.1	-	0.1
Exchange rate differences for the year	-0.9	-1.6	-8.0	-94.7	-105.3
Closing balance, 31 Dec. 2015	**23.9**	**73.1**	**164.5**	**3,158.8**	**3,420.2**
Opening balance, 1 Jan. 2016	23.9	73.1	164.5	3,158.9	3,420.4
Acquired business	5.2	142.9	9.5	434.6	592.3
Other investments	7.1	-	31.9	0.0	38.9
Disposals and scrappings	-	-	-28.2	-	28.2
Reclassifications	-	-	0.6	-	0.6
Exchange rate differences for the year	1.4	2.4	9.5	103.4	116.7
Closing balance, 31 Dec. 2016	**37.5**	**218.4**	**187.7**	**3,697.0**	**4,140.6**
Accumulated amortization and depreciation					
Opening balance, 1 Jan. 2015	-	-35.1	-109.4	-9.0	-153.5
Acquired business	-	-	-	-	-
Disposals and scrappings	-	-	0.7	-	0.7
Impairment for the year	-	-	-3.2	-16.3	-19.5
Amortization for the year	-1.2	-	-14.3	-	-15.5
Reclassifications	-	-	0.0	-	0.0
Exchange rate differences for the year	-	-	5.9	1.1	7.0
Closing balance, 31 Dec. 2015	**-1.2**	**-35.1**	**-120.3**	**-24.3**	**-180.9**
Opening balance, 1 Jan. 2016	-1.2	-35.1	-120.3	-24.3	-180.9
Acquired business	-1.2	-	-5.3	-	-6.5
Disposals and scrappings	-	-	28.2	-	28.2
Impairment for the year	-0.1	-	-	-	-0.1
Depreciation for the year	-4.5	-4.0	-17.4	-	-25.9
Reclassifications	-	-	-	-	0.0
Exchange rate differences for the year	-0.1	0.0	-6.9	-1.4	-8.4
Closing balance, 31 Dec. 2016	**-7.1**	**-39.1**	**-121.7**	**-25.7**	**-193.6**
Carrying amounts					
On 1 January 2015	17.2	39.6	42.7	3,184.7	3,284.4
On 31 December 2015	22.7	38.0	44.2	3,134.6	3,239.5
On 1 January 2016	**22.7**	**38.0**	**44.2**	**3,134.6**	**3,239.5**
On 31 December 2016	**30.4**	**179.3**	**66.0**	**3,671.3**	**3,946.9**

Amortization and impairments for the year are included in the following items in the income statement for:

Group, SEKm	2016	2015
Cost of goods sold	-16.6	-15.5
Administrative expenses	-9.5	-19.5
Total	**-26.1**	**-35.0**

In 2015, the restructuring of production in Denmark has led to impairment of intangible assets.

All intangible assets, except goodwill and trademarks, are amortized. The acquired trademarks are deemed to have an indefinite useful life are derived from the acquisition of Säästke OÜ, and JNA Vinduer and Døre A/S. The useful life is deemed indefinite in the case of well-established brands in their market, which the Group intends to maintain, utilize and develop in its operations. The brands are also considered to be of considerable economic significance as these are an integral part of the offering to the market by signalling the quality and innovation in the products and thus being able to affect pricing and competitiveness. Accordingly, these brands are considered have an indefinite life through their connection with the operations and the intention to use them in the future. For information on amortization, see the accounting principles detailed in Note 1.

Impairment testing for cash-generating units containing goodwill and brands

2016 Group, SEKm	Goodwill	Trademarks
Inwido Sweden	1,022.4	-
Inwido Finland	831.4	-
Inwido Denmark	1,267.2	-
Inwido Norway	110.3	-
Inwido EBE	316.5	39.8
Other	116.7	-
Total	**3,664.6**	**39.8**

2015 Group, SEKm	Goodwill	Trademarks
Inwido Sweden	1,022.4	-
Inwido Finland	466.9	-
Inwido Denmark	1,162.6	-
Inwido Norway	100.0	-
Inwido EBE	266.0	38.0
Other	116.7	-
Total	**3,134.6**	**38.0**

Taking into account the fact that an assessment has been made that the cash flows attributable to trademarks cannot be separated from the other cash flows of the cash-generating unit, impairment testing is performed for both goodwill and brands together by calculating the recovery value for the cash-generating unit.

In impairment testing, the recoverable amount consists of the assessed value in use of the cash generating units. The pre-tax discount rate is 6.9–7.4 percent (6.7–7.0). For the operating segments Sweden, Denmark and Finland, the discount rate of 6.9 percent before tax was applied. For Norway, the discount rate of 7.0 percent before tax was applied. For EBE, the discount rate of 7.4 percent before tax was applied, and for Other, the discount rate of 7.2 percent before tax was applied. The difference between the discount rates is the specific risk premium. It is the company's assessment that the risk premium is lower for Sweden, Finland and Denmark because of its market position in these markets. Inwido has a higher market share in these markets compared with Norway and EBE. The Company also deems that Norway has a lower risk premium than EBE because of the market position and structure of production. The risk premium for EBE is 0.75 percentage points higher compared to the operating segments Sweden, Finland and Denmark. The risk premium for Norway is 0.25 percentage points higher compared to the operating segments Sweden, Finland and Denmark. Other parameters in the discount rate are the same for the operating segments. The value is based on cash flow calculations, of which the first four years are based on the four-year business forecast approved annually by company management together with the local management teams. The margins in the business forecast are based on the assumptions in the table below. The cash flows calculated for periods after the first four years are based on 2.5 percent (2.5) annual growth. The Company estimates that the annual growth rate exceeds the central banks' long-term inflation target of 2 percent because of population growth and urbanization in each market. The margins for the first four years have been estimated in line with development over the forecast period and normalized to reflect a future level over a business cycle. The key assumptions in the four-year business forecast are detailed in the table below.

Key variables	Assessment method
Market growth	Expected market growth is based on a transition from the current competitive situation to the expected long-term growth trend. The forecast includes the strategy to increase the proportion of sales generated within the consumer segment, increased sales of new products and accessories, establishment of new markets and sales channels, strong demand for energy-efficient products and the expected demographic trend. The forecast agrees with previous experience and forecasts.
Purchasing of goods and services	The forecast for purchasing costs is based on expected inflation, changes in choice of material, volume advantages and other synergies within the Group. In addition, estimates have been made regarding the price trend for the principal groups of materials based on external data sources. The forecast agrees with previous experience and forecasts.
Personnel expenses and efficiency	Forecast personnel costs are based on expected wage increases, adopted and implemented efficiency measures and other synergies within the Group. The forecast agrees with previous experience and forecasts.

In the Group's assessment, possible changes in key assumptions will not result in a need for impairment. In view of the Group's operations, the essential key variables are largely the same for the Group's different cash-generating units.

Acquired and other intangible assets

Parent Company, SEKm	2016	2015
Accumulated cost		
Opening balance	1.8	1.8
Other investments	-	-
Closing balance	**1.8**	**1.8**
Accumulated amortization and depreciation		
Opening balance	-1.1	-0.7
Amortization for the year	-0.4	-0.4
Closing balance	**-1.4**	**-1.1**
Carrying amounts	**0.4**	**0.7**

NOTE 14 Tangible non-current assets

Group, SEKm	Land and buildings	Machinery and equipment	Construction in progress	Total
Cost				
Opening balance, 1 Jan. 2015	445.7	1,578.7	38.6	2,062.9
Acquired through business combinations	-	5.3	-	5.3
Other investments	9.4	65.7	38.4	113.4
Disposals and scrappings	-0.1	-23.2	-	-23.3
Re-classification	5.9	19.3	-25.4	-0.1
Exchange-rate differences	-9.8	-42.5	-0.5	-52.9
Closing balance, 31 Dec. 2015	**451.0**	**1,603.4**	**51.0**	**2,105.4**
Opening balance, 1 Jan. 2016	451.0	1,603.4	51.0	2,105.4
Acquired through business combinations	124.3	166.9	0.3	291.5
Other investments	9.9	86.2	41.1	137.2
Disposals and scrappings	-10.6	-85.8	-2.4	-98.8
Re-classification	6.6	27.5	-34.7	-0.7
Exchange-rate differences	8.2	41.4	0.6	50.3
Closing balance, 31 Dec. 2016	**589.5**	**1,839.5**	**55.9**	**2,484.9**

Group, SEKm				
Depreciation and impairment				
Opening balance, 1 Jan. 2015	-223.2	-1,203.2	-	-1,426.4
Acquired through business combinations	-	-3.2	-	-3.2
Disposals and scrappings	0.1	21.7	-	21.8
Impairment for the year	-1.2	-3.4	-	-4.6
Amortization for the year	-13.7	-88.7	-	-102.3
Re-classification	0.0	0.0	-	0.0
Exchange-rate differences	4.9	33.4	-	38.2
Closing balance, 31 Dec. 2015	**-233.2**	**-1,243.4**	**-**	**-1,476.6**
Opening balance, 1 Jan. 2016	-233.2	-1,243.4	-	-1,476.5
Acquired through business combinations	-47.9	-132.6	-	-180.5
Disposals and scrappings	4.0	81.7	-	85.6
Impairment for the year	-	-0.4	-	-0.4
Amortization for the year	-15.1	-94.3	-	-109.4
Re-classification	-	0.0	-	0.0
Exchange-rate differences	-5.2	-33.7	-	-38.9
Closing balance, 31 Dec. 2016	**-297.4**	**-1,422.7**	**-**	**-1,720.1**
Carrying amounts				
On 1 January 2015	222.5	375.4	38.6	636.5
On 31 December 2015	217.8	360.0	51.0	628.9
On 1 January 2016	**217.9**	**360.0**	**51.0**	**628.9**
On 31 December 2016	**292.1**	**416.8**	**55.9**	**764.8**

Group, SEKm	2016	2015
Amortization is included in the following items in the income statement:		
Cost of goods sold	-99.8	-95.1
Selling expenses	-3.7	-2.2
Administrative expenses	-11.9	-5.0
Research and development expenses	-0.1	0.0
Total	**-115.4**	**-102.3**
Impairment is included in the following items in the income statement:		
Cost of goods sold	-	-4.6
Total	**-**	**-4.6**

The restructuring of production in Sweden and Denmark necessitated impairment of tangible non-current assets during 2015.

Parent Company, SEKm, Equipment	2016	2015
Amortized cost		
Opening balance	1.8	1.8
Acquisitions	0.2	-
Closing balance	**1.9**	**1.8**
Accumulated depreciation		
Opening balance	-1.7	-1.7
Amortization for the year	0.0	0.0
Closing balance	**-1.7**	**-1.7**
Carrying amounts	**0.2**	**0.1**

Financial leasing (Leased production equipment)

The Group leases production and IT equipment and cars under various financial leasing agreements. The variable fees consist of non-fixed interest rates linked to local reference rates in Denmark, the UK and Poland. As the leasing agreements expire, the Group has the option of buying the equipment at favourable prices. The leased assets act as collateral for the leasing liabilities.

Group, SEKm	2016	2015
Carrying amount	3.2	1.8
Minimum lease fees paid during the year	3.2	9.7

Future payment obligations for non-cancellable lease contracts:

	2016		2015	
Group, SEKm	Nominal amount	Estimated current amount	Nominal amount	Estimated current amount
Within 1 year	1.7	1.6	1.2	1.1
2–5 years	1.8	1.7	0.7	0.7
Later than 5 years	0.0	-	0.0	-
	3.5	**3.2**	**1.9**	**1.8**

NOTE 15 Participations in associated companies

Group, SEKm	2016	2015
Carrying amount at start of year	11.2	10.4
Disposal of associated companies	-3.3	-
Participations in profit of associated companies	1.8	1.2
Translation difference	0.2	-0.4
Carrying amount at end of year	**9.9**	**11.2**

Specified below are the consolidated values for the ownership proportion of income, profit, assets and liabilities.

Associated companies

2016, SEKm	Country	Revenue	Profit/loss	Assets	Liabilities	Equity capital	Owned share in %	Share profit after tax	Value of listing	Carrying value
Parent Company's:										
WeBe Home AB	Sweden	7.2	0.0	2.0	1.5	0.5	30.0	0.0	-	1.1
Subsidiaries':										
UAB Panorama Nordic Ltd	Lithuania	24.4	4.6	31.8	13.7	18.1	40.0	1.8	-	8.8
								1.8		**9.9**

2015, SEKm	Country	Revenue	Profit/loss	Assets	Liabilities	Equity capital	Owned share in %	Share profit after tax	Value of listing	Carrying value
Parent Company's:										
WeBe Home AB	Sweden	4.7	0.1	1.3	0.8	0.6	30.0	0.0	-	1.1
Subsidiaries':										
Art Andersen ApS	Denmark	13.8	0.0	5.8	4.8	0.1	30.0	0.0	-	3.1
UAB Panorama Nordic Ltd	Lithuania	18.9	2.9	27.5	13.5	14.0	40.0	1.1	-	7.0
								1.2		**11.2**

NOTE 16 Receivables from Group companies

Parent Company, SEKm	2016	2015
Accumulated cost		
Opening balance	1,234.4	1,174.2
Additional receivables	1,123.6	559.3
Settled receivables	-701.4	-499.1
Impairment of receivables	-	-
Closing balance, 31 December	**1,656.6**	**1,234.4**

NOTE 17 Inventories

Group, SEKm	2016	2015
Raw materials and consumables	263.4	228.6
Products in progress	64.3	52.1
Finished goods and goods for resale	121.4	120.0
	449.1	**400.8**

Operating expenses include inventory impairments of SEK 2.9 million (8.1) after reversals of previous impairments of SEK 0.2 million (2.8). The reversals are largely attributable to new assessments of existing order backlogs.

NOTE 18 Cash and equivalents

Group, SEKm	2016	2015
Cash and equivalents include the following sub-components:		
Cash and bank balances	308.6	244.6
Total according to statement of financial position and statement of cash flows	**308.6**	**244.6**

NOTE 19 Equity

Share capital

Parent Company	2016	2015
Number of shares, 000's		
Ordinary shares, quota value SEK 4 (4)	57,968	57,968

Holders of ordinary shares are entitled to dividends determined in due course and to one vote per share at Annual General Meetings. All shares carry equal entitlement to a share in the company's remaining net assets.

Other capital contributions

Pertains to capital provided from shareholders. This includes premiums paid in connection with share issues.

Reserves

Translation reserve

The translation reserve encompasses all exchange rate differences arising from the translation of the financial statements of foreign operations prepared in a currency other than that in which the Group's financial statements are presented. The Parent Company and the Group present their financial statements in SEK.

Profit brought forward including profit for the year

Included in profit brought forward and profit for the year are the profits earned by the Parent Company and its subsidiaries, associated companies and joint ventures. This equity item includes earlier provisions to the reserve fund, excluding transferred share premium reserves.

Dividend

Parent Company, SEKm	2016	2015
Paid during the year	144.9	115.9
Proposed for payment	202.9	144.9

Inwido aims to pay its shareholders an annual dividend that corresponds to approximately 50 percent of net profit. However, Inwido's financial status in relation to the target, cash flow and future prospects shall be taken into consideration.

Appropriation of profit

Parent Company, SEKm	2016
Proposal for profit distribution	
The following funds are at the disposal of the Annual General Meeting:	
Share premium reserve	890.7
Accumulated profit	329.5
Profit/loss for the year	204.8
Total, SEK	**1,424.9**
The Board of Directors and President and CEO propose that the profit at the disposal of the Annual General Meeting be distributed in the following manner:	
Distributed to shareholders: SEK 3.50 per share	202.9
Brought forward to new account, SEK	1,222.1
Total, SEK	**1,424.9**

Capital management

According to Board policy, the Group's financial objective is to maintain a favourable capital structure and financial stability, enabling it to retain the trust of creditors and the market, while also providing the basis for continued business development.

The Board's ambition is to maintain a balance between the high return that increased borrowing permits and the advantages and security offered by a sound capital structure. The net debt in relation to EBITDA is followed up continuously in the internal reporting to management and the Board.

Capital is defined as equity including non-controlling interests.

Group, SEKm	2016	2015
Capital		
Total equity	3,012.6	2,890.9
	3,012.6	**2,890.9**
Net debt/equity ratio		
Financial liabilities	1,992.4	1,137.9
Financial interest-bearing receivables	-16.5	-15.8
Cash and equivalents	-308.6	-244.6
Net debt	**1,667.3**	**877.4**
Net debt / Total equity	0.6	0.3
Net debt / Operating EBITDA (multiple)	2.1	1.2

Net debt increased by SEK 790 million in 2016. During the same period total equity increased by SEK 122 million and the net debt/equity ratio decreased to 0.6 (0.3). Consolidated cash flow from ordinary operations has primarily been used for investments and acquisitions, amortization of debt and dividends.

The strong balance sheet provides good opportunities to benefit from the growth opportunities anticipated over the coming years without any need to jeopardize the level of the ordinary dividend.

Financial targets

Inwido's operations are governed by four financial targets aimed at generating profitable growth and providing shareholders with good returns and long-term growth in value.

• Growth – more than the rest of the market

Inwido's objective is to exceed growth in our current markets through organic growth, as well as selective acquisitions and initiatives in Europe.

Comment

In our assessment, Inwido, on the whole, gained market share in 2016. During the year, Inwido acquired operations in the UK, Denmark and Finland, and expanded its e-commerce operations to include the UK and Ireland. The plan for the near future is to maintain and strengthen our position in the Nordic region, while growing in Europoth organically and through selected acquisitions.

• Profitability – 12%

Inwido's profitability target is an operating EBITA margin of 12 percent.

Comment

Profitability was further improved in 2016 and we achieved an operating EBITA margin of 11.9 percent for the year. This improved profitability was achieved in several different ways. Through ongoing rationalization and improvement measures, we have established a lower cost level and improved productivity, which enabled improved profitability as markets started to gain momentum. In addition, marketing initiatives and improved sales efforts, in which we focused on profitable transactions, suitable customers and the appropriate pricing, produced results, generating higher volumes and margins.

• Capital structure <2.5x

Inwido's net debt in relation to operating EBITDA shall, excluding temporary deviations, not exceed a multiple of 2.5.

Comment

Through good profitability and strong cash flows, Inwido has reduced net debt in relation to operating EBITDA each year since 2012. Although net debt increased in 2016 as a result of four acquisitions, Inwido nonetheless achieved the target by a wide margin. Our strong balance sheet provides scope for investment both in existing operations and acquisitions.

• Dividend – 50%

Inwido aims to pay its shareholders an annual dividend that corresponds to approximately 50 percent of net profit. However, Inwido's financial status in relation to the target, cash flow and future prospects shall be taken into consideration.

Comment

For 2015, the dividend was SEK 2.50 per share, totalling SEK 145 million, which represented 49 percent of profit after tax for 2015. The Board of Directors proposes a dividend for 2016 of SEK 3.50 per share to the Annual General Meeting, which corresponds to 47 percent of profit for the year after tax.

Earnings per share

Earnings per share before dilution are calculated as the earnings for the period attributable to Parent Company shareholders divided by the average number of shares outstanding in the reporting period.

Instruments that could cause future dilution effects and changes after the balance sheet date

In 2016, the company launched a warrant programme whereby warrants were sold to senior executives. The exercise price for these warrants (SEK 130.30 per share for 2016/2019:1 and SEK 139.20 for 2016/2019:2) exceeded the price for ordinary shares over all trading days since the start of the warrant programme. Accordingly, these options have no dilution effect and are excluded from the calculation of earnings per share after dilution. If, in the future, the share price rises to a level above the exercise price, these warrants will cause dilution.

Group, SEKm	2016	2015
Number of shares, 31 December, 000's	57,968	57,968
Average number of shares before dilution, 000's	57,968	57,968
Average number of shares after dilution, 000's	58,009	57,968
Profit after tax attributable to Parent Company	427.7	295.6
Earnings per share, before dilution, SEK	7.38	5.10
Earnings per share, after dilution, SEK	7.37	5.10
Balance after the issue of 103,944 convertible debentures	14.1	-
Amount classified as shareholders' equity (gross amount before deferred tax)	-1.1	-
Capitalised interest	0.2	-
Reported liability, 31 December	13.2	-

Convertible debentures

The Company has issued convertible debentures in June 2016 ("2016/2019:1") and September 2016 ("2016/2019:2"). The convertible debenture issued under 2016/2019:1 nominally amounted to SEK 5.1 million with a price of SEK 130.30, meaning that a total of 39,432 convertible debentures were issued under 2016/2019:1. The convertible debenture issued under 2016/2019:2 nominally amounted to SEK 9.0 million with a price of SEK 139.20, meaning that a total of 64,512 convertible debentures were issued under 2016/2019:2. The issue has taken place in connection with the introduction of an incentive programme for all employees in the Group, see Note 8. The interest rate of Stibor six months plus 3 percent is paid annually.

The equity component of the convertible debenture amounted to SEK 0.8 million. The debt component is recognized at amortized cost. The interest expense is calculated using the effective interest method at 2.5 percent, which corresponds to the market rate for a similar liability, without entitlement to conversion. Holders are entitled to exercise their options to receive one share for every option held at a conversion price of SEK 130.30 in respect of 2016/2019:1 and SEK 139.20 in respect of 2016/2019:2. Warrants not converted into ordinary shares will be redeemed at their nominal amount before 30 September 2019.

Warrants

In 2016, the company issued warrants for SEK 1.7 million under the two programmes: 2016/2019:1 and 2016/2019:2. The issue has been associated with the initiation of an incentive programme for senior executives, see Note 8. During the period 1 August 2019 to 15 September 2019, holders are entitled to exercise their options to receive one share for every option held at a conversion price of SEK 130.30 in respect of 2016/2019:1 and SEK 139.20 in respect of 2016/2019:2. Warrants not converted into ordinary shares will expire on 15 September 2019.

NOTE 20 Interest-bearing liabilities

The following presents details of the company's agreement terms for interest-bearing liabilities, without taking the company's interest rate swaps into account. For further details of the company's exposure to interest rate risks and currency risks, please see Note 2.

Group, SEKm	2016	2015
Non-current liabilities		
Liabilities to credit institutions	1,587.9	1,089.6
Financial lease liabilities	1.7	0.7
Acquisition-related liabilities	353.3	-
Total	**1,942.8**	**1,090.3**

Group, SEKm	2016	2015
Current liabilities		
Overdraft facilities	46.0	46.0
Current liabilities to credit institutions	2.0	0.4
Current portion of financial lease liabilities	1.6	1.1
Total	**49.6**	**47.5**
Liabilities maturing later than five years after the balance sheet date		
Bank loans	18.9	2.3
Financial leasing	-	-

Terms and repayment periods

Group, SEKm	Current	Matures	2016 Recognized nominal value	2016 Recognized value	2015 Recognized nominal value	2015 Recognized value
Credit institute	SEK	09/2019	173.3	173.3	173.3	173.3
Credit institute	EUR	07/2018-10/2019	445.7	445.7	169.1	169.1
Credit institute	DKK	09/2019-03/2031	760.2	760.2	711.4	711.4
Credit institute	GBP	09/2019	217.5	217.5	42.7	42.7
Periodized bank expense	SEK	09/2019	-6.8	-6.8	-6.6	-6.6
Financial lease liabilities	DKK, GBP, PLN	2017–2020	3.2	3.2	1.8	1.8
Overdraft facilities utilized	PLN	06/2017–09/2019	46.0	46.0	46.0	46.0
Acquisition-related liability Värmelux OY	EUR	3/2018–3/2019	73.9	72.0	-	-
Acquisition-related liability Outrup Vinduer & Døre A/S	DKK	01/2018–01/2019	287.9	281.2	-	-
Interest-bearing liabilities			**2,000.9**	**1,992.3**	**1,137.9**	**1,137.9**

The average interest rate in 2016 was approximately 1.9 percent (2.2).

NOTE 21 Liabilities to credit institutions

Parent Company, SEKm	2016	2015
Non-current liabilities		
Bank loans	1,561.6	1,085.8

NOTE 22 Provisions

Group 2016, SEKm	Guarantee reserve	Restructuring measures	Total
Carrying amount at start of period, 1 January 2016	24.3	84.6	108.9
Provisions made during the period	9.0	0.3	9.3
Amounts utilized	-1.4	-50.1	-51.5
Provisions in acquired companies	0.6	0.0	0.6
Re-classification	0.0	0.0	0.0
Translation difference	0.2	2.7	2.8
Carrying amount at end of period, 31 December 2016	**32.6**	**37.5**	**70.2**
of which:			
Amount expected to be repaid after more than 12 months	0.0	29.7	29.7
Amount expected to be repaid within 12 months	32.6	7.8	40.4

Group 2015, SEKm			
Carrying amount at start of period, 1 January 2015	22.7	15.5	38.3
Provisions made during the period	9.3	84.6	93.8
Amounts utilized	-7.1	-10.8	-17.8
Re-classification	-0.3	-3.7	-4.0
Translation difference	-0.3	-1.0	-1.3
Carrying amount at end of period, 31 December 2015	**24.3**	**84.6**	**108.9**
of which:			
Amount expected to be repaid after more than 12 months	0.0	0.0	0.0
Amount expected to be repaid within 12 months	24.3	84.6	108.9

Guarantees

Provisions for guarantees and refunds are mainly attributable to sales of windows and doors during the 2015 and 2016 financial years. The provision was made on the basis of calculations involving historical expense data for guarantees and refunds and that are expected to mature in 2017.

Restructuring

Of the restructuring measures adopted within Inwido, SEK 9.6 million (109.2) has impacted the earnings for the year negatively. Most of the costs are acquisition-related expenses and restructuring of the Norwegian sales organization. As of 31 December 2016 provisions of SEK 37.5 million remain, of which SEK 7.8 million will mature in 2017.

NOTE 23 Accrued expenses and deferred income

Group, SEKm	2016	2015
Accrued liabilities for wages and vacation compensation	210.0	190.5
Accrued social security contributions	33.6	42.2
Customer bonuses	89.8	71.6
Accrued interest expenses	2.8	1.8
Other	28.7	31.3
Total	**365.0**	**337.5**

Parent Company, SEKm	2016	2015
Accrued liabilities for wages and vacation compensation	6.3	9.6
Accrued social security contributions	2.0	3.0
Accrued interest expenses	2.8	1.4
Other	1.2	0.5
Total	**12.3**	**14.5**

NOTE 24 Operational leasing

Leasing agreements where the Group is the lessee.

Group, SEKm	2016	2015
Non-cancellable leasing payments amount to:		
Within 1 year	47.9	44.6
2-5 years	133.6	108.3
Later than 5 years	95.5	106.2
Total	**277.1**	**259.1**

Fees expensed for operational lease agreements amount to:

Group, SEKm	2016	2015
Minimum lease fees	33.0	32.0
Variable fees	21.6	23.6
Total lease expenses	**54.5**	**55.6**

The Group leases certain machinery and equipment for production and IT-related investments. Leasing agreements are normally valid for one to five years with an extension option. No agreements include extension requirements. As the leasing agreements expire, the Group has the option of buying the equipment at current market prices. The leasing agreements include index clauses.

The Group leases a number of warehouse and production units in accordance with operational lease agreements that are valid for 10–15 years. The variable fees for these have been set in accordance with index clauses.

NOTE 25 Pledged assets, contingent liabilities and contingent assets

	Group		Parent Company	
SEKm	2016	2015	2016	2015
Pledged assets				
Collateral pledged for own liabilities and provisions				
Property mortgages	35.0	3.1	-	-
Chattel mortgages	0.0	3.9	-	-
Assets with ownership reservation	3.0	1.1	-	-
Endowment insurance	16.0	13.5	15.0	12.6
Others		34.3	-	-
	54.0	**55.8**	**15.0**	**12.6**
Other pledged assets and collateral	-	-	-	-
Total pledged assets	**54.0**	**55.8**	**15.0**	**12.6**
Contingent liabilities				
Guarantee obligations for the benefit of subsidiaries	1,635.4	1,184.8	1,634.6	1,175.8
Total contingent liabilities	**1,635.4**	**1,184.8**	**1,634.6**	**1,175.8**

NOTE 26 Related parties

Relations with affiliates

The Parent Company has a related party relationship with its subsidiaries, see Note 27.

Summary of transactions with related parties

SEKm	Years	Sales of goods/services to related parties	Interest income	Receivables from related parties at 31 December	Interest expenses	Liabilities to related parties at 31 December
Group						
Associated companies	**2016**	**-7.5**	**-**	**-**	**-**	**1.1**
Associated companies	2015	-	-	-	-	-
Parent Company						
Subsidiaries	**2016**	**62.0**	**25.1**	**1,656.6**	**-**	**479.7**
Subsidiaries	2015	68.6	24.1	1,234.4	-	628.4
Associated companies	**2016**	**-4.5**	**-**	**-**	**-**	**0.8**
Associated companies	2015	-	-	-	-	-

Transactions with closely related parties are priced on market terms.

Sales by the Parent Company to subsidiaries pertain to services. These are priced and allocated in accordance with the Group's internal pricing documentation. Other transactions with closely related parties are priced on market terms. For receivables from, and liabilities to, Group companies, terms are in line with the market.

Transactions with key individuals in senior positions

The 2016 Annual General Meeting approved the Board's proposal on the establishment of a long-term incentive programme consisting of two parts: an issue of convertibles with the opportunity for all employees to participate and an issue of subscription warrants to approximately 50 of the company's senior executives and so-called Senior Leaders. For more information about the incentive programme, see Notes 8 and 19.

NOTE 27 Group companies

Group, Holding in subsidiary, direct and indirect ownership	Subsidiary's domicile, country	Holding in % 2016	2015
Inwido Denmark A/S	Denmark	100	100
– Art Andersen Cph	Denmark	100	100
– Dansk Vindues Industri A/S	Denmark	-	100
– EF Patent Aps	Denmark	100	-
– Frovin Vinduer Og Døre A/S	Denmark	100	100
– Outline Vinduer A/S	Denmark	100	100
– Outrup Vinduer Og Døre A/S	Denmark	25	-
– KPK Døre Og Vinduer A/S	Denmark	100	100
– Pro Tec Vinduer A/S	Denmark	100	100
– UAB Inwido Support	Lithuania	100	100
– TB Europe A/S	Denmark	100	100
– JNA Vinduer & Døre A/S	Denmark	100	100
– Säästke Oü	Estland	100	100
– Sparvinduer Aps	Denmark	100	100
– Sparevinduer AS	Norway	100	100
– Sparfönster AB	Sweden	100	100
– Sparfenster Gmbh	Germany	100	100
Inwido Europe AB	Sweden	100	100
– Inwido Ce Gmbh	Austria	100	100
– Inwido Europe AB	Sweden	100	100
– Inwido e-Commerce A/S	Denmark	100	-
– Sparwindow Ltd	UK	100	-
– Sparwindow Ltd	Ireland	100	-
Inwido Ireland Ltd	Ireland	100	100
– Carlson & Co Ltd	Ireland	100	100
Inwido Finland Oy	Finland	100	100
– Invent Solution Oy	Sweden	100	-
– Klas1 Yhtiöt Oy	Finland	100	-
– Värmelux Oy	Finland	83	-
– Suomen Lämpöikkuna Oy	Finland	100	-
Inwido Norge AS	Norway	100	100
– Inwido Salg AS	Norway	100	100
– Frekhaug Vinduet AS	Norway	100	100
Inwido Poland S.A.	Poland	100	100
– Inwido Production S.A.	Poland	100	100
Inwido Supply AB	Sweden	100	100
– A-Lackering AB	Sweden	100	100
– Alakiernia Sp.zo.o.	Poland	100	100
– Inwido Produktion Dörrar AB	Sweden	100	100
– IP Glass Sp.zo.o.	Poland	100	100
– Steelform Scandinavia AB	Sweden	100	100
Inwido Sverige AB	Sweden	100	100
– Outline I Sverige AB	Sweden	100	100
– Elitfönster AB	Sweden	100	100
– Era Fönster AB	Sweden	100	100
– Etrifönster AB	Sweden	100	100
– Hajom Skjutdörrar AB	Sweden	100	100
– Inwido Försäljning AB	Sweden	100	100
– Inwido Produktion AB	Sweden	100	100
– Lenhovda Fönster AB	Sweden	100	100
– Norsjö Komponenter AB	Sweden	100	100
– Temafönster AB	Sweden	100	100
– Snickar-Per AB	Sweden	100	100
– Hemmafönster Sverige AB	Sweden	100	100
Inwido UK Ltd	UK	100	100
– Allan Brothers Ltd	UK	100	100
– CWG Choices Ltd	UK	100	-
– Jack Brunsdon & Son Ltd	UK	100	100

Parent Company, SEKm	2016	2015
Accumulated cost		
At beginning of the year	2,043.9	1,934.2
Purchases and issues	-	185.2
Disposals	-	-
Impairment	-	-75,5
Intra-Group changes	-	-
Closing balance, 31 December	**2,043.9**	**2,043.9**

Subsidiaries (directly owned)

Company	Corporate identity number	Subsidiary's domicile/country	2016 SEKm	2015 SEKm	Number of shares	Holding in %
Inwido Sverige AB	556583-4693	Vetlanda	881.2	881.2	400,000	100
Inwido Finland Oy	1882624-9	Finland	223.2	223.2	532,130	100
Inwido Norway AS	988381063	Norway	200.0	200.0	1,700,000	100
Inwido Denmark A/S	28 84 36 15	Denmark	528.6	528.6	75,000,000	100
Inwido Polska S.A.	0000082682	Poland	51.0	51.0	15,447,500	100
Inwido UK Ltd	1110137	United Kingdom	21.4	21.4	560,000	100
Inwido Supply AB	556625-4412	Sävsjö	100.6	100.6	20,000	100
Inwido Ireland Ltd	465489	Ireland	34.8	34.8	2	100
Inwido Europe AB	556565-5767	Vetlanda	3.1	3.1	1,500	100
			2,043.9	**2,043.9**		

NOTE 28 Significant events after the end of the period

No significant events have occurred after the end of the year.

NOTE 29 Key estimates and assessments

Company management has discussed with the Audit Committee the development, selection and details of the Group's key accounting principles and estimates, as well as the application of these principles and assessments.

Impairment testing of goodwill

In the calculation of cash generating units' recoverable value for the assessment of possible goodwill impairment, several assumptions of parameters have been made. These are accounted for in Note 12. However, it is management's view that considerable changes in conditions would be necessary for these assumptions in 2016 and estimations to have a significant impact on goodwill.

Valuation of deferred tax assets

In the valuation of deferred tax assets, the size of the asset in relation to the company's estimated future cash flows and the useful life of the asset shall be taken into account.

A similar assessment is made as in the calculation of cash generating units' recoverable value for the assessment of the goodwill impairment, see Note 12. The assessment is made of the individual company in those cases where this is an individual tax-paying entity, otherwise the assessment is made of the entire Group, which is the taxable unit where joint taxation applies. However, deferred tax assets are assessed over a different period other than the assessment of goodwill impairment. In most cases, an assessment is made as to whether the claim can be utilized within the time limits of the loss carryforward or whether no time limit applies for a period of five to seven years. This assessment could lead to impairment being recognized in receivables or to the reversal of previously uncapitalized loss carryforwards.

Acquisitions of subsidiaries

In 2016, the Group made a number of acquisitions, see Note 5 for a description of the acquisitions. In connection with business combinations, acquisition analysis have been prepared and the assets acquired and liabilities assumed have been identified and valued. The acquisition analyses require management to assess the assets to be included in the account and the value at which they will be recognized. Intangible assets, in particular, may be difficult to assess. For the three major acquisitions, the Group has identified customer relationships as an intangible asset. These have been valued in accordance with generally accepted methods for the valuation of customer relationships.

The valuation of acquisition-related liabilities (such as additional purchase consideration and liabilities for futures and options issued to non-controlling interests) is dependent on management's best estimate of future cash flows.

NOTE 30 Details of the Parent Company

Inwido AB is a company registered in Sweden with its domicile in Malmö. The Parent Company's shares are listed on the Nasdaq Stockholm exchange. The address of the head office is Engelbrektsgatan 15, SE-211 33 Malmö, Sweden.

The consolidated accounts for 2016 comprise the Parent Company and its subsidiaries, together called the Group. The Group also includes participations in associated companies.

Attestation by the Board of Directors

The Board of Directors and the President and CEO certify that the Annual Report has been prepared in accordance with generally accepted accounting standards in Sweden and that the consolidated accounts have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards.

The annual accounts and consolidated accounts give a true and fair view of the financial position and results of the Parent Company and the Group. The Board of Directors' Report for the Parent Company and the Group gives a true and fair overview of the operations, financial position and results of the Parent Company and the Group, and describes significant risks and uncertainties that the Parent Company and the companies in the Group face.

The Annual Report and the consolidated accounts were approved for publication by the Board of Directors and President and CEO on 31 March 2017.

Arne Frank
Chairman of the Board

Anders Wassberg
Board member

Benny Ernstson
Board member

Eva S Halén
Board member

Sisse Fjelsted Rasmussen
Styrelseledamot

Tony Johansson
Employee representative

Robert Wernersson
Employee representative

Håkan Jeppsson
President and CEO

My audit report was submitted on 31 March 2017.

Tomas Forslund
Authorized Public Accountant

The consolidated statement of comprehensive income and statement of financial position and the Parent Company's income statement and balance sheet are subject to the approval of the Annual General Meeting on 9 May 2017.

Audit Report

To the Annual General Meeting of Inwido AB (publ), corp. ID 556633-3828

Report on the annual and consolidated accounts

Statements

I have conducted an audit of the annual and consolidated accounts for Inwido AB for 2016. The Company's annual and consolidated accounts are included on pages 44–86 of this document.

It is my opinion that the annual accounts have been prepared in accordance with the Annual Accounts Act and give in all material regards an accurate view of the company's financial position as per 31 December 2016 and its financial results and cash flow for the year in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and give, in all material respects, a fair portrayal of the financial position of the Group as of December 31, 2016 and its financial performance and cash flow for the year in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory Directors' report is consistent with the other parts of the annual and consolidated accounts.

I therefore recommend that the Annual General Meeting approve the income statement and balance sheet of the Parent Company, the consolidated statement of comprehensive income and the consolidated statement of financial position.

Basis for statements

I have conducted my audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. My responsibilities under these standards are described in the section Responsibility of the Auditor. I am independent of the Parent Company and the Group in accordance with generally accepted accounting practices in Sweden and have, in all other regards, fulfilled my ethical responsibilities under these requirements.

I believe that the audit evidence I have gathered is sufficient and appropriate as a basis for my statements.

Particularly important areas

Particularly important areas of the audit are those which, in my professional judgement, were the most significant for the audit of the annual and consolidated accounts for the current period. These areas were addressed within the framework of the audit of, and in my stance on the annual accounts and the consolidated accounts as a whole, although I express no separate opinions regarding those areas.

Valuation of goodwill and the Parent Company's holdings in Group companies

See Note 13, Note 29 and the accounting principles on page 64 of the annual and consolidated accounts for detailed disclosures and a description of the area.

Description of the area

On 31 December 2016, the Group reported goodwill of SEK 3,671.3 million. The carrying amount has been subject to impairment testing which involves both complexity and a significant element of judgement. Impairment testing has been performed for all of the cash-generating units that have associated goodwill, which for the Group involves six different units.

Im accordance with IFRS, impairment testing is to be performed according to a specific technique requiring management to make projections about the operations' internal and external conditions and plans. Examples of such judgements are future cash flows, which, among other things, require assumptions about future market growth, purchases of goods and services, personnel costs and efficiency.

Another important assumption is the discount rate to be used to reflect market assessments of the time value of money and the specific risks to which the units are exposed.

As per 31 December 2016, the Parent Company reported shares in Group companies for SEK 2,043.9 million. If there are indications of significant impairment, for example, if the value of the shares exceeds the consolidated value of each Group company, the same type of testing is performed, using the same technique and inputs, as for consolidated goodwill.

How the area has been taken into account in the audit

I have inspected the impairment tests that have been performed to assess whether they have prepared in accordance with the prescribed techniques.

I have also assessed the reasonableness of the assumptions regarding future cash flows by reviewing and assessing the four-year business forecast on which the testing is based. I have also interviewed Group management and evaluated the previous year's estimates of future cash flows in relation to actual outcome.

I have also assessed the discount rate applied and involved our valuation specialists in this part of the audit, mainly with regard to the assumptions about the rate of return associated with external markets.

An important aspect of my work has also been reading the Group's sensitivity analysis of the valuation in order to determine how reasonable changes in Group management's assumptions may affect the valuation.

I have also assessed the content of the disclosures on the impairment testing as provided in the annual and consolidated accounts.

Accounting of acquisitions

See Note 5, Note 29 and the accounting principles on page 61 of the annual and consolidated accounts for detailed disclosures and a description of the area.

Description of the area

During the year, three significant acquisitions were made for a total consideration of SEK 452.9 million. The Group has acquired a 82.77 percent stake in Värmelux Oy, a 100 percent stake in CWG Choices Ltd and 25 of the shares in Outrup Vinduer & Døre A/S. In connection with business combinations, if a controlling influence is obtained, the new operations are reported in the consolidated accounts, requiring that an acquisition analysis be prepared. In the preparation of this analysis, the acquired assets and assumed liabilities – regardless of whether they have been reported previously or not – shall be identified and assigned amounts equivalent to their fair values on the acquisition date.

Preparing this analysis requires knowledge of the methods used in the analysis and access to information about the circumstances of the acquired business, producing values to be recognized in the Group.

The acquisition analysis requires judgements to be made regarding the assets to be included in the account – intangible assets in particular can be difficult to assess – and what values they should be assigned in the account. These estimates affect the Group's future results, depending among other things, on whether depreciable or non-depreciable assets are included in the report. The value that remains after all the assets and liabilities have assessed and valued is recorded as goodwill. This goodwill is not amortized but should be subject to impairment testing at least annually.

In valuing contract terms, such as additional consideration and call options, discounted cash flows have been used. Cash flows are based on Group management's best estimate.

How the area has been taken into account in the audit

I have assessed whether the acquisitions have included in the consolidated accounts from the correct point in time, that is, from the time when a controlling influence is considered to exist. I have also considered whether the terms of the acquisition agreements, such as additional purchase considerations and other financial instruments have been recognized and measured accurately.

I have reviewed the established acquisition analyses to assess whether they have been produced using generally accepted methods. In my work, I have involved our specialists with experience in the accounting of acquisitions. Among other aspects, I have focused on intangible assets and whether the techniques used by the Group to assign values to these assets in the report are consistent with regulations and established valuation techniques.

Other important parts of my work has been to ascertain that the assets included in the acquisition analysis exists and that all significant assets, in particular intellectual property, have been included. This assessment has, among other things, been based on inspection of the agreements that have been signed.

I have also checked the completeness of the disclosures contained in the annual and consolidated accounts and assessed whether these are consistent with the data that the Group has used in its acquisition analyses.

Information other than annual and consolidated accounts

This document also contains information other than the annual and consolidated accounts, and this is presented on pages 1–34 and 92–93. The Board of Directors and the President and CEO are responsible for this other information.

My opinion regarding the annual and consolidated accounts does not include this information, and I make no statement of assurance regarding this other information.

In connection with my audit of the annual and consolidated accounts, it is my responsibility to read the information identified above and to consider whether the information is materially incompatible with the annual and consolidated accounts. In this review, I also take into account the knowledge I have otherwise obtained during the audit and also assess whether the information appears to contain material errors in other regards.

If, based on the work that has been conducted regarding this information, I should conclude that the other information contains a material misstatement, I am obliged to report this. I have nothing to report in this regard.

Responsibility of the Board of Directors and the President and CEO

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

In preparing the annual accounts and consolidated accounts, the Board of Directors and the President and CEO are responsible for the assessment of the company's and the Group's ability to continue operating. They disclose, as applicable, conditions that could impact the company's capacity to continue operating, and the assumption of continued operation. However, the assumption of continued operation is not applied if the Board of Directors and the President and CEO intend to liquidate the company, cease operations, or have no realistic alternative but to do so.

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

Auditors' responsibility

My objective is to obtain reasonable assurance about whether the annual 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 my 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 on aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual and consolidated accounts.

As part of an audit in accordance with ISAs, I exercise professional judgement and maintain professional scepticism throughout the audit. In addition:

- I identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- I obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the President and CEO.

- I draw a conclusion on the appropriateness of the Board of Directors' and the President and CEO's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. I also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue its operations. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual and consolidated accounts or, if such disclosures are inadequate, to modify my opinion about the annual and consolidated accounts. Conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- I evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- I obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. I am responsible for the direction, supervision and performance of the Group audit. I alone am responsible for my opinion.

I must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. I must also inform of significant audit findings during my audit, including any significant deficiencies in internal control that I identified.

I must also provide the Board of Directors with a opinion that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, I determine those matters that were of most significance in the audit of the annual and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Statements

In addition to our audit of the annual and consolidated accounts, we have also audited the administration of the Board of Directors and the President and CEO of the Inwido AB for 2016 and the proposed appropriations of the company's profit or loss.

I recommend that the Annual General Meeting appropriate Company's profit or loss in accordance with the proposal presented in the statutory administration report (Board of Directors' Report) and that the directors and the President and CEO be discharged from liability for the financial year.

Basis for statements

I have conducted my audit in accordance with generally accepted auditing standards in Sweden. My responsibility in accordance with this is described in the section Responsibility of the Auditor. I am independent of the Parent Company and the Group in accordance with generally accepted accounting practices in Sweden and have, in all other regards, fulfilled my ethical responsibilities under these requirements.

I believe that the audit evidence I have gathered is sufficient and appropriate as a basis for my statements.

Responsibility of the Board of Directors and the President and CEO

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 are otherwise controlled in a reassuring manner.

The President and CEO is responsible for the ongoing management in accordance with the Board's guidelines and instructions, including taking the measures necessary for the company's accounting to be completed in accordance with the law and for the management of funds being handled in a secure manner.

Auditors' responsibility

My 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 President and CEO in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability towards the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

My objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby my 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, I exercise professional judgement and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on my professional judgement with a starting point in risk and materiality. This means that I focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. I examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to my opinion concerning discharge from liability. As a basis for my statement regarding the Board of Directors' proposed appropriation of the company's profit or loss, I have reviewed the motivated statement by the Board of Directors and a selection of the data on which this is based to be able to determine whether the proposal complies with the Companies Act.

STOCKHOLM, 31 MARCH 2017

Thomas Forslund
Authorized Public Accountant


INWIDO

The Inwido share

Sales and trading

The share's ticker symbol is INWI and the ISIN code is SE0006220018. During 2016, a total of approximately 45.2 million shares were traded at a value of approximately SEK 4,451 million on the Nasdaq Stockholm. An average of 178,677 shares was traded per trading day, which corresponds to a value of approximately SEK 18 million. During the period, an average of 605 trades were carried out per trading day.

Share capital

At the end of 2016, Inwido's share capital amounted to SEK 231,870,112, shared among 57,967,528 shares with a par value of SEK 4 per share. The corresponding number after dilution was 58,071,472. All shares carry equal voting rights and share in the company's profit and capital.

Ownership structure

At year-end, Inwido had 9,376 shareholders. The largest single shareholder was Fjärde AP-fonden, whose total share ownership amounted to about 9.8 percent of the capital and votes in the company. The ten largest shareholders accounted for about 38 percent of the capital and votes. Foreign shareholders' ownership totalled approximately 42 percent.

Dividend

Inwido's long-term aim is to pay its shareholders an annual dividend that corresponds to approximately 50 percent of net profit. However, Inwido's financial status in relation to the target, cash flow and future prospects shall be taken into consideration. The Board of Directors proposes a dividend for 2016 of SEK 3.50 per share to the Annual General Meeting, which corresponds to 47 percent of profit for the year after tax. The proposal will mean a total dividend payment of approximately SEK 203 million.

Facts about the Inwido share

Name:	Inwido AB (publ)	Currency:	SEK
Exchange:	Nasdaq Stockholm	Listing:	26 Sep 2014
Marketplace:	XSTO	Price on 30 Dec 2016:	94.50
Segments:	Mid Cap	Annual high in 2016:	119.75
ISIN code:	SE0006220018	Annual low in 2016:	86.00
Symbol:	INWI	Highest price noted:	8 Sep 2016
Beta:	0.92	Lowest price noted:	10 Oct 2014

Data per share

SEK unless otherwise stated	2016	2015	2014	2013
Earnings per share:				
– before dilution	7.38	5.10	3.12	2.52
– after dilution	7.37	5.10	3.12	2.52
Dividend per share [1]	3.50	2.50	2.00	-
Share price on 31 Dec	94.50	111.00	67.75	-
Yield, % [2]	3.7	2.3	3.0	-
Equity per share:				
– before dilution	50.44	49.87	48.17	43.55
– after dilution	50.35	49.87	48.17	43.55

1) Proposed dividend for 2016. 2) Dividend/share price at year-end. Source: Inwido/Nasdaq

Share price performance

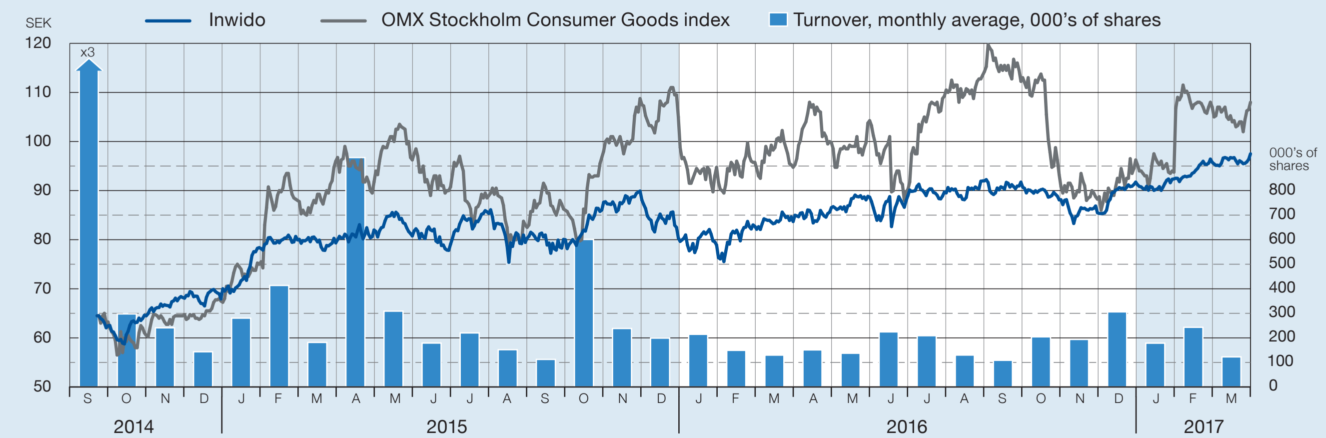
The closing rate for Inwido's share on 31 December 2016 was SEK 94.50, giving a market capitalization of approximately SEK 5,478 million. During 2016, the share price fell by 15 percent. In the same period, OMX Stockholm's Consumer Goods index rose 17 percent. The average share price during the period was SEK 100.

Owner distribution Swedish/foreign owners

Shareholders per 30 Dec 2016	Number of shareholders	Share-holders (%)	Number of shares	Holding (%)	Votes	Votes (%)
Resident in Sweden	8,521	90.88	33,755,372	58.23	33,755,372	58.23
Nordic Region (excl. Sweden)	551	5.88	5,584,873	9.63	5,584,873	9.63
Other Europe (excl. Sweden and Nordic Region)	204	2.18	13,412,508	23.14	13,412,508	23.14
US	64	0.68	4,827,651	8.33	4,827,651	8.33
Rest of world	36	0.38	387,124	0.67	387,124	0.67
Total	**9,376**	**100.00**	**57,967,528**	**100.00**	**57,967,528**	**100.00**

Source: Euroclear

Share price performance and turnover



Information for shareholders

Largest shareholders

Name	Number of shares	Holding (%)	Votes (%)
Fjärde AP-Fonden	5,667,287	9.78	9.78
Handelsbanken fonder	4,747,037	8.19	8.19
Swedbank Robur fonder	3,906,667	6.74	6.74
JP Morgan Bank Luxembourg S.A.	1,337,915	2.31	2.31
Danske Capital Sverige AB	1,303,284	2.25	2.25
JP Morgan Chase Bank N.A.	1,244,962	2.15	2.15
Kas Bank Client Acc Aif	1,139,770	1.97	1.97
Didner & Gerge Fonder Aktiebolag	979,676	1.69	1.69
Danske Invest	913,231	1.58	1.58
Bnymsanv RE Sanvlon RE Ilmarinen Mu	890,000	1.54	1.54
Total	**22,129,829**	**38.18**	**38.18**

Ownership by sector

Category per 30 Dec 2016	Number	Number shares	Holding (%)	Votes (%)
Financial companies	85	18,990,454	32.76	32.76
of which:				
– Banks	(4)	192,433	0.33	0.33
– Securities companies and unit trust managers	(1)	963	0.00	0.00
– Unit trust companies	(58)	16,678,370	28.77	28.77
– Insurance companies and pensions institutes	(10)	1,519,378	2.62	2.62
– Pension foundations	(12)	599,310	1.03	1.03
Other financial companies	5	436,847	0.75	0.75
Social insurance funds	3	5,792,521	9.99	9.99
Central government	2	410,165	0.71	0.71
Local government sector/municipalities	4	28,178	0.05	0.05
Professional organizations	85	516,191	0.89	0.89
of which:				
– Aid organizations and trade unions	(76)	492,924	0.85	0.85
– Religious organizations	(9)	23,267	0.04	0.04
Other Swedish legal entities	376	1,433,723	2.47	2.47
Uncategorized legal entities	30	986,865	1.70	1.70
Shareholders resident outside Sweden	855	24,212,156	41.77	41.77
Swedish natural persons	7,931	5,160,428	8.90	8.90
Total	**9,376**	**57,967,528**	**100.00**	**100.00**

Ownership structure, size categories

Holding	Number of shareholders	Number of shares	Holding (%)	Votes (%)
1 – 500	6,942	961,414	1.66	1.66
501 – 1,000	977	821,998	1.42	1.42
1,001 – 5,000	1,005	2,366,474	4.08	4.08
5,001 – 10,000	150	1,163,727	2.01	2.01
10,001 – 15,000	38	484,108	0.84	0.84
15,001 – 20,000	35	614,731	1.06	1.06
20,001 –	191	51,555,076	88.94	88.94
Total	**9,338**	**57,967,528**	**100.00**	**100.00**

2017 Annual General Meeting

Inwido's Annual General Meeting will be held in Malmö on 9 May 2017 at Malmö Börshus, Skeppsbron 2. Registration for the Meeting commences at 3:00 p.m. and light refreshments are offered. The Meeting starts at 4:00 p.m. The full notice, including the proposed agenda, is available on the website www.inwido.com.

Right to participate

Shareholders who are entitled to participate in the Meeting are:

- those who are entered in the share register of the company maintained by Euroclear Sweden AB on 3 May 2017,
- those who notify the company of their intention to attend the Meeting by 3 May 2017 before 4:00 p.m.

Nominee-registered shares

Shareholders who have had their shares nominee-registered must temporarily re-register the shares in their own name with Euroclear Sweden AB in order to participate in the meeting. Such registration must be completed by 3 May 2017 at the latest, meaning shareholders must instruct nominees in sufficient time prior to this date.

Notification of participation

The notification shall state the name, personal identity number (corporate registration number), shareholding, telephone number and any proxies and/or the name of the participant's assistant. For shareholders represented by proxy, power of attorney shall be submitted before the meeting. Anyone representing a legal entity must present a copy of the registration certificate or similar papers of authorization.

Post:
Inwido AB (publ)
Att. 2017 Annual General Meeting
Engelbrektsgatan 15
SE-211 33 Malmö, Sweden

e-mail:
ir@inwido.com

Annual Report, reports and news

The Annual Report in English and Swedish can be downloaded (PDF) from www.inwido.com. A printed version of the English Annual Report can be ordered. Inwido can also be followed by subscribing for press releases and financial reports via the website.

Financial calendar 2017

Interim report, January-March 2017 .... 24 April
Annual General Meeting 2017 .... 9 May
Interim report, January-June 2017 .... 17 July
Interim report, January-September 2017 .... 23 October

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