# Instalco annual report 2016

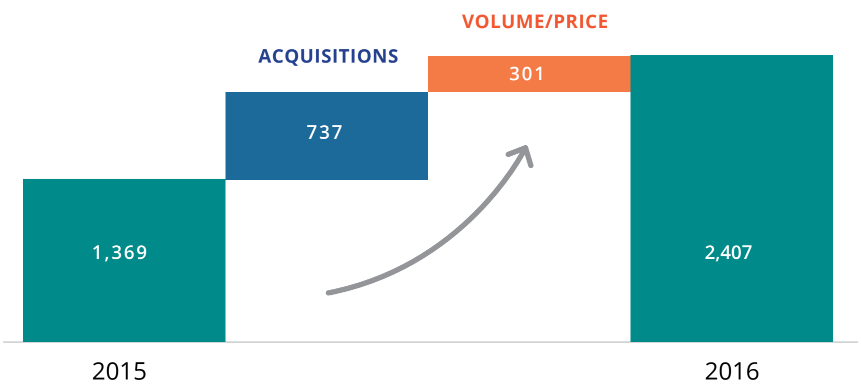
Instalco offers complete technical solutions within the areas of heating, plumbing, electrical, ventilation, cooling and industrial in the Nordic market. We work closely with customers, offering all the advantages of a local company, along with efficient collaboration and mature leadership.

INSTALCO

# Instalco in brief

*Instalco is a leading Nordic installation and service supplier within the heating, plumbing, electrical, ventilation, cooling and industrial areas serving customers throughout most of Sweden, as well as the Oslo and Helsinki regions. Through innovative thinking and efficiency, the operations are conducted in close collaboration with our customers.*

## Revenue growth, SEK m




## Key figures

| SEK m | 2016 | 2015 |
|---|---|---|
| Net sales | 2,407 | 1,369 |
| EBITA | 140 | 49 |
| EBITA margin, % | 5.8 | 3.6 |
| Adjusted EBITA[1)] | 156 | 86 |
| Adjusted EBITA margin | 6.5 | 6.3 |
| Profit before tax | 132 | 46 |
| Cash flow from operating activities | 230 | –74 |
| Order backlog | 1,999 | 1,318 |
| Earnings per share SEK | 696.44 | 298.06 |

*1) Adjusted for costs associated with, for example, acquisitions and preparations for the IPO.*

# 2016 Q1–Q4

### January – March

- Instalco becomes a pan-Nordic group via its acquisitions of the Norwegian companies AR Elektroprosjekt and Romerike Elektro and the Finnish company Voltmen.

### April – June

- Instalco companies Rörläggaren, BI-Vent and ORAB collaborate on installations for Tetra Pak.
- Offering of cooling solutions for Stockholm and the surrounding areas is strengthened via the acquisition of TIMAB.
- Decision to prepare Instalco for potentially becoming listed on Nasdaq Stockholm.

### July – September

- Instalco starts region North after acquiring DALAB and VVS-Installatör.
- Continued expansion in Norway via acquisition of VS-bolaget Rørteft.

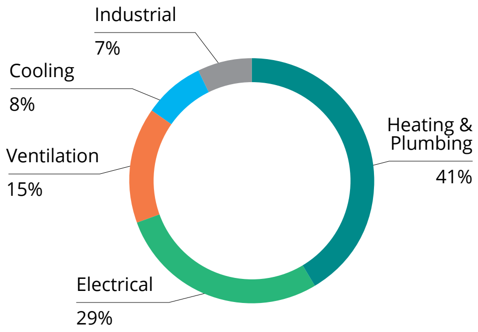
### September – December

- Operations fortified in Norway via acquisition of ventilation company, VITO
- Instalco companies Rörläggaren, BI-Vent and Elpågarna collaborate on the renovation project at Högvakten 6 in central Malmö.
- Increased presence in region South via acquisition of the ventilation company, VFB.
- Operations set up in Södertälje and offering of electricity solutions for Stockholm and surrounding areas strengthened via the acquisition of JN.

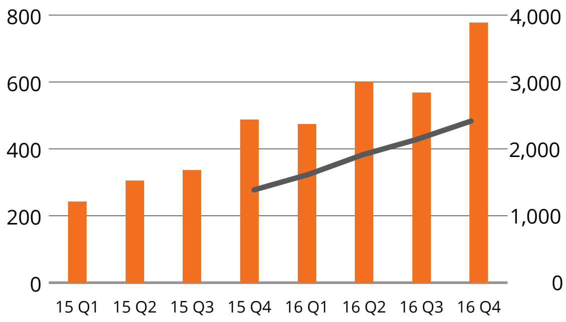
## OUR AREAS OF OPERATION

HEATING & PLUMBING | ELECTRICAL | VENTILATION | COOLING | INDUSTRIAL

### NET SALES BY AREA OF OPERATION

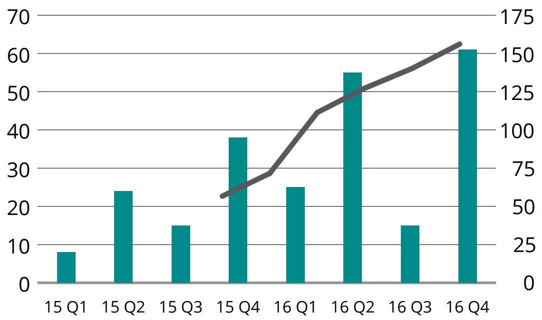



### NET SALES BY QUARTER, SEK M




Net sales by quarter (left axis)
Net sales 12-month rolling (right axis)

### ADJUSTED EBITA BY QUARTER, SEK M




Adjusted EBITA by quarter (left axis)
Adjusted 12-months rolling (right axis)

## CONTENTS



This is a translation of the original Swedish version of the annual report. In the event of any discrepancy, the Swedish wording shall prevail.

# A large company with the heart and soul of a small company

*Instalco was founded upon the ambition of offering a new, innovative approach to leadership and governance.*

When we started Instalco, it was with the aim of creating a large company that could benefit from economies of scale, without losing the advantages offered by small-scale operations. We wanted to combine the spirit of local entrepreneurship with an overall approach to running the business. The concept was to facilitate collaboration between local, leading specialised companies with solid long-term customer relations in order to offer attractive, competitive, multi-disciplinary solutions.

### Mature leadership

Instalco represents wise, mature leadership. It means that we have a solid business concept. We provide inspiration and support – not micromanagement. We provide the tools and infrastructure that each unit in the Group needs for identifying and taking advantage of business opportunities. We also a promote a sense of solidarity, counteracting feelings of jealousy and tendencies to guard one's own turf, so that we create understanding of the benefits of collaboration. Finally, we focus on the right tasks, applying a holistic approach to how we manage the business.

*"We promote a sense of solidarity, counteracting feelings of jealousy and tendencies to guard one's own turf, so that we create understanding of the benefits of collaboration."*

We have created the Instalco Model as a means of summarising our philosophy. The central organisation is very streamlined, with shared functions for purchasing, business development, acquisitions and accounting/finance. Collaboration between the units belonging to the Group is encouraged in many areas, like upselling in multi-disciplinary projects and cross-selling, as well as sharing resources and spreading best practice. Through decentralised goal orientation, local unit managers are given the autonomy to develop their unit in the best possible way.

### A well-functioning model that guarantees profitable growth

Over a short period of time, we have proven that the model works. Since 2014, when Instalco was established by merging five installation companies – each with a long history – we've grown into a Group consisting of more than 30 companies. Each of them is given a great deal of autonomy, while still pursuing our shared vision. Sales in 2016 totalled SEK 2.4 billion, with an adjusted EBITA of SEK 156 million. In total, we have 1,240 employees in the Nordic region. Despite our size, the company culture is characterised by entrepreneurial spirit, customer proximity and autonomy to take own initiative. This, in turn, provides the foundation for sustainable growth and for the full year 2016, organic growth was 22 percent.

### Successful acquisition strategy

Successful acquisitions are an important component of our strategy and reason behind our rapid growth. During the year, we acquired successful, profitable companies

with a strong local presence in Sweden and in our new markets of Norway and Finland. Via this geographic expansion, we have now become a Nordic Group.

Our decentralised management philosophy, involving a high level of autonomy, makes us an attractive purchaser with a strong offer to contractors. The companies we acquire are able to maintain their local identity while benefiting from Instalco's expertise and financial strength. By collaborating with other companies in the Group, they also get the opportunity to work in multidisciplinary projects that they would otherwise not be able to handle on their own. Our collaboration philosophy has also facilitated organic growth, enabling us to outperform the market.

## Instalco Academy

Recognising the potential of employees and developing their talents is an important component of the type of experienced leadership we represent. For this reason, we set up Instalco Academy during the fall. The Academy provides our employees with training in such areas as communication, leadership and negotiation techniques. Instalco Academy is also a tool for identifying and developing the talent of future leaders.

## Favourable market conditions

Going forward, I anticipate that market conditions will remain favourable for the installation services that Instalco offers. Housing construction continues setting new records and we have noticed heightened interest in renovation and renewal of the existing housing stock. Investments in infrastructure, particularly roads and railways are also at record high levels. This level of growth results in more commuting, a reduction in traffic jams, housing in new geographic areas and a more robust rail network for passengers and freight. All of this, along with the huge expansion (in the planning and implementation phase) of public facilities and hospitals, has fuelled Instalco's high level of organic growth during the year. It also creates favourable conditions for the company's prospects going forward.

*"Our decentralised management philosophy, involving a high level of autonomy, makes us an attractive purchaser with a strong offer to contractors."*

## Stock exchange listing

We are ready for further expansion and have thus decided to apply for listing of Instalco's shares on Nasdaq Stockholm. In preparation for the IPO, we have added expertise to our Board of Directors, set up Board committees and implemented reporting routines and processes. We are now well prepared for additional sustainable growth, with a focus on profitability.

The model has been tested – it is sustainable and scalable. Together with my colleagues throughout the Nordic region, we are ready to create a large company with the warmth, heart and soul of a small company.

Per Sjöstrand
*President and CEO*

# Profitable growth

*During the year, growth has been favourable in the market for the types of installation services offered by Instalco and we were able to strengthen our position through a combination of successful acquisitions and strong organic growth.*

Instalco has once again delivered high earnings together with strong growth, both organically and via acquisitions. The Group has demonstrated a trend of stability and higher margins. By focusing more on shared administrative processes and systems, we have built the foundation for a profit-generating Group with excellent opportunities for additional profitable growth in the Nordic countries.

*"One of the focus areas has been creating shared routines and policies."*

## Shared routines and policies

One of the focus areas has been creating shared routines and policies. The Group has established a solid platform and it has implemented a new Group consolidation system, along with shared work processes for accounting/finance, project management and also environmental, quality and risk management. Throughout 2016, the goal has been to prepare the Group for meeting the stock exchange requirements, which has also included adopting IFRS.

## Profitability and cash flow

Another focus area has been profitability and cash flow. At all levels of Instalco and for each assignment, high priority is given to profitability and cash flow. Our subsidiaries constantly strive to minimise the amount of tied-up working capital and administrative costs. This is done via smart decisions on capital deployment, along with streamlined administrative processes.

## Net sales

In 2016, net sales increased by 75.8 percent. The increase was in part attributable to organic growth of 22 percent, while acquisitions accounted for 53.8 percent. Five subsidiaries were acquired during the year, with estimated annual sales of SEK 348 million in Sweden. Four subsidiaries were acquired in Norway with estimated annual sales of SEK 313 million and one subsidiary was acquired in Finland with estimated annual sales of SEK 15 million.

## Order backlog

At year end, order backlog totalled SEK 1,999 million. This is 51.7 percent higher than the corresponding figure at the end of 2015. For comparable units, the order backlog increased by 13.0 percent and acquired growth was 38.7 percent. The level of the order backlog is equivalent to production of 0.7 times on a 12-month rolling basis for relevant units, which is considered to be quite good.

## Administrative costs

Instalco actively strives to optimise the company's costs. The overall low cost level creates conditions for continued good margins and thereby profitable growth.

## EBITA

EBITA increased by SEK 91 million to SEK 140 million and EBITA margin improved from 3.6 percent to 5.8 percent. Adjusted for costs associated with, for example, acquisitions and preparations for the IPO, the EBITA margin was 6.5 percent.

## Strong balance sheet

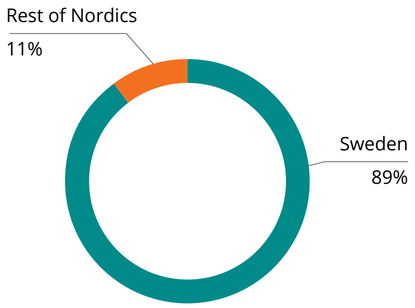
During the year, the balance sheet was strengthened with an increase in equity from SEK 266 million to SEK 562 million. The increase in goodwill is attributable to the multiple acquisitions that were made. Other increases in specific balance sheet posts are primarily associated with growth in sales.

## Improved cash flow

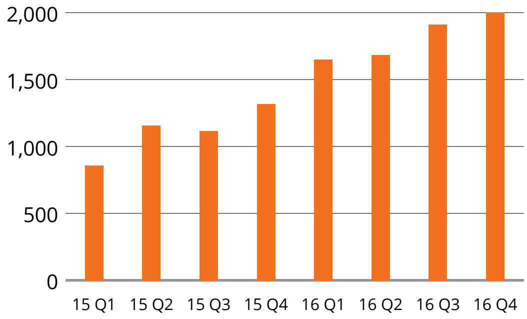
Cash flow improved during the year thanks to the overall higher earnings and streamlining of capital deployment. Cash conversion was 179.8 percent.

Lotta Sjögren
*CFO*

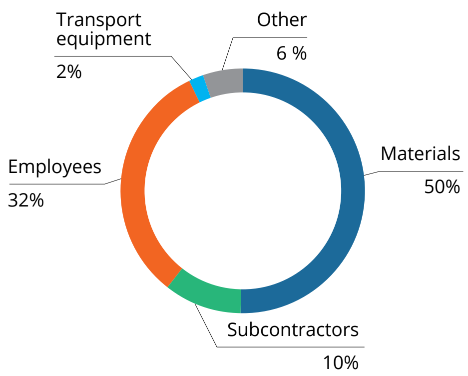
**NET SALES BY MARKET AREA**




**ORDER BACKLOG, SEK M**




**COST STRUCTURE**



# Vision, strategies and goals

**Business concept**
Instalco's business concept is to offer complete heating, plumbing, electricity, ventilation, cooling and industrial solutions in the Nordic market. We work closely with customers, offering all the advantages of a local company, along with efficient collaboration and mature leadership.

**Values**
Instalco's values are based on three core concepts which, together, comprise our values. It is also our customer promise.

*Innovative thinking*
- Simple forms of interaction and complete solutions across areas of technology
- Focus on quality and sustainability

*Efficiency*
- Small organisation and efficient processes applied to every assignment
- Constant efforts to simplify everyday work routines, internally and for our customers

*Cooperation*
- Close cooperation with customers, internal collaboration and mature leadership
- Employees who are very committed to and enthusiastic about their assignment and who listen & learn from each other

## STRATEGIES

### Growth
Instalco will grow both organically and via acquisitions. Acquisition targets are companies with high profitability and committed management teams in growth regions throughout Sweden, Norway and Finland. We also focus on companies with a strong local position in other regions, provided that they meet our other acquisition criteria.

Organic growth must be fuelled by such things as higher collaboration between the various units of the Group. By matching specialist expertise from various units, opportunities for upselling to existing customers are created, along with the ability to take on larger projects requiring several disciplines.

### Customers
At Instalco, operations are conducted in close cooperation with customers. By being highly specialised in a specific method or technique in our individual units, we are able to achieve a strong position in each local market and can offer competitive solutions to customers.

We primarily focus on projects valued at between SEK 1 and SEK 75 million. In that segment, some of the main competitive advantages we provide are high quality, long-term customer relations and short lead times. We also strive to increase the number of framework agreements at local, national and regional (Nordic) levels.

### Employees and leadership
To maintain and solidify a leading position, we must attract the best employees. In order to do that, we need managers who apply a mature leadership style. Mature leadership means the ability to see the big picture before getting stuck on the details, promoting collaboration between units and developing the talent of our employees in order to increase profitability. We are able to be an attractive employer by offering employees a workplace with interesting tasks, good leaders, short decision paths, opportunities to make an impact and develop one's talent. Continual training for employees is a priority and with that in mind, we have established Instalco Academy. We encourage exchange and sharing of expertise in order to promote best practice throughout the organisation.

### Profitability
Cost consciousness permeates every level of the organisation. During the year, we launched a programme that we have named: IFOKUS. It is aimed at promoting continual improvement. The programme has led to several initiatives to streamline our production, purchasing, sales, upselling and cash management processes.

## SHORT-TERM PRIORITIES

The installation market is highly fragmented. Consolidation benefits are prevalent and Instalco aims to play a leading role in doing just that. We have a competitive offering to contractors who are interested in selling their company and we typically have discussions underway with five to ten potential acquisition candidates. Rapid implementation of the Instalco model creates the conditions for more cross-selling and collaboration, all of which fuels organic growth.

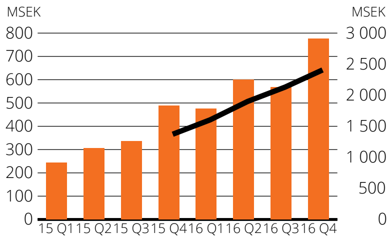
In the installation business, strong customer relations are essential and a significant share of Instalco's sales is derived from repeat customers.

During the year, we set up Instalco Academy for the purpose of attracting and retaining skilled employees and training future leaders. There is a clear plan for developing talent through training. The first courses were offered in October 2016.

Besides Instalco Academy, there is also a trainee system, along with courses, certificates and other necessary training. In addition, there is an aluminium network for retaining and improving knowledge sharing and collaboration after training has been completed.

During the year, five initiatives were started aimed at streamlining operations and raising profitability. The initiatives target production processes to increase efficiency and lower the project risk. They also focus on our joint purchasing process, standardised sales process to increase cross-selling and multidisciplinary projects, increased awareness of upselling and the introduction of a standardised billing process.

## RESULTS




*Sales for the year increased by 76 percent. Acquired growth represented 54 percent and organic growth was responsible for 22 percent.*

*In our customer survey that was carried out in September 2016, a majority of the respondents said that they would recommend Instalco to a friend or colleague over the other competitors included in the study. On a scale of 1-10, the average from respondents was 8.9 on the likelihood that they would recommend Instalco.*

# 69

*During the year, 69 leading assemblers and project managers started a training course at Instalco Academy.*

- *Adjusted EBITA margin should be at least 8.0 percent. For 2016, it was 6.5 percent.*
- *On a rolling 12-month basis, the cash conversion ratio should be 100 percent. For 2016, it was 180 percent.*
- *Net debt, in relation to pro forma adjusted EBITDA should not exceed a ratio of 2.5. For 2016, the ratio was 1.1.*

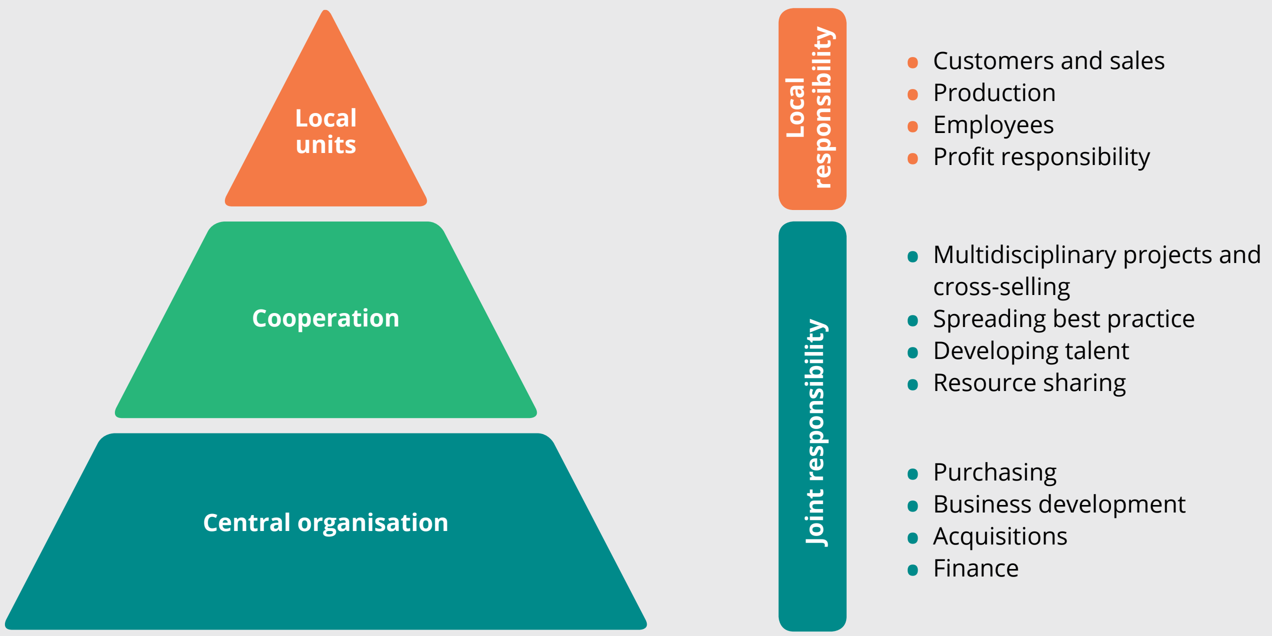
## VISION

**Instalco's vision is to, by 2020, become one of the leading Nordic companies for heating, plumbing, electrical, ventilation, cooling and industrial solutions.**

**We will be a world-class player with high technical expertise.**

# The Instalco model

*Instalco has a decentralised structure, where operations are conducted in each unit, in close cooperation with customers and with the support of a streamlined central organisation. The Instalco model is designed to benefit from the advantages of both strong local ties and joint functions.*




1

### Central organisation

Instalco's central organisation is limited to the functions required by, and which create value for, the local units. At present, Instalco's units derive benefits from the joint functions for purchasing, business development, acquisitions and accounting/finance. Cost-saving synergies are achieved through, for example having the central organisation negotiate contracts for input goods and insurance. The central organisation also provides support to local units for strategy planning and acquisitions.

2

### Cooperation

Instalco facilitates collaboration between the units in areas like upselling in multi-disciplinary projects and cross-selling.

Skill development is also available to all employees via Instalco Academy. Furthermore, the units may share manpower with one another when they lack, or have surplus resources and this increases capacity utilisation within the Group. The IFOKUS programme is also used for running joint initiatives.

3

### Local units

With Instalco's decentralised structure, local unit managers have a high level of autonomy as regards customers and sales. The aim is to preserve strong local relations, along with responsibility for control and implementation of projects. Each unit is also responsible for ensuring that it has motivated, competent employees.

Each unit is its own profit centre, which is continually monitored and evaluated on earnings trend.

# IFOKUS

*During spring 2016, IFOKUS was set up as a programme for promoting continual improvement within the Group.*

The programme uses several strategic tools to highlight and develop key improvement areas. It also ensures that all units participate in the Group's development. The initiative should not, however, infringe on any unit's autonomy.
The overall goals of IFOKUS are to:

- Improve profitability
- Increase cash conversion
- Work smarter – not harder

**IFOKUS is a Swedish acronym that stands for:**

| | | |
|---|---|---|
| **I** | Instalco | |
| **F** | Förbättringsarbete | (Improvement work) |
| **O** | Ordning | (Order) |
| **K** | Kompetens | (Competence) |
| **U** | Utveckling av processer | (Process development) |
| **S** | Samverkan | (Collaboration) |


**IFOKUS** is an iterative process that begins with an analysis phase, where several possible improvement areas are identified. During the analysis phase, all unit managers meet to discuss and prioritise ideas about possible areas of improvement. The point of departure could be either existing problems or opportunities. Each improvement area becomes the basis for an initiative. For each initiative, clear goals are formulated and a work group, with designated person in charge, is created. The work groups may consist of unit managers, employees from a unit who have specific expertise related to the initiative and employees from the central organisation. Our philosophy involves setting high goals that will motivate new working methods and creative thinking. The work group is responsible for defining a strategy on how to achieve the set goals and then creating an action plan that describes the steps that need to be taken along the way. During the planning and implementation phase, the initiative is continually monitored in order to adapt goals, strategies and action plans.

# Market overview

*The Swedish and Norwegian market for installation and service of heating, plumbing, electricity, ventilation, cooling and industrial solutions is very fragmented, with over 25,000 companies involved.*

Around 90 percent of these are small companies, with fewer than ten employees. Furthermore, most of them only focus on one area of technology.

Only a few players in the Nordic region, Instalco being one of them, have the resources, expertise and size required for delivering services in several regions and within several areas of technology. In each market, we thus encounter competition from certain other big players, along with the small, local suppliers.

The fragmented market offers consolidation opportunities for larger companies. One reason for the ongoing consolidation is increasing demand from customers for suppliers with a complete service offering. This trend is expected to persist and Instalco will continue to be a leading player in that process.

## Market size and growth

According to Industrifakta, the Swedish and Norwegian market for technical installation and services amounted to SEK 148 billion in 2015. Since 2006, annual growth has been stable at around 2 percent. The largest service area is for electrical installations, with it representing more than half of the total market. In absolute numbers, electrical installations are expected to grow the most during the coming years, primarily fuelled by the higher level of complexity in buildings, where more time-consuming, comprehensive electrical installations are required.

According to Industrifakta, it will be difficult raising the rate of new construction to the level that meets demand. This is due to a labour shortage in the construction sector and problems that local authorities are having in acquiring undeveloped land quickly enough. In total, the Norwegian market is expected to grow by 0.4 percent annually between 2015 and 2018 compared to the Swedish market, where the corresponding figure is 4.1 percent. Growth is primarily expected in the metropolitan regions.

## Customers

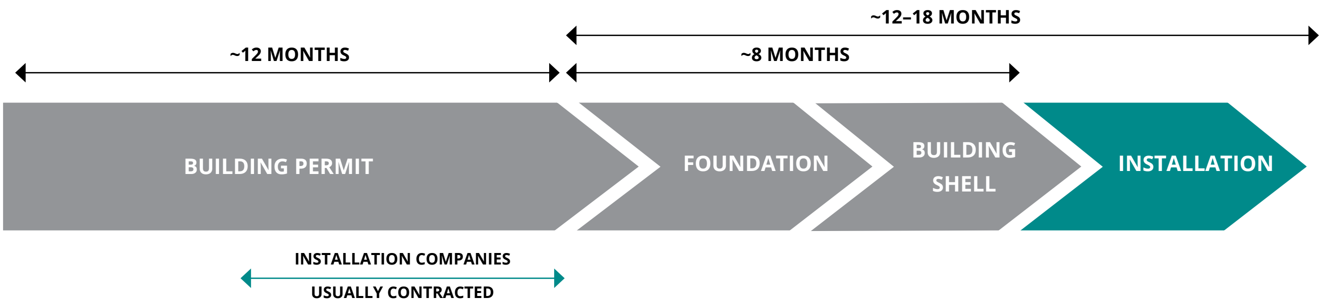
The market for technical installation and services also covers services associated with new construction, maintenance and renovation. Customers are involved in both construction and industrial activities. The customer base is fragmented, which means that each individual customer typically represents only a small portion of the supplier’s revenue. This is particularly true for the major suppliers.

The client could be both end customer, like the owner or property manager, or a building contractor, whose client is the end customer. Delivering services to building contractors, typically construction companies, is most common for new constructions services.

## Business cycle impact

The need for Instalco’s services varies across customer groups, which helps stabilise the demand over a business cycle. When macro economic conditions are worse, the public sector makes more investments, while construction and industrial companies due so when the economy is booming. Compared to the construction industry in general, the market for technical installation and services is less sensitive to the state of the economy and there is high transparency as regards future projects in a supplier’s project portfolio. Larger companies typically aren't so dependent on any single customer or contract. Contracts for installation services are typically entered into early in the development phase of a project, which makes it possible to get a good overview and plan operations well in advance. Services that Instalco has been hired to deliver are typically planned and con-

**THE TYPICAL TIMELINE ON A CONSTRUCTION PROJECT LEADS TO HIGH VISIBILITY OVER FUTURE INSTALLATION PROJECTS**



tracted up to 12-18 months in advance, which means that there is a high level of predictability and ability to adjust the cost base according to the demand.

### Trends and driving forces

The future potential in the market for technical installation and services is affected by a number of trends and driving forces:

*Urbanisation and housing shortage*

Sweden is currently one of the countries in Europe with the highest rate of population growth. In 2016, the population of Sweden surpassed the 10 million mark and according to the National Institute for Economic Research, it is expected to reach 11 million by 2025. Population growth creates new demographic patterns which, over the short and long term, affect the property market in the form of increased housing and infrastructure development.

There is a similar situation in Norway and for several years, Oslo has been one of the fastest growing cities in Europe. According to Statistics Norway, the population in Norway is expected to grow from 5.2 million residents in 2016 to 6.3 million residents in 2040, which corresponds to an increase of 21 percent. Oslo is expected to fuel this growth and its population is expected increase by 30 percent during the same period.

Population growth and urbanisation will place high demands on new construction, renovation and conversion in order to make better use of existing property holdings. The need for more housing and public facilities, like schools and hospitals, will increase in pace with population growth and changes in the age structure. According to statistics (May 2016) from the National Board of Housing, Building and Planning, there is a shortage of housing in 240 of the 290 municipalities in Sweden and in February 2016, the organisation declared that Sweden needs to build 70,000 homes per year over the next ten years.

*Aging property holdings*

Around 20 percent of property holdings in Sweden were built in the late 1960s and early 1970s, which is typically referred to as the period of the Million Homes Programme. These buildings now require renovation and technical upgrades.

For quite some time, there has been a low level of total investment in construction compared to the size of the economy in both Sweden and Norway.

Instalco has assessed that the demand for renovation, electrical installations and environmentally sound technical upgrades will increase as a result of political decisions to modernise property holdings, along with own renovation initiatives from property owners. For example, in its 2016 budget proposal, the Swedish government decided on a housing policy package worth SEK 1 billion to renovate and improve the energy efficiency of rental properties in areas with a low socio-economic status.

*Major investments in infrastructure*

For several years, the Swedish and Norwegian infrastructure has been in neglected. Infrastructure investments as a percentage of GNP have fallen over the last few decades and they are at a low level compared to other developed countries. The need for major investments was acknowledged in a report from the Swedish Transport Administration. It describes an infrastructure plan through 2025 with investments in excess of SEK 600 billion. There are similar plans in Norway, where the Ministry of Transport and Communications presented a plan for investments in excess of NOK 500 billion through 2023.

*More focus on lower energy consumption and sustainability*

Property owners of both newly constructed and older properties are currently putting more focus on investments in energy efficient installations. In part, it is to lower the energy costs of properties, which typically account for a large portion of total operating costs. However, these investments are also required to meet the increasingly high demands of consumers as regards energy efficiency and sustainability.

For example, two EU Directives have been adopted, which essentially serve as legislation to lower the energy consumption of buildings. One of the Directives states the goal of lowering the energy consumption of buildings by 20 percent by 2020 compared to the level for 2020 that was projected in 2007.

*More complexity in buildings and installation services*

IT solutions, alarm and security systems and systems for more efficient use of energy are very prevalent in new construction projects, which results in more complex installations. Accordingly, technical installations are becoming an increasingly important component of the building process and installation services are expected to account for a larger share of the total building cost. Complex installations place high demands on service suppliers. They must have a broad knowledge base, the right technical expertise and also the capacity to install and service integrated systems. Projects are becoming increasingly complex, with a greater need for planning prior to project start, along with project management throughout the duration of the project. This trend is expected to benefit the major players with broader technical expertise in the market.

# Our areas of operation

*Instalco offers technical installation services, maintenance and service in five main areas. We collaborate across companies and areas of technology in order to provide long-term, holistic solutions.*

We have a specific acquisition strategy and our goal is to grow into one of the largest installation companies in the Nordic region. Operations are highly decentralised and they are run in close proximity to customers, with support from a small, central organisation. Our companies typically maintain their local identity, which encourages and promotes a strong entrepreneurial spirit. Our companies are highly specialised in methods or technologies and via collaboration and sharing best practice, we are always able to offer customers competitive, customised solutions while benefiting from economies of scale. Keywords for Instalco are cooperation, mature leadership and efficient processes.

### Market for medium-sized projects

Instalco primarily focuses on medium-sized projects. Approximately 80 percent of our revenue is currently derived from this segment. The strategic choice to focus on this segment enables us to avoid risks associated with very large projects, while limiting the number of very small clients. This market strategy provides us with lower risks and greater growth opportunities.

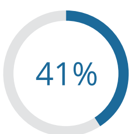
## HEATING & PLUMBING

*Services:*

- installation of district heating
- pipe replacement and preventative maintenance
- new construction
- ongoing repairs
- service and maintenance

*Customers:*

- commercial facilities
- public construction
- residential
- office
- retail




% of sales

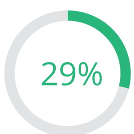
## ELECTRICAL

*Services:*

- design, project planning, assembly
- alarms and monitoring
- data network and control of technical equipment
- energy optimisation via integrated property automation
- charging posts for electric cars
- remote reading
- service and maintenance

*Customers:*

- commercial facilities
- public construction
- residential
- office
- retail




% of sales

## VENTILATION

*Services:*

- installation and solutions for outdoor and indoor climate
- heat pumps
- mandatory ventilation inspection
- service and maintenance

*Customers:*

- commercial facilities
- public construction
- residential
- office
- retail


% of sales

### Well positioned

Instalco has operations in Sweden, Norway and Finland, where we primarily focus on metropolitan regions with a higher growth rate than the market as a whole. In these markets, there tends to be a shortage of housing and aging property stock in need of major investments, which is advantageous to our business. Increased regulation of energy use, and a higher level of complexity in buildings and installation services are other factors that have a positive impact on the installation market.

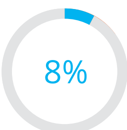
## COOLING

*Services:*

- installation of cooling and heating equipment
- food cooling
- comfort cooling
- process cooling
- service and maintenance

*Customers:*

- retail chains
- institutional kitchens
- hotels
- food industry
- cold storage companies




% of sales

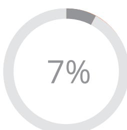
## INDUSTRIAL

*Services:*

- pipe installations
- cooling installations

*Customers:*

- industrial companies
- municipal companies
- county councils
- administrations




% of sales

# Acquisitions

A distinct component of Instalco's growth strategy is acquisition of profitable companies with a strong local presence. In their local markets, these companies are leaders in a specific method or technology. Since Instalco was established in 2014 through to the end of 2016, 22 companies have been acquired.

We foster an entrepreneurial spirit in the companies we acquire. We allow them to carry on as usual, yet with access to Instalco's cumulative expertise and financial strength, which creates opportunities for both growth and skill development.

Besides our current technical disciplines, there are growth opportunities from acquiring businesses in related segments like security, fire safety, energy and automation.

### An attractive acquirer

Instalco's acquisition model makes it possible for the acquired companies and their entrepreneurs to run their operations in a larger context, where they can benefit from the economies of scale available to a larger Group of affiliated companies. The CEO of each company retains a great deal of autonomy. Accordingly, we are able to maintain local identity and a high level of entrepreneurial spirit. At the same time, companies benefit from having shared accounting/finance functions, purchasing agreements, cross-selling, sharing of resources, spreading best practice and access to Instalco's business development function.

Being a part of Instalco also means that the acquired companies can participate in the kinds of multi-disciplinary projects that they would not have access to on their own.

At year-end 2016, Instalco had an active pipeline of around 35 potential acquisition targets. During a single calendar year, discussions are underway with 5-10 potential companies.

## ACQUISITON CRITERIA

### Market

- Leading position in the market
- Operations in growth regions

### Acquisition target

- Contributes to Instalco's existing units with structural capital and cross-selling
- Documented profitability, growth and a steady cash flow

### Management

- Skilled entrepreneur(s) and/or management team
- A company culture that is a good fit with Instalco

## Acquired companies in 2016

| Access gained | Acquisition | Segment | Assessed annual sales, SEK m | Number of employees |
|---|---|---|---|---|
| February | Voltmen OY | Rest of Nordics | 15 | 16 |
| March | Romerike Elektro AS | Rest of Nordics | 58 | 40 |
| March | AR Elektro Prosjekt AS | Rest of Nordics | 49 | 8 |
| May | Inkon Sverige AB [1)] | Sweden | – | – |
| June | Trä och Inredningsmontage i Bandhagen AB | Sweden | 66 | 44 |
| July | Tunabygdens VVS-installatör AB | Sweden | 36 | 35 |
| July | DALAB Dala Luftbehandling AB | Sweden | 93 | 41 |
| July | Rørteft AS | Rest of Nordics | 52 | 26 |
| September | Vito Teknisk Entreprenør AS | Rest of Nordics | 154 | 85 |
| November | Ventilationsförbättringar i Malmö AB | Sweden | 49 | 30 |
| December | JN Elinstallatörer AB | Sweden | 104 | 49 |
| **Total** | | | **676** | **374** |

*1) Established by Instalco.*

### Voltmen OY
Electricity installer mostly focused on service projects and smaller contracts.

### Romerike Elektro AS
General contractor for electrical installations, working with new construction and conversion of residential property, shopping centres and public buildings in Oslo. The company also runs service operations.

### AR Elektro Prosjekt AS
Works with major electrical installation projects in the Oslo region. Typical projects are commercial real estate, hotels, hospitals, shopping centres and schools.

### Inkon Sverige AB
Works with project planning of heating, plumbing, electricity and ventilation internally and externally.

### Trä och Inredningsmontage i Bandhagen AB
A general contractor for supermarkets, offering turnkey solutions for cooling, electricity, PHS and construction/ fittings.

### Tunabygdens VVS-installatör AB
Works with piping contractors, primarily on new construction and renovation of residential property, schools and commercial buildings.

### DALAB Dala Luftbehandling AB
Works with all types of projects involving heating, water and sanitation, partly with ventilation contractors both as contractor and general contractor. Other focus areas are project planning, service, installation, mandatory ventilation inspection and more.

### Rørteft AS
Works with heating and plumbing contracts and service in Oslo and surrounding areas. The company has specialised in medium-sized projects, likes schools and apartments.

### Vito Teknisk Entreprenør AS
A ventilation company with branch offices in Drammen, Oslo and Tönsberg working with everything from major contracts to smaller service assignments.

### Ventilationsförbättringar i Malmö AB
Offers overall solutions for heating, ventilation and cooling. VFB is well established as a contractor and service company. It also offers mandatory ventilation inspection, airflow adjustment and control installations.

### JN Elinstallatörer AB
Has extensive expertise in the electrical engineering segment and offers project planning and installation of, for example, power, lighting, public telecommunications and fire alarms.

# Sustainability

*Together with our customers, we strive to build a sustainable society. Our technical installations and solutions help our customers achieve efficient energy use and thereby lower their environmental impact.*

For us, sustainability means running operations responsibly and applying a holistic approach to the economic, environmental and social aspects.

## Sustainability efforts at Instalco

The Instalco model provides companies in the Group with a high level of autonomy as regards their interactions with customers, sales, control and project implementation. The Group has a shared code of conduct, along with policies and guidelines for the environment, sustainability and work environment. All companies actively strive to lower their negative environmental impact and use their energy/environmentally efficient solutions to lower resource consumption for customers. In addition, each specific company is able to take own initiatives and set goals that benefit local society and create attractive workplaces.

## Economic perspective

### *Sustainable growths*

Property owners of both newly constructed and older buildings are currently focusing more on investments in energy efficient installations aimed at lowering operating costs and meeting the ever-increasing sustainability demands of the market and consumers. This is why Instalco is convinced that energy efficient and environmentally smart services will strengthen the Group's competitiveness and fuel long-term growth.

### *Quality and customer satisfaction*

Instalco runs its operations in close collaboration with customers during project planning and installation of future-safe, energy efficient systems. Our proposed technical solutions are reliable, energy efficient and environmentally friendly, with low life cycle costs, a high level of personal safety and high quality. The right level of quality is achieved by careful preparation of the various stages in the construction process, use of technical know-how, working efficiently and commitment throughout the entire value chain. Instalco continually monitors customer satisfaction and a large share of its business is repeat customers. In 2016, 80 percent of revenue was derived from repeat customers.

## Environmental perspective

All companies within Instalco are required to select materials and choose work methods that result in a lower impact on the internal and external environment. We will:

- Cooperate with customers and planners to lower environmental impact
- Increase employee knowledge of environmental aspects
- Comply with laws and other environmental requirements established by the Group

Instalco is an environmentally conscious company, where all employees are responsible for giving consideration to environmental aspects. Work with environmental issues occurs in all areas of the Group's operations: from the selection of products and suppliers, via purchasing and logistic flows to our final offering with installations, operations and service. Instalco believes that proactive environmental strategies and profitability go hand-in-hand.

The Group aims to continually lower its environmental impact from travel, purchasing, waste management and the handling of hasardous substances. One prioritised area is to take stock of the Group's vehicles and how they are used. The car fleet is gradually being made more efficient with the goal of lowering fuel-related emissions of $CO_2$ per 100 kilometres on an annual basis. In 2016 $CO_2$ per 100 kilometres fell by 1 percent.

### *Purchasing*

Instalco strives to establish long-term relations with its suppliers. At the start of cooperation, we make sure that the supplier meets our environmental requirements. The Group strives to continually improve and streamline suppliers' utilisation of resources in their operations. When choosing products and components, we prioritise the ones with the lowest environmental impact during their entire lifespan within each product category.

### *Transports*

There are significant transport flows associated with running Instalco's operations. For this reason, we work with companies that offer efficient, environmentally conscious logistics solutions. Instalco also lowers environmental impact via efficient internal logistics.

## SUSTAINABLE SOLUTIONS

For Instalco, environmental sustainability means helping our customers obtain solutions for heating, plumbing, electricity, ventilation and cooling that are as environmentally efficient as possible. We make our biggest contribution from the technical solutions we create for our customers. For our customer deliveries, it is essential that our employees have an understanding for and knowledge of the environmental challenges we face.

**Examples of the services our units provide that lower energy consumption and improve the environment:**

*Smart photovoltaic systems*

Vallacom offers complete solutions for photovoltaic systems, from feasibility studies and consultation, to service agreements after commissioning. Locally produced electricity is guaranteed from own production of solar energy.

*Energy savings programme*

TIMAB offers an energy savings programme for supermarkets, where it evaluates cooling and electrical systems, PHS and building installations. In certain cases, it is possible to lower energy consumption by as much as 40 percent at a very low cost.

*Heat pumps and wastewater heat exchangers*

Rörläggaren offers planning and installation of energy-efficient solutions like heat pumps, solar collectors and wastewater heat exchangers.

*LED lighting*

All of Instalco's units in the Electrical line of business have been involved in projects where existing electric fittings are replaced with LED lighting that has a long lifespan. It results in lower energy consumption and lower costs over time.

### Social perspective

*Code of conduct*

Instalco's code of conduct was introduced at the start of 2015 and it consists of a number of principles that describe the company's shared values. Besides these principles, there are Group-wide policies, guidelines and routines that apply to specific areas like accounting/finance, personnel and purchasing. The aim of the code of conduct is to communicate ethical values and guidelines on professional behaviour to all employees, customers, suppliers, other business partners and owners, along with providing them with guidance for carrying out their daily tasks. Areas covered include conflict of interest, gifts, bribes and entertainment. The code of conduct has been adopted by Instalco's board of directors. The Group CEO has delegated responsibility to the head of each subsidiary in order to ensure compliance with the code. Employees may anonymously report any violations of applicable laws and regulations or lack of compliance with the code of conduct to the company's management or board, in accordance with instructions provided in the code.

All suppliers and subcontractors must commit to following the principles in the code of conduct, or, they must have their own code of conduct that has been approved by Instalco. With lack of compliance, business relations are terminated with the supplier or subcontractor.

*Employees*

Instalco strives to offer an attractive workplace with interesting tasks, competent leaders, short decision paths, opportunities to make an impact and develop one's talent. There should be an open atmosphere that stimulates creativity and new ways of thinking that are in line with Instalco's values. Commitment and cooperation are prioritised and we encourage employees to listen and learn from each other. Continual training is also important, along with sharing of expertise in order to promote best practice throughout the organisation. Instalco also offers trainee positions aimed at building strong relations with future technicians and assemblers.

Gender equality is given priority at all times, with a particular focus on it during recruitment efforts, skill development and setting salaries. Since Instalco operates in what has been a traditionally male dominated industry, we cooperate with schools, employer organisations and vocational committees to increase the percentage of women in the field.



*Work environment*

Instalco's work environment policy aims to ensure a work environment that prevents any risk of ill health or accidents. Work environment issues are an integral part of operations, to be considered during ongoing and planned operations, and in conjunction any changes that are being planned. The Group's employees are jointly responsible for ensuring that no employee is exposed to risks that could lead to serious physical or psychological injury. Instalco has a vision of zero workplace accidents. In 2016, there were 19 (55) occupational injuries.

| | Goal | 2016 | 2015 |
|---|---|---|---|
| Occupational injuries | 0 | 19 | 55 |
| Absence due to illness | <5% | 5% | n.a. |
| Employee satisfaction | >90% | 87% | 93% |
| Employee turnover | 2-5% | 2.3% | n.a. |

## INSTALCO ACADEMY

Instalco Academy started up during fall 2016, offering training to leading assemblers, project managers, and managers at all levels. Leading assemblers are offered training in such areas as project collaboration, communication, leadership and contractual law. Project managers are offered more comprehensive training in areas like project management, project accounting, procurement, negotiation and presentation techniques. At the management level, courses are offered in leadership, customer relations and sales. This is an arena where we are able to identify talented leaders with the potential for taking over as CEO of a local unit in the future.

Courses are adapted to our current needs and are of a general nature as regards specific technologies. This means that all courses are open to all employees working in such positions, regardless of their specific technical expertise. Courses are only offered to our own employees and they are run by experienced trainers. Training is offered in a series of two-day sessions over a period of 2-3 years for groups consisting of 10-20 participants.

# Risks

| Business risks | Management |
|---|---|
| **Projects**<br>The market is primarily market-based and Instalco is particularly dependent on qualified personnel for calculating the costs associated with various projects, project management and supervision. | Approximately half of Instalco's projects are based on fixed-price contracts and any error in cost calculations would only have a marginal impact on the project. The risk of an error in calculation is mitigated via a clear delegation of authority that is based on the project size (value). Steering committees are set up for larger projects or projects of a complex nature. The steering committee's task is to monitor the project, share experiences and, as required, initiate concrete action plans and allocate the right resources. Larger projects are typically set up as partnerships, to further limit the risks.<br>Furthermore, Instalco primarily focuses on medium-sized projects, where there is less competition than the larger projects and where competitive advantages come in the form of work quality, long customer relations and short lead times, rather than price. |
| **Customers**<br>Instalco has a good risk spread as regards geographic presence and customer segments. | Customer relations are typically long and they are established through the local units. The main customer groups are construction companies, real estate companies, industrial companies and public operations. Construction companies are the single largest customer group. Instalco has more than 1,000 customers and the three largest customers account for approximately 25 percent of revenue. |
| **Attracting and retaining skilled employees**<br>Instalco's success very much depends on its ability to recruit, develop, motivate and retain skilled employees. | We are able to be an attractive employer by offering employees a workplace with interesting tasks, good leaders, short decision paths, opportunities to make an impact and develop one's talent. Continual training of employees is key and to coordinate those efforts, we set up Instalco Academy for the purpose of attracting and retaining skilled employees, along with training future leaders. There is a clear plan for developing the skills of talented employees through training. Besides Instalco Academy, there is also a trainee system, along with courses, certificates and other necessary training. In addition, there is an aluminium network for retaining and improving knowledge sharing and collaboration after training has been completed. |
| **Quality**<br>As regards deliveries, Instalco strives for a high level of quality in the work it carries out, the work done by subcontractors and our own selected products. | We ensure that our installations and deliveries have a high standard via skilled, competent employees and continual efforts to develop our processes.<br>We have standardised contracts with our suppliers and any product defects are regulated through the terms and conditions found therein. Instalco works continually with supplier and product evaluations in order to improve the quality of our purchases. |
| **Liability, product liability and damages**<br>Risks in the area of liability, product liability and damages are associated with Instalco's projects and customer assignments. | Instalco has a general insurance policy covering the core business. The insurance covers, for example, damage to the company's contracts, property damage, business interruptions, damage to third party property and product liability. |
| **Acquisitions**<br>There are risks associated with acquisitions having to do with the acquired company's relationships with customers, suppliers and key individuals. | Instalco has a unique model that makes it possible for the acquired companies and their entrepreneurs to run their operations in a larger context, where they can benefit from the economies of scale available to a larger Group of affiliated companies. The CEO of each company retains a great deal of autonomy as regards management of projects, employees and customers. In this way, local units are able to maintain their entrepreneurial spirit and identity, while benefiting from having shared accounting/finance functions, purchasing agreements, cross-selling, sharing of resources, spreading best practice and access to Instalco's business development function. Being a part of Instalco also means that the new unit can participate in the kinds of multi-disciplinary projects that they would not have access to on their own. |

| Market risks | Management |
|---|---|
| **Business cycle impact**<br>Overall market conditions impact Instalco's existing and potential customers' ability and willingness to invest. | Compared to the construction industry in general, the market for technical installation and services is less sensitive to the state of the economy and there is high visibility as regards future projects in a supplier's project portfolio. A large portion of revenue comes from repeat assignments and larger companies typically aren't so dependent on individual customers or contracts. Contracts for installation services are typically entered into early in the development phase of a project, which makes it possible to get a good overview and plan operations well in advance. Services that Instalco has been hired to deliver are typically planned and contracted up to 12-18 months in advance, which means that there is a high level of visibility and ability to adjust the cost base according to the demand. |
| **Competitors**<br>The competition primarily comes from a large number of smaller players who run their operations in a limited geographic market within a specific area of technology. | The market is very competitive and fragmented with low barriers to entry at the local level. There are, however, barriers to entry for foreign players, in particular, due to higher eligibility and certification requirements. In today's market, only a handful of players, Instalco being one of them, have the resources, expertise and size required for delivering services in several regions and within several areas of technology. |

| Financial risks | Management |
|---|---|
| **Liquidity risk**<br>Liquidity risk is the risk of not being able to fully meet the company's payment obligations or only being able to do so on significantly disadvantageous terms due to lack of liquid funds. | The Parent Company has central responsibility for the Group's financial transactions and risks and it follows a policy established by the Board. |
| **Financing risk**<br>Financing risk is the risk that financing of the Group's capital needs and refinancing of outstanding loans will become more difficult or expensive. | Instalco has a seven-year credit agreement that matures in 2021. The agreement secures the financing of current operations.<br>Instalco's goal is for the company to be indebted over time and that net debt in relation to adjusted EBITDA should amount to a maximum of 2.5 times. |
| **Interest rate risk**<br>Interest rate risk is the risk of changes in market interest rates that impact the Group's net interest income/expense and cash flow. | Financing is long-term and the interest rate is linked to STIBOR. |
| **Currency risk**<br>Currency risk is the risk that changes in currency rates will have a negative impact on the income statement, balance sheet and cash flow. | Instalco's transaction exposure is relatively low, since revenue and expenses are primarily in the local currency, with low exposure as regards imported components.<br>Instalco's policy is that it does not engage in hedging as a way of lowering its currency exposure. All financing is in SEK. |
| **Credit and counterparty risk**<br>Credit risk is the risk that the counterparty in a transaction does not fulfil his financial obligations and that any collateral that has been provided does not cover the Company's claim. | Credit checks are run on all new customers.<br>For installation projects, Instalco offers payment plans. |

# Directors' report

*The Board of Directors and CEO ofr Instalco Intressenter AB, CIN 559015-8944, hereby present the annual report and consolidated financial statements for the 2016 financial year.*

## Operations

Instalco offers complete heating, plumbing, electrical, ventilation, cooling and industrial solutions. We are represented in most areas of Sweden, along with the Oslo and Helsinki regions. The Group runs its operations through subsidiaries that have close relationships with customers. It also has a small central organisation.

Operations in Norway and Finland were established in 2016 via acquisitions.

Instalco continually works with installation solutions that improve energy efficiency and functionality, thereby lowering operating costs and environmental impact.

Installation involves installing new and upgraded technical systems at buildings and facilities.

In the area of heating and plumbing, Instalco offers complete solutions for water, sewage, heating, cooling and energy. For electrical installation, Instalco offers energy efficient solutions for energy supply, lighting and heating. In the area of ventilation, Instalco offers complete solutions for air conditioning, air treatment and climate control. In the area of cooling, Instalco offers complete solutions for properties and stores. And as regards industrial solutions, Instalco offers pipe installations and machine assembly to industry.

The company is domiciled in Stockholm.

## Significant events during the financial year

In 2016, the company acquired the following subsidiaries: Voltmen OY, CIN 2721402-5, Romerike Elektro AS, CIN 976494881, AR Elektro Prosjekt AS, CIN 991777199, Trä och Inredningsmontage Kylteknik i Bandhagen AB, CIN 556664-1394, Tunabygdens VVS-Installatör AB, CIN 556628-0623, Dalab VVS Installation AB, CIN 556919-7741, Dalab Dala Luftbehandling AB, CIN 556638-9929, Rörteft AS, CIN 975983862, Vito Oslo AS, CIN 913 068 742, Vito Teknisk Entreprenör AS, CIN 884260922 Vito Vestfold AS, CIN 999614620, Ventilationsförbättringar i Malmö AB, CIN 556256-3279, JN Elinstallatörer, CIN AB 556277-1468, and it started up Inkon Sverige AB, CIN 559060-9649.

For more information on acquisitions, please see Note 35.

## Significant events after the end of the financial year

During Q1 of 2017, the Group acquired the Norwegian company, Andersen og Aksnes Rörleggeribedrift AS.

For more information on the acquisition, please see Note 33.

## Organisation

Operations are organised into two segments, Sweden and Rest of Nordics. They are then organised into five business areas. The Group's head office is in Stockholm and it offers support functions including accounting/finance, purchasing, legal and business development.

## Ownership structure

Instalco Intressenter AB is 60.6 percent owned by FSN Capital IV Limited Partnership and ownership is spread across the remaining shares.

## Performance during the year

| | 2016 | 2015 |
|---|---|---|
| Net sales, SEK m | 2,407 | 1,369 |
| Adjusted EBITA, SEK m | 156 | 86 |
| EBITA, SEK m | 140 | 49 |
| Adjusted EBITA margin, % | 6.5% | 6.3% |
| EBITA margin, % | 5.8% | 3.6% |
| Profit after financial items, SEK m | 132 | 46 |
| Total capital employed, SEK m | 1,525 | 967 |
| Equity ratio, % | 36% | 28% |
| Average number of employees | 1,240 | 870 |

## Net sales

The Group's net sales amounted to SEK 2,407 (1,369) million. Organic growth was 22 percent.

## EBITA

Adjusted EBITA amounted to SEK 156 (86) million, which corresponds to an operating margin of 6.5 (6.3) percent. Information on adjustments is provided in Note 42 and 43.

Operating profit amounted to SEK 140 (49) million, which corresponds to an operating margin of 5.8 (3.6) percent.

## Financial position and cash flow

The Group has a strong financial position with an equity ratio of 36 (28) percent. Cash and cash equivalents at the end of the year amounted to SEK 155 (52) million.

The Group's cash flow from operating activities was SEK 230 (–74) million.

## Quality and the environment

Overall and detailed environmental goals are set based upon relevant legal requirements, stakeholder requirements and company policies. Goals are then broken down and documented in the form of goals, strategies and action plans as part of the annual business planning of each unit. Measurement and monitoring of goals is both ongoing and on an annual basis. Instalco identifies and evaluates annually the impact the company's activities, services and products have on the environment. Management has assessed that Instalco's most significant environmental impact is its $CO_2$ emissions and this is dealt with in the company's environmental goals.

Instalco runs the business in accordance with laws and regulations, applying working methods that lower the risk of significant contamination or other negative impacts on people or the environment. Instalco's operations do not require a permit for environmentally hasardous activities. In cases where there is a reporting or permit requirement, each country is responsible for ensuring that this is done.

The Group respects and supports the UN Declaration of Human Rights and it follows international agreements on child labour.

## Work environment

Instalco runs operations in various types of projects, which means that there is variation as regards the types of work environment problems it faces. The Group works systematically to collect information about the work environment and it strives to provide an acceptable physical and psychological work environment for all employees. Instalco promotes activities to increase equality and diversity. The Group routinely considers the work environment in conjunction with change processes and we meet the requirements of the Swedish Work Environment Authority, with continual improvement efforts aimed at ensuring that the company offers a safe work environment.

## Employees

At the end of the year, there were 1,295 (899) employees and the average number of employees for the year was 1,240 (870).

## Risks

Instalco is exposed to various types of risks in its business. They are both operational and financial in nature. At Instalco, the operational risks are higher than the financial risks.

The operational risks are attributable to daily operations, like tendering, capacity utilisation, revenue recognition and cyclical fluctuations.

## Risk management

There is an continual process for managing operational risks and it covers a large number of ongoing projects and service assignments. Instalco's projects involve a risk of loss due to sub adequate performance, incorrect calculations and losses on accounts receivable. For this reason, it is important that these operational risks are well-managed.

Risk management is well-defined in Instalco's management system, which helps prevent and lower the company's risk exposure.

The Group manages its financial risks centrally in order to minimise and control the risk exposure. Credit risks in the business are managed locally.

## OPERATIONAL RISKS

### Tendering

With tendering, there are both commercial and product risks that must be identified and managed during the process. To ensure that this is done, Instalco has set up process descriptions and checklists aimed at ensuring that the risks are identified, quantified and included in the calculations and tenders that are submitted.

### Price risks

Unexpected price increases on materials and subcontractor services are a risk. Instalco's risk of rising prices is balanced by having the right type of contracts, price adjustments based on an index for fixed-price contracts and efficient purchasing routines.

### Capacity utilisation

To a great extent, capacity utilisation is impacted by the demand in the local markets. Instalco counters these risks by having ongoing resource planning and by using subcontractors during peak season.

### Revenue recognition

Instalco uses the percentage-of-completion method for revenue recognition in projects. Revenue is recognised based the project's percentage of completion along with the final forecast. Instalco continually monitors the financial status of its projects in order to limit the risk of inaccurate forecasts and accordingly, incorrect revenue recognition. Instalco's management system has processes and checklists that are used from the start of the project to the end in order to ensure efficient production. For larger projects, steering committees have been set up to ensure high quality production.

## Insurance

Instalco has insurance coverage that is tailored to its needs. It includes liability insurance, contract insurance and property insurance.

## Financial risks

Instalco is exposed to certain financial risks, like changes in its indebtedness and interest rates. Please see Note 36 for information on financial risks like interest rate risk, currency risk, financing risk and credit risk.

The risks in the Parent Company are essentially the same as those for the Group.

## Significant disputes

As of the closing date, there were no significant disputes.

## Expected future performance

During the current year, the Group expects to make several company acquisitions in the installation sector and it also expects sales to increase. In the building sector, the market is expected to remain stable during the foreseeable future and we expect steady organic growth. In all countries where we have operations, public sector investments are expected to be at a good level. The need for energy efficiency improvements and lower operating costs fuel installation investments in current property holdings. Housing construction in the metropolitan regions of Sweden is expected to remain at a high level.

## Guidelines on remuneration to Group management

The Group's suggested guidelines on salaries and other remuneration to the CEO and other members of the executive management team, for adoption at the next annual general meeting, are as follows:

Instalco will strive to offer market-competitive total remuneration that makes it possible to recruit and retain the right senior executives. Each year, comparisons with relevant sectors and markets will be made to determine what is market-competitive total remuneration and assess current levels. Total remuneration shall be based on such factors as position held, performance and individual merits.

Total remuneration for senior executives shall consist of:

- fixed cash salary
- variable cash salary
- pension
- other remuneration and benefits

The Board intends to propose to the AGM that it resolves to adopt a long-term incentive programme.

## Fixed cash salary

Fixed cash salary shall be reviewed each year and provide the basis for calculating variable salary.

## Variable cash salary

Variable cash salary is based on the individual having met goals that were set for the year. Follow-up on actual short-term variable fixed salary is done annually. For senior executives, the highest possible variable cash salary depends on the position held. The maximum variable salary for senior executives corresponds to 3 to 6 monthly wages.

## Pension

Senior executives are entitled to pension benefits equal to between 10 and 30 percent of their fixed salary, or in accordance with their occupational retirement plans.

## Other remuneration and benefits

Other remuneration and benefits shall be at the market's going rate and assist senior executives in carrying out their assigned tasks. Examples of such benefits are company cars, occupational health services, etc.

## Termination and severance pay

Senior executives are entitled to notice of termination equal 6-12 months if employment is terminated by the employer. The same period applies is the employee gives notice of termination. Severance pay is not awarded.

If the Board feels it is warranted in certain cases, deviations from the guidelines stated above will be allowed.

## Appropriation of profit or loss

| The following retained earnings shall be appropriated by the AGM (SEK t): | |
|---|---|
| Share premium reserve | 736,395 |
| Retained earnings from previous year | 402,768 |
| Loss for the year | –4,735 |
| | **1,134,428** |

| The Board and CEO recommend that | |
|---|---|
| the following amount is carried forward | 1,134,428 |

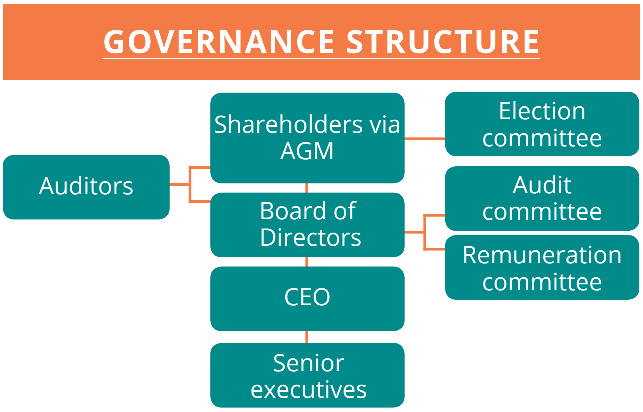
# Corporate governance report

## Legislation and Articles of Association

Instalco is a Swedish public limited liability company, regulated to Swedish law, primarily the Swedish Companies Act and the Annual Accounts Act. After the anticipated listing of the company's stock on Nasdaq Stockholm, the regulations of Nasdaq Stockholm will also be applied. Besides legislation and Nasdaq Stockholm' regulations, the foundation for the company's corporate governance is its Articles of Association and its internal guidelines on corporate governance. The Articles of Association specify, among other things, the registered office, focus of the business, limits on share capital and number of shares, along with the prerequisites for participating in the AGM.

## Swedish Code of Corporate Governance

The Swedish Code of Corporate Governance (the Code) specifies a higher norm for good corporate governance than the minimum requirements of the Swedish Companies Act and it must be applied by all companies with shares traded on a regulated market in Sweden. The Code thus supplements the Swedish Companies Act by, in some areas, setting higher requirements. However, it enables a company to deviate from those requirements if, in specific cases, doing so would result in better corporate governance ("comply or explain"). Any such deviations, along with the reasons for the deviation and alternative solution, must be reported annually in a corporate governance report.




## Annual General Meeting

Shareholders' exercise their influence at the AGM, which is the company's highest decision making body.

At the Annual General Meeting (AGM), resolutions are passed on adoption of the income statement and balance sheet, disposals of the company's profit or loss, discharge from liability by the company for the members of the Board and the CEO, election of board members and auditors, and remuneration to the Board and the auditor. At the AGM, shareholders also decide on other central issues, such as changes to the Articles of Association, new issue of shares, etc.

Notice of the Annual General Meeting shall be made by announcement in Post- och Inrikes Tidningar and by the notice being posted on Instalco's website (www.instalco.se). (An announcement in Svenska Dagbladet that notice of the AGM has been given is also required).

The right to attend and vote at the Annual General Meeting, either personally or by proxy holder, shall be given to shareholders who are entered in the company's register (kept by Euroclear) five weekdays before the Annual General Meeting (i.e. on the record date) and to those who report their participation to the company by the date stated in the notice of the AGM.

Notices, minutes and reports from AGMs will be made available on the Company's website.

## Election committee

The election committee is the body of the AGM with the sole task of preparing the AGM's decision in election and arbitration matters and, where applicable, procedural questions for the next election committee.

At the planned extraordinary general meeting in April 2017, a resolution will be made on whether to adopt instructions how the election committee is to be appointed. According to the instructions, the election committee must, as a rule, consist of the Chairman of the Board and three members representing the three largest shareholders of the company in terms of number of votes. If any of these shareholders choose to waive their right to appoint a member, the next largest shareholder shall be offered a place on the committee, and so on. The names of the nomination committee members and the names of the shareholders who have appointed the members shall be published no later than six months prior to the AGM. The election committee decides for itself which member to appoint as chairman of the committee. The Chairman of the Board may not serve as chairman of the election committee.

## Board of Directors

The Board of Directors is also the company's highest executive body and it is responsible for the company's organisation, management and ongoing assessment of the Group's financial situation. The Chairman of the Board has a special responsibility to lead the Board's work and to ensure that the Board fulfils its statutory obligations.

According to the Articles of Association, the Board shall consist of at least one (1) and a maximum of eight (8) board members with no more than three (3) deputy members. Members are elected at the AGM for the period of time until the next AGM is held. There are no limits on how long a member may serve on the Board. At present, the Board consists of six (6) ordinary members. More information on members of the Board of Directors, including information on remuneration to the Board, is available in the section, "Board, senior executives and auditors".

The Board's tasks include establishing the Company's overall goals and strategies, monitoring major investments, ensuring that there is adequate control of compliance with laws and other rules that apply to operations and compliance with internal guidelines. The Board's tasks also include ensuring that information provided by the company to the market and shareholders is open, correct, relevant and reliable. The Board must also appoint and evaluate the CEO.

The Board has adopted written rules of procedure for its work, which are evaluated, updated and adopted again each year. The Board meets regularly in accordance with an established program detailed in the rules of procedure. At these meetings, decisions are made on certain standing items along with decisions on other items, as needed.

The Board may establish committees tasked with preparing questions in a particular area. It may also delegate decision authority to such committees. However, the Board may not discharge itself from responsibility for the decisions taken on the basis thereof. If the Board decides to set up a committee within itself, the Board's rules of procedure must state which tasks and which decision making authority it has delegated to the committee, along with how the committee shall report to the Board.

The Board has set up an audit committee and a remuneration committee. A description of the current composition of these committees is provided below.

*Audit committee*

The Board has set up an audit committee that consists of the following three members: Olof Erhlén, Peter Möller and Kennet Lundberg. Olof Erhlén is chairman of the committee.

The audit committee is tasked with, among other things, monitoring the company's financial reporting, monitoring the effectiveness of the company's internal control, internal audit and risk management, keeping informed of the audit of the annual report and consolidated accounts and the conclusions of the Swedish Inspectorate of Auditors' quality control. The committee must also review and monitor the auditor's impartiality and independence, paying special attention to services provided by the auditor in addition to the audit.

*Remuneration committee*

The Board has set up a remuneration committee that consists of the following three members: Olof Erhlén, Peter Möller and Johnny Alvarsson. Olof Erhlén is chairman of the committee.

The main tasks of the remuneration committee are to:

(i) prepare the Board's decisions on issues of remuneration principles, remuneration and other terms of employment for senior executives,

(ii) monitor and evaluate ongoing programmes (along with programmes that were concluded during the year) on variable remuneration to senior executives, and

(iii) monitor and evaluate the application of any guidelines for remuneration to senior executives established by the AGM as well as applicable remuneration structures and remuneration levels.

## Board of Directors

| | | | Independent in relation to: | | Participation out of total number of meetings | | |
|---|---|---|---|---|---|---|---|
| Board member | Position | Elected | Company and senior executives | Major shareholders | Board meetings[1)] | Audit committee | Remuneration committee |
| Olof Ehrlén | Chairman of the Board | 2014 | yes | no | 13 out of 14 | 3 out of 3 | 2 out of 2 |
| Anders Eriksson | Board member | 2016 | no | yes | 7 out of 7 | – | – |
| Göran Johnsson | Board member | 2016 | no | yes | 7 out of 7 | – | – |
| Peter Möller | Board member | 2013 | yes | no | 14 out of 14 | 3 out of 3 | 2 out of 2 |
| Johnny Alvarsson | Board member | 2016 | yes | yes | 5 out of 5 | | 2 out of 2 |
| Kennet Lundberg | Board member | 2016 | yes | yes | 5 out of 5 | 3 out of 3 | – |

*Per capsulam not included*

## CEO and other senior executives

The company's CEO is responsible for ongoing management in accordance with the Board's guidelines and instructions. The CEO's role and responsibilities, along with the division of duties between the Board and CEO, are detailed in a written document issued by the Board (the CEO instructions). The Board regularly evaluates the work done by the CEO.

The company's CEO is Per Sjöstrand. More detailed information on the CEO and other senior executives, including information on remuneration to the CEO and other senior executives, is provided in the sections "Board of Directors" and "Senior Executives".

## Internal control and audit

The Board is responsible for the company's organisation and management of the company's affairs. The rules of procedure created by the Board (see above, under the heading "Board of Directors" in this section) include instructions for internal financial reporting. Furthermore, all interim reports and press releases will be published on the company's website (www.instalco.se) in the near future.

As a public company, Instalco is required to have at least one auditor for the audit of the parent company and the group's annual report and accounting records, as well as the administration of the Board and the CEO. The audit must be at the level of detail and scope required by generally accepted auditing standards. The company's auditors are elected in accordance with the Swedish Companies Act by the AGM. An auditor for a Swedish limited company has thus been given his or her assignment by, and reports to, the Annual General Meeting. The auditor may not allow him or herself to be controlled by the Board or any senior executives when carrying out that assignment.

According to the Articles of Association, the AGM shall appoint at least one (1) and a maximum of two (2) auditors with no more than three (2) deputy auditors. The auditors (and any deputy auditors) must be certified public accountants or a registered audit firm. The company's current audit firm is Grant Thornton Sweden AB with Jörgen Sandell as the chief auditor.

As of 2016, the Group's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

# Board of Directors

### Olof Ehrlén
Born 1949
Chairman of the Board, member since 2014

*Other Board assignments*
Chairman: Svevia
Board member: Akademiska Hus

*Work experience*
Extensive experience in the construction industry. Previously held the position of President and CEO of NCC.

*Education*
MSc Engineering, Chalmers University of Technology, Gothenburg

Independent in relation to Instalco and its senior executives
Dependent in relation to major shareholders

*Shareholding in Instalco*[1)]
548

### Johnny Alvarsson
Born 1950
Member since 2016

*Current position*
President and CEO: Indutrade

*Other Board assignments*
Chairman: FM Mattsson Mora Group
Board member: Indutrade,VBG Group, Nolek

*Work experience*
Extensive experience as senior executive at several listed companies, including Indutrade.

*Education*
MSc Engineering, Management education

Independent in relation to Instalco and its senior executives
Independent in relation to major shareholders

*Shareholding in Instalco*[1)]
810

### Anders Eriksson
Born 1966
Member since 2016

*Current position*
VD: PoBs Elektriska

*Other Board assignments*
–

*Work experience*
Extensive experience from the electrical installation sector.

*Education*
Management education, IHM Business School, Certified Electrician

Dependent in relation to Instalco and its senior executives
Independent in relation to major shareholders

*Shareholding in Instalco*[1)]
942

### Göran Johnsson
Born 1966
Member since 2016

*Current position*
CEO: Rörgruppen

*Other Board assignments*
–

*Work experience*
Extensive experience from the heating and pipe installation industry.

*Education*
Various education programmes in management and law

Dependent in relation to Instalco and its senior executives
Independent in relation to major shareholders

*Shareholding in Instalco*[1)]
1,574

### Kennet Lundberg
Born 1957
Member since 2016

*Other Board assignments*
–

*Work experience*
Extensive experience as senior executive in both private and listed companies, including Hasselblad and SKF.

*Education*
MBA, Gothenburg School of Business, Economics and Law

Independent in relation to Instalco and its senior executives
Independent in relation to major shareholders

*Shareholding in Instalco*[1)]
200

### Peter Möller
Born 1972
Member since 2014

*Current position*
Partner: FSN Capital Partners

*Other Board assignments*
Chairman: FSN Capital Partners, Bygghemma Sverige, Bygghemma Group Nordic
Board member: Gimara Invest, Kjell Koncern, Issake Invest, Bygghemma First Holding

*Work experience*
Extensive experience in company development.

*Education*
MBA, Stockholm School of Economics and The Wharton School, USA

Independent in relation to Instalco and its senior executives
Dependent in relation to major shareholders

*Shareholding in Instalco*[1)]
–

*1) Including closely related physical or legal persons' holdings.*

# Senior executive

## Per Sjöstrand
Born 1958
CEO and founder

*Work experience*
Manager of major projects at the Swedish Transport Administration, CEO NEA-gruppen, CEO Midroc Electro, CEO Peab Nord

*Education*
MSc Engineering, Chalmers University of Technology, Gothenburg

*Shareholding in Instalco*[1)]
32,632

## Lotta Sjögren
Born 1964
CFO

*Work experience*
Business area manager and head of purchasing for NEA-gruppen, CEO of Bohusläns Elektriska, CFO of Effpower

*Education*
Economics studies at University of Gothenburg

*Shareholding in Instalco*[1)]
1,080

## Robin Boheman
Born 1984
Head of Business Development

*Work experience*
Managementkonsult M&A Integration and Separation PWC, Business developer at Scania

*Education*
Masters degree in accounting and finance, Uppsala University

*Shareholding in Instalco*[1)]
940

## Adrian Westman
Born 1985
Head of Investor Relations (consultant)

*Work experience*
Senior consultant Fogel & Partners, Head of IR Evolution Gaming Group, Head of communications SBAB, Head of IR and communications

*Education*
Degree in strategic communications and PR from Berghs School of Communication

*Shareholding in Instalco*[1)]
–

*1) Including closely related physical or legal persons' holdings.*

# Consolidated income statement

| Amounts in SEK thousands | Note | 2016 | 2015 |
|---|---|---|---|
| **Revenues** | | | |
| Net sales | 2 | 2,406,816 | 1,368,817 |
| Other operating income | | 4,413 | 3,353 |
| **Total revenues** | | **2,411,229** | **1,372,170** |
| **Operating expenses** | | | |
| Material and purchased services | | –1,361,827 | –753,665 |
| Other external expenses | 3, 4 | –168,111 | –100,542 |
| Personnel expenses | 5, 6 | –725,008 | –437,225 |
| Depreciation/amortisation of tangible fixed assets | | –4,074 | –1,751 |
| Other operating expenses | | –12,017 | –30,080 |
| **Total Operating expenses** | | **–2,271,037** | **–1,323,263** |
| **Operating profit (EBIT)** | | **140,192** | **48,907** |
| **Profit from financial items** | | | |
| Financial income | 9 | 1,076 | 293 |
| Financial expenses | 10 | –8,998 | –3,222 |
| **Profit before tax** | | **132,270** | **45,978** |
| Income tax | 11 | –41,300 | –11,894 |
| **Profit for the year from remaining business** | | **90,970** | **34,084** |
| **Profit for the year** | | **90,970** | **34,084** |
| *Profit related to:* | | | |
| Shareholders of the parent company | | 90,970 | 34,084 |
| Holdings without a controlling influence | | – | – |
| **Earnings per share** | | | |
| Earnings per share, before dilution, SEK | 12 | 696.44 | 298.06 |
| Earnings per share, after dilution, SEK | | 696.44 | 298.06 |

## Consolidated report over other total profit

| | 2016 | 2015 |
|---|---|---|
| **PROFIT FOR THE YEAR** | **90,970** | **34,084** |
| **Items which may be reclassified for the income statement** | | |
| The effect of recalculating foreign businesses of the year | 5,958 | |
| Real value adjustment of realisable financial assets | –120 | 0 |
| Tax related to real value adjustment | 30 | 0 |
| Other comprehensive income after tax | 5,868 | 0 |
| **Total profit for the year** | **96,838** | **34,084** |
| **Total profit for the year related to** | | |
| Shareholders of the parent company | 96,838 | 34,084 |
| | **96,838** | **34,084** |

# Consolidated balance sheet

| Amounts in SEK thousands | Note | 2016-12-31 | 2015-12-31 | 2015-01-01 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Fixed assets** | | | | |
| ***Intangible fixed assets*** | | | | |
| Goodwill | 13 | 825,822 | 514,743 | 388,487 |
| **Total intangible fixed assets** | | **825,822** | **514,743** | **388,487** |
| ***Tangible fixed assets*** | | | | |
| Equipment and tools | 14 | 12,823 | 6,137 | 2,935 |
| **Total tangible fixed assets** | | **12,823** | **6,137** | **2,935** |
| ***Financial fixed assets*** | 15 | | | |
| Shares in associates | 17 | 152 | 152 | 152 |
| Other long-term securities holdings | 18 | 497 | – | – |
| Other long-term recievables | 20 | 193 | 50 | 77 |
| **Total financial fixed assets** | | **842** | **202** | **229** |
| Deferred tax assets | 19 | 480 | 1,561 | 630 |
| **Total fixed assets** | | **839,967** | **522,643** | **392,281** |
| **Short-term assets** | | | | |
| ***Inventories, etc.*** | 21 | | | |
| Finished goods and trading goods | | 5,738 | 3,629 | 1,284 |
| **Total inventories** | | **5,738** | **3,629** | **1,284** |
| ***Short term receivables*** | | | | |
| Accounts receivable | 22 | 403,500 | 272,727 | 111,760 |
| Short-term tax asset | | 11,644 | 8,150 | 4,121 |
| Other recievables | | 10,369 | 19,915 | 11,278 |
| Accrued, non-invoiced income | 23 | 56,971 | 47,493 | 18,194 |
| Prepaid expenses and accrued income | 24 | 37,549 | 40,853 | 18,489 |
| Other short-term placements | | 4,447 | – | – |
| Cash and cash equivalents | 25 | 154,968 | 51,991 | 105,046 |
| **Total short term receivables** | | **679,448** | **441,129** | **268,888** |
| **Total short-term assets** | | **685,186** | **444,758** | **270,172** |
| **TOTAL ASSETS** | | **1,525,153** | **967,401** | **662,453** |

# Consolidated balance sheet

| Amounts in SEK thousands | Note | 2016-12-31 | 2015-12-31 | 2015-01-01 |
|---|---|---|---|---|
| EQUITY AND LIABILITIES | | | | |
| **Equity** | 26 | | | |
| Share capital | | 322 | 280 | – |
| Additional paid-in capital | | 452,598 | 264,995 | 425,472 |
| Reserves | | 5,868 | – | – |
| Retained profits including profit for the year | | 94,615 | 1,148 | –32,936 |
| **Total equity** | | **553,403** | **266,423** | **392,536** |
| ***Long-term liabilities*** | 15 | | | |
| Liabilities to credit institutions | 28 | 392,080 | 343,678 | 80,000 |
| Deferred tax liabilities | | 30,028 | 20,716 | 13,773 |
| **Total long-term liabilities** | | **422,108** | **364,394** | **93,773** |
| ***Short-term liabilities*** | | | | |
| Provisions | 27 | 8,856 | 7,102 | 6,077 |
| Liabilities to credit institutions | 28 | 7,900 | 40,000 | 35 |
| Accounts payable | 29 | 212,214 | 122,971 | 59,301 |
| Short-term tax liabilities | | 10,952 | 12,364 | – |
| Other liabilities | | 46,277 | 42,160 | 28,412 |
| Invoiced, non-accrued income | 23 | 62,628 | 16,531 | 25,540 |
| Accrued expenses and deferred income | 30 | 200,815 | 95,456 | 56,779 |
| **Total short-term liabilities** | | **549,642** | **336,584** | **176,144** |
| **Total liabilities** | | **971,750** | **700,978** | **269,917** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,525,153** | **967,401** | **662,453** |

# Consolidated change of equity

| Amounts in SEK thousands | Note | Share capital | Additional paid-in capital | Reserves | Retained profits including profit for the year | Total Equity |
|---|---|---|---|---|---|---|
| **Opening balance 2015-01-01** | 38 | **–** | **425,472** | | **–32,936** | **392,536** |
| Profit for the year | | | | | 34,084 | 34,084 |
| Total profit for the year | | 0 | 0 | 0 | 34,084 | 34,084 |
| **Transactions with the owners** | | | | | | |
| Formation of Instalco intressenter - the Group | | 274 | –172,796 | | – | –172,522 |
| New issue | | 6 | 12,319 | | | 12,325 |
| **Total transactions with the owners** | | **280** | **–160,477** | **–** | **–** | **–160,197** |
| **Closing balance 2015-12-31** | 26 | **280** | **264,995** | **0** | **1,148** | **266,423** |
| **Opening balance 2016-01-01** | | **280** | **264,995** | **0** | **1,148** | **266,423** |
| Profit for the year | | | | | 90,970 | 90,970 |
| The effect of recalculating foreign businesses of the year | | | | 5,958 | | 5,958 |
| Real value adjustment of realisable financial assets | | | | –120 | | –120 |
| Tax related to real value adjustment | | | | 30 | | 30 |
| Other comprehensive income | | 0 | 0 | 5,868 | 0 | 5,868 |
| Total profit for the year | | 0 | 0 | 5,868 | 90,970 | 96,838 |
| **Transactions with the owners** | | | | | | |
| New issue | | 42 | 187,603 | | | 187,645 |
| Profit merged subsidiaries | | | | | 2,497 | 2,497 |
| Other group adjustments | | | | | | |
| **Total transactions with the owners** | | **42** | **187,603** | **–** | **2,497** | **190,142** |
| **Closing balance 2016-12-31** | 26 | **322** | **452,598** | **5,868** | **94,615** | **553,403** |

# Consolidated cash flow statement

| Amounts in SEK thousands | Note | 2016 | 2015 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | 132,270 | 45,978 |
| Adjustment for non-cash items, etc. | 34 | 8,061 | –6,912 |
| Tax paid | | –43,035 | –13,094 |
| **Cash flow from the operating activities prior changes to the working capital** | | **97,296** | **25,972** |
| *Changes in working capital:* | | | |
| Changes to inventory | | –225 | 210 |
| Changes to accounts receivable and other receivables | | 46,285 | –132,552 |
| Changes to accounts payable and other payables | | 86,176 | 32,671 |
| **Cash flow from operating activities** | | **229,532** | **–73,699** |
| **Investing activities** | | | |
| Acquisitions of subsidiaries, less cash and cash equivalents | 35 | –325,247 | –94,628 |
| Acquisitions of tangible fixed assets | | –5,498 | –3,491 |
| Disposal of tangible fixed assets | | 1,449 | 2,364 |
| Acquisitions of financial assets | | – | –565 |
| Disposal of financial fixed assets | | 31 | 911 |
| **Cash flow from investing activities** | | **–329,265** | **–95,409** |
| **Financing activities** | | | |
| New issue | | 187,645 | 12,375 |
| Redemption of preference shares | | – | –200,000 |
| Borrowing | | 20,327 | 356,478 |
| Debt repayment | | –7,900 | –52,800 |
| **Cash flow from financing activities** | | **200,072** | **116,053** |
| **CASH FLOW FOR THE YEAR** | | **100,339** | **–53,055** |
| Cash and cash equivalents at beginning of year | | 51,991 | 105,046 |
| Currency rate differences in cash and cash equivalents | | 2,638 | – |
| **Cash and cash equivalents at end of year** | | **154,968** | **51,991** |
| **Cash and cash equivalents from remaining business** | | **154,968** | **51,991** |
| Cash flow for the period regarding interest: | | | |
| Interest paid | | –8,803 | –2,760 |
| Interest received | | 1,076 | 293 |

# Income statement Parent Company

| Amounts in SEK thousands | Note | 2016 | 2015 |
|---|---|---|---|
| **Revenues** | | | |
| Net sales | 2 | 3,447 | – |
| Other operating income | | – | – |
| **Total revenues** | | **3,447** | **0** |
| | | | |
| **Operating expenses** | | | |
| Other external expenses | 3, 4 | –3,414 | –2,691 |
| Personnel expenses | 5, 6 | –1,116 | – |
| Total Operating expenses | | –4,530 | –2,691 |
| **Operating profit** | | **–1,083** | **–2,691** |
| | | | |
| **Profit from financial items** | | | |
| Profit from participation Group companies | 8 | – | 3,859 |
| Interest expenses and similar items | 11 | –2,815 | –1,112 |
| **Profit after financial items** | | **–3,898** | **56** |
| | | | |
| Income tax | 12 | –837 | 837 |
| **Profit for the year** | | **–4,735** | **893** |

The Parent Company does not have any items included in other comprehensive income, which is why the total for other comprehensive income is equal profit or loss for the year.

# Balance sheet Parent Company

| Amounts in SEK thousands | Note | 2016-12-31 | 2015-12-31 |
|---|---|---|---|
| **ASSETS** | | | |
| **Fixed assets** | | | |
| ***Financial fixed assets*** | | | |
| Shares in Group companies | 16 | 1,270,148 | 1,098,148 |
| Deferred tax assets | 20 | | 837 |
| **Total financial fixed assets** | | **1,270,148** | **1,098,985** |
| **Total fixed assets** | | **1,270,148** | **1,098,985** |
| **Short-term assets** | | | |
| ***Short term receivables*** | | | |
| Other recievables | | 1 | – |
| Prepaid expenses and accrued income | 24 | 53 | – |
| **Other short-term placements** | | **54** | **0** |
| **Total short term receivables** | | **0** | **0** |
| **Cash and cash equivalents** | 25 | **6,304** | **173** |
| **Total short-term assets** | | **6,358** | **173** |
| **TOTAL ASSETS** | | **1,276,506** | **1,099,158** |

# Balance sheet Parent Company

| Amounts in SEK thousands | Note | 2016-12-31 | 2015-12-31 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | 26 | | |
| ***Restricted equity*** | | | |
| Share capital | | 322 | 280 |
| | | **322** | **280** |
| ***Unrestricted equity*** | 38 | | |
| Share premium | | 736,395 | 548,792 |
| Retained profit | | 402,768 | 401,875 |
| Profit for the year | | –4,735 | 893 |
| | | **1,134,428** | **951,560** |
| **TOTAL EQUITY** | | **1,134,750** | **951,840** |
| **Long-term liabilities** | | | |
| Liabilities to credit institutions | 28 | 131,400 | 147,200 |
| **Total long-term liabilities** | | **131,400** | **147,200** |
| **Short-term liabilities** | | | |
| Liabilities to credit institutions | 28 | 7,900 | – |
| Accounts payable | 29 | 468 | – |
| Other liabilities | | 846 | – |
| Accrued expenses and deferred income | 30 | 1,142 | 118 |
| **Total short-term liabilities** | | **10,356** | **118** |
| **Total liabilities** | | **141,756** | **147,318** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,276,506** | **1,099,158** |

# Change of equity Parent Company

| Amounts in SEK thousands | Note | Share capital | Share premium reserve | Retained profit | Profit for the year | Total Equity |
|---|---|---|---|---|---|---|
| **Opening balance 2015-01-01** | | **–** | **–** | **–** | **–** | **–** |
| Shareholder contributions | | | | 401,875 | | 401,875 |
| Registered share capital | | 50 | – | | | 50 |
| New issue | | 230 | 548,792 | | | 549,022 |
| Profit for the year | | | | | 893 | 893 |
| **Closing balance 2015-12-31** | 26 | **280** | **548,792** | **401,875** | **893** | **951,840** |
| **Opening balance 2016-01-01** | | **280** | **548,792** | **401,875** | **893** | **951,840** |
| Reversal of previous year's earnings | | | | 893 | –893 | – |
| New issue | | 42 | 187,603 | | | 187,645 |
| Profit for the year | | | | | –4,735 | –4,735 |
| **Closing balance 2016-12-31** | 26 | **322** | **736,395** | **402,768** | **–4,735** | **1,134,750** |

# Cash flow statement Parent Company

| Amounts in SEK thousands | Note | 2016 | 2015 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit before tax | | –3,899 | 56 |
| Adjustment for non-cash items, etc. | 34 | – | 41,750 |
| Tax paid | | – | – |
| **Cash flow from the operating activities prior changes to the working capital** | | **–3,899** | **41,806** |
| *Changes in working capital:* | | | |
| Changes to accounts receivable and other receivables | | –54 | – |
| Changes to accounts payable and other payables | | 2,339 | 118 |
| **Net cash flow from operating activities** | | **–1,614** | **41,924** |
| **Net cash flow from the operating activities** | | **–1,614** | **41,924** |
| **Investing activities** | | | |
| Acquisitions of subsidiaries, less cash and cash equivalents | 35 | –172,000 | –1,139,898 |
| **Cash flow from investing activities** | | **–172,000** | **–1,139,898** |
| **Financing activities** | | | |
| New issue | | 187,645 | 549,072 |
| Shareholder contributions received | | – | 401,875 |
| Borrowing | | – | 200,000 |
| Debt repayment | | –7,900 | –52,800 |
| **Cash flow from financing activities** | | **179,745** | **1,098,147** |
| **CASH FLOW FOR THE YEAR** | | **6,131** | **173** |
| Cash and cash equivalents at beginning of year | | 173 | – |
| Currency rate differences in cash and cash equivalents | | – | – |
| **Cash and cash equivalents at end of year** | | **6,304** | **173** |
| Cash flow for the period regarding interest: | | | |
| Interest paid | | –2,718 | –995 |
| Interest received | | – | – |

# Note 1. Accounting and valuation principles

## General information

The primary operations of Instalco Intressenter AB (the parent company) and its subsidiaries (jointly, the Group) consist of, through subsidiaries, carrying out contracting, consultancy, sales and service operations in the electricity, air conditioning, ventilation, plumbing, and piping sectors and to conduct business compatible therewith.

Instalco Intressenter AB, the parent company of the Group, has its registered office in Sweden. The headquarters and main location of operations are located at Lilla Bantorget 11, 111 23 Stockholm, Sweden.

The consolidated financial statements for the year ending 31 December 2016 (including comparative figures) were approved for publication by the board of directors in 17 March 2017.

The Group's report of profits, other comprehensive income, and the report of the financial position and the parent company's income statement and balance sheet will be submitted for adoption at the annual general meeting to be held on 27 April 2017.

## Summary of important accounting principles

The most important accounting and valuation principles used in the preparation of the financial reports are summarised below. In those cases in which the parent company applies different principles, these are stated under the heading Parent Company below.

## Basis for the preparation of the report

The Group's financial reports have been prepared in accordance with the Swedish Annual Accounts Act, Recommendation RFR 1 of the Swedish Financial Reporting Board, Supplementary Accounting Rules for Groups, and International Financial Reporting Standards (IFRS) as adopted by the EU. Assets and liabilities have been valued at historical acquisition values, with the exception of contingent considerations (valued at fair value through profit or loss), and short-term investments which are in the category of realisable financial assets (valued at fair value via other comprehensive income).

Instalco Intressenter AB was founded in 2015 and thus does not have any historical balance sheet and income statement for the beginning of 2015. The new Group was formed through the acquisition by Instalco Intressenter AB of the previous Instalco Group through a non-cash share issue on 16 September 2015. Instalco Intressenter AB became the owner of the shares in Instalco Holding AB directly after the non-cash share issue. The shares which were previously owned by Group management, among others, were transferred through share swaps whereby ordinary shares and preference shares in Instalco Holding AB were exchanged for ordinary shares and preference shares in Instalco Intressenter AB. The payment of the shares took place on 16 September 2015. The formation of the Group entailed that a new parent company, Instalco Intressenter, was established via a share swap and redemption of certain preference shares. Since a newly-formed company cannot be deemed to be the acquiring party where the transaction primarily involves a share swap, this entails that the Group is established as a continuation of the previous Instalco Holding Group.

Preparing reports in compliance with IFRS requires the use of certain important estimates for accounting purposes. In addition, management must also make certain assessments in the application of the Group's accounting principles. Those areas which involve a high degree of discretion, which are complex or the types of areas where assumptions and estimates are of material significance to the consolidated financial statements, are stated in a separate section under the heading "Significant assessments and estimates in the application of accounting principles".

## First-time Adoption of International Financial Reporting Standards (IFRS) as adopted by the EU

This report is the first which the Group is preparing in accordance with IFRS as adopted by the EU. Prior to the transition to IFRS, Instalco Intressenter AB prepared its consolidated financial statements according to the provisions of the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's general advice, BFNAR 2012:1 Annual reports and consolidated financial statements (K3). The transition to IFRS is reported in accordance with IFRS 1 (First-time Adoption of International Financial Reporting Standards). The figures for the 2015 comparison year have been recalculated according to the new principles. Financial information and key ratios for financial years prior to 2015 have not been recalculated, which is in accordance with the exception rules set forth in IFRS 1.

The transition from BFNAR 2012:1 (K3) is explained in note 38, Explanations regarding transition to IFRS.

## New and updated standards applicable to financial years commencing 1 January 2017 and thereafter

## Standards, changes and interpretations regarding existing standards which have not yet entered into force and are not applied in advance by the Group

As per the date of the approval of these financial reports, a number of new standards, changes and interpretations of existing standards have been published by IASB. These have not yet entered into force and have not been applied in advance by the Group. Information regarding those which are anticipated to have a material effect on the Group's financial reports is set forth below.

The board of directors and the CEO assume that all of the relevant statements will be incorporated in the Group's accounting principles during the first reporting period which commences after the date the statement enters into force.

## IFRS 9 Financial instruments

The new standard for financial instruments (IFRS 9) entails extensive changes in IAS 39's guidance for classification and valuation of financial assets and introduces a new "expected credit loss" model for impairment of financial assets. IFRS 9 also provides new guidelines for the application of hedge accounting.

The Group's preliminary assessment is that the introduction of IFRS 9 primarily has the potential to affect the Group's financial position and earnings based upon a possible need to change the impairment model regarding financial recievables (accounts receivable) in order to fulfill the requirements under IFRS 9 regarding expected credit losses and forward-looking macro-economic factors. In 2017, the Group will begin its work on evaluating the effects of the introduction of the standard, which includes an evaluation and possible adaptation of the impairment model.

IFRS 9 will be applied to financial years commencing 1 January 2018 or thereafter.

# Continued Note 1. Accounting and valuation principles

### IFRS 15 Revenue from contracts with customers

IFRS 15 entails new requirements regarding reporting of revenues and replaces IAS 18 Revenues, IAS 11 Construction Contracts, and several revenue-related interpretations. The new standard introduces a control-based reporting model for revenues and provides more detailed guidance in many areas for which this was not previously provided by the applicable IFRS, including how to report agreements involving multiple performance obligations, variable pricing, the customer's right of return, repurchase rights vis-à-vis suppliers, and other common complex matters.

IFRS 15 is to be applied to financial years commencing on 1 January 2018 or thereafter. The board of directors and CEO intend to apply the standard retroactively and report the total effect of the first application of this standard as an adjustment to the opening balance for retained earnings for the financial year covering the first application date. According to this standard, IFRS 15 will only be applied to agreements not conclusively performed by 1 January 2018.

The Group's board of directors and CEO have begun assessing the effects of the new standard and have identified the following areas which may be affected:

- Construction agreements involving multiple services – the Group's construction operations focus on construction, installation, and sales of customised installation solutions. A typical agreement combines elements of producing customised solutions, supplying materials and installation. The existing IFRS lacks detailed guidance as to how to report agreements with multiple components (commonly referred to as Multiple Element Arrangements). The Group's accounting principles are described in detail below under the heading Revenues. IFRS 15 introduces new guidelines which will require that the Group identify the various obligations in the agreement depending on whether they are "distinct". A good or service which has been promised is "distinct" if both:
- the customer can benefit from the good or service separately or together with other resources which are available to the customer; and
- the good/service is "separately identifiable" (i.e. the Group does not supply a service which entails integrating, modifying or adapting it significantly).

The subsequent allocation of compensation to individual performance obligations is based on their independent sales prices.

The Group is currently reviewing all of its agreements in order to determine how the new requirements will affect the identification of distinct goods or services and the allocation of revenues taking these into consideration. The implementation work will continue throughout 2017.

### IFRS 16 Lease agreements

IFRS 16 replaces IAS 17 and three related interpretations. The standard requires that, subject to a few exceptions, assets and liabilities related to all lease agreements be reported in the balance sheet. This reporting is based on the approach that the lessee has a right to use an asset during a specific period of time and, at the same time, an obligation to pay for this right. Reporting by the lessor will remain unchanged in all material respects. The standard is applicable to financial years commencing on 1 January 2019 and thereafter. Early application is permitted on the condition that IFRS 15 "Revenue from contracts with customers" is applied from the same point in time. The EU has not yet adopted the standard.

The board of directors and CEO had not yet entirely assessed the effects of the standard and can therefore not provide any quantified information. In order to assess the effects, the Group is currently:

- carrying out a complete review of all agreements in order to assess whether there are additional agreements which will now become lease agreements according to IFRS 16's new definition. At present, the Group primarily has operational lease agreements regarding premises.
- determining which transitional provisions are to be applied; either with full retroactive application or partial retroactive application (which entails that comparison figures need not be recalculated). The provision regarding partial retroactive application also contains voluntary relief from carrying out a new assessment of whether agreements entered into constitute or contain a lease agreement, as well as other reliefs. To determine which of these transition provisions is applicable is important since it is a one-time choice.
- assessing the current information regarding financial lease agreements and operational lease agreements since they will form the basis for the amount which in all likelihood shall be capitalised and reported as a right of use asset.
- assessing which additional information will be required.

For information regarding the Group's short-term operational lease agreements, please see note 4.

## OVERVIEW OF ACCOUNTING PRINCIPLESR

### Overall considerations

The most important accounting principles used in the preparation of the consolidated financial statements are summarised below.

### Basis for consolidation

The consolidated financial statements include subsidiaries in which the Group directly or indirectly has a controlling influence. The Group controls a company when it is exposed to, or has a right to, variable return from its holdings in the company and has the possibility of influencing the return through its influence over the company. Subsidiaries are included in the consolidated financial statements commencing on the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated financial statements commencing on the date on which the controlling influence terminates.

All intra-group transactions and balance sheet items are eliminated in conjunction with consolidation, including unrealised gains and losses on transactions between group companies. In those cases in which unrealised losses on intra-group sales of assets are reversed in conjunction with consolidation, the need for impairment of the underlying asset is also assessed based upon a group perspective. Amounts which are reported in the financial reports for subsidiaries have been adjusted where so required in order to ensure compliance with the Group's accounting principles.

Profits and other comprehensive income for subsidiaries which were acquired or sold over the course of the year are reported from the date the acquisition or sale enters into force, according to the provisions.

## Continued Note 1. Accounting and valuation principles

The Group attributes comprehensive income for the subsidiaries to the parent company's shareholders and holdings without a controlling influence based on their respective ownership shares.

### Acquisitions of businesses

The Group applies the acquisition method in the reporting of the acquisition of businesses. The consideration paid by the Group in order to obtain a controlling influence over a subsidiary is calculated as the sum of the fair values on the date of acquisition of the assets transferred, the liabilities assumed, and the equity shares issued by the Group, which includes the fair value of an asset or liability which arose in conjunction with an agreement regarding a contingent consideration. Subsequent changes in the fair value of a contingent consideration which has been classified as a financial liability are reported through profit or loss (the item "Other operating expenses"); see further under the section Financial liabilities.

Acquisition-related costs are booked when they arise under the item Other operating expenses.

Acquired assets and assumed liabilities are valued at the fair value at the time of acquisition.

### Shares in associates

Associates are companies over which the Group has a significant, but not a controlling, influence over the operational and financial management, normally through holdings of between 20% and 50% of the voting capital.

Shares in associates are reported according to the equity method.

The reported value of holdings in associates is increased or decreased by the Group's share of the associate's or joint venture's profits and other comprehensive income. This is adjusted where required in order to ensure compliance with the Group's accounting principles. The Group's reported value of holdings in associates includes goodwill which has been identified at the time of the acquisition.

When the Group's share of reported losses in the associate exceeds the value of the shares as reported in the Group's accounts, the value of the shares is reduced to zero. Losses are also set-off against long-term unsecured financial transactions which, financially, constitute a part of the owner company's net investment in the associate. Continued losses are not reported unless the Group has provided guarantees to cover losses arising in the associate.

Unrealised gains and losses on transactions between the Group and its associates are eliminated in an amount corresponding to the Group's share in these companies. In cases where unrealised losses are eliminated, a test for impairment is also carried out in respect of the underlying asset.

### RECALCULATION OF FOREIGN CURRENCY

### Functional currency and performance currency

The consolidated accounts are presented in SEK which is also the parent company's functional currency.

### Transactions and balance sheet items in foreign currency

Transactions in foreign currency are translated to the functional currency for each Group company based upon the prevailing currency rates on the transaction date (spot price). Profits and losses in foreign currency as a consequence of the settlement of such transactions and as a consequence of the revaluation of monetary items to the balance sheet rate are reported in the income statement.

Non-monetary items are not translated on the balance sheet date and are instead valued at the historical acquisition value (translated to the transaction date rate), with the exception of non-monetary items valued at fair value which are translated to the currency rate applicable on the day on which the fair value was established.

### Foreign operations

In the consolidated financial statements, all assets, liabilities and transactions in Group companies which have a functional currency other than SEK (the Group's reporting currency) are translated to SEK in conjunction with the consolidation. The Group companies' functional currency has remained unchanged during the reporting period.

In conjunction with consolidation, assets and liabilities have been translated at the balance sheet rate as per the balance sheet date. Adjustments of goodwill and fair value which arises in conjunction with the acquisition of a foreign business have been reported as assets and liabilities in foreign operations and translated to SEK at the rate prevailing on the balance sheet date. Income and expenses have been translated to SEK according to the average rate during the reporting period. Currency rate differences are booked directly against other comprehensive income and reported in the currency translation reserve under shareholders' equity. In conjunction with the sale of a foreign business, the related accumulated translation differences which are reported in shareholders' equity are reclassified to earnings and reported as a part of the profit or loss in conjunction with the sale.

### Segment reporting

The Group has two operating segments: Sweden and Rest of Nordics. In the identification of operating segment, Group management normally follows the Group's geographic business area which corresponds to the main segments. "Miscellaneous" includes income and costs common to all companies in the Group.

Each one of the operating segments is operated separately since each requires different resources and marketing methods. All transactions between segments are carried out on an arm's-length basis and based on prices which are charged to customers not related with the Group in conjunction with independent sales of identical goods or services.

The Group employs the same valuation principles in its segment reporting according to IFRS 8 as in its financial reports.

In addition, joint assets which are not directly related to an operating segment's business operations are not allocated to any segment. This applies primarily to the Group's headquarters.

The segment reporting is based on the internal reporting to the most senior decision-maker. At Instalco, this means the Group CEO and the key ratios which are presented regarding the business areas.

### Revenues

Revenues arise from the sale of installation services. Revenues are valued at the fair value of the compensation which the Group receives, or will receive, for goods which have been delivered and services which have been performed, excluding sales taxes and after deductions for any discounts and approved deductions.

# Continued Note 1. Accounting and valuation principles

### Performance of services

The Group generates revenues from construction work regarding installation activities. The compensation for these services is reported according to the percentage-of-completion method.

When the Group reports revenues from installation projects, a forecast is made in which an assessment is carried out of the degree of completion of each individual project which is gradually booked against costs incurred in the project. Revenues from consultancy services are reported as income at the time the services are provided through reference to the degree of completion of the work as per the balance sheet date in the same way as for construction agreements as described below.

### Construction agreements

When it is possible to reliably assess the outcome, the income from the project is reported as well as related expenses according to the degree of completion of the contract (percentage-of-completion method) on the balance sheet date. The contracted revenues are valued at the fair value of the compensation which has been received or will be received.

When the Group is unable to calculate the outcome of a project in a reliable way, revenues are reported only to the extent that project expenses which have arisen can be recouped. Project expenses are reported in the period in which they arose.

Whenever it is likely that the total project expenses will exceed the total project income, the anticipated loss is immediately reported in the profit/loss.

The degree of completion of a construction agreement is assessed by the project manager by comparing incurred costs to date with the total calculated cost for the contract (a procedure which is sometimes referred to as the cost-to-cost method). Only those costs which correspond to work performed are included in the costs to date.

The gross amount which is to be paid by customers for services is reported under the item “Accrued, non-invoiced income” regarding all ongoing projects where project fees and reported profits (after deduction for reported losses) exceed the invoiced amount. Invoiced, non-accrued income for projects are reported under the item “Invoiced, non-accrued income” regarding all ongoing projects for which invoiced amounts exceed project fees plus reported profits (less reported losses).

### Interest and dividends

Interest income and interest expenses are allocated to a particular period using the effective interest method. Dividends, beyond those derived from holdings in associates, are reported at the time at which the right to receive payment is established.

### Operating expenses

Operating expenses are reported in the income statement when the service has been used or when the event occurs.

### Borrowing costs

Borrowing costs which are directly related to acquisitions are capitalised during the period of time required in order to complete and prepare the asset for its intended use or sale. Other borrowing costs are booked as costs in the period in which they arose and are reported under the item “Financial expenses”.

### Goodwill

Goodwill represents the future economic benefits which arise in conjunction with the acquisition of a business but which are not individually identified and separately reported. Goodwill is reported at acquisition value less accumulated impairment.

In order to test the need for impairment, goodwill which has been acquired in the acquisition of a business is allocated to cash-generating units or groups of cash-generating units which are anticipated to benefit from the synergies of the acquisition. Each unit or group of units to which goodwill has been allocated corresponds to the lowest level in the Group at which the goodwill in question is monitored in the internal management.

Goodwill is tested for impairment on an annual basis, or more often where events or changes in conditions indicate a possible reduction in value. The reported value of the cash-generating unit to which the goodwill has been allocated is compared with the recoverable amount, which is the value in use or the fair value minus sales costs, whichever is higher. Any impairment is reported immediately as an expense and is not reversed. Goodwill is monitored and tested at company level.

### Tangible fixed assets

Tangible fixed assets are reported by the Group at acquisition value after deduction for accumulated depreciation and any impairment. The acquisition value includes the purchase price and expenses directly related to the asset in order to bring the asset to the location and condition to be used in accordance with the purpose of the acquisition.

Additional expenses are added to the reported value of the asset or reported as a separate asset, depending on which is appropriate, only when it is likely that the future economic benefits associated with the asset will be realised by the Group and the acquisition value of the asset can be measured in a reliable manner. The reported value of the component replaced is removed from the balance sheet. All other forms of repairs and maintenance are reported as expenses in the income statement in the period in which they arise.

Profits or losses which arise in conjunction with the sale of tangible fixed assets are established as the difference between what is received and the reported value of the assets and are reported in the income statement under the items “Other operating income” or “Other operating expenses”.

Tangible fixed assets are depreciated over the estimated useful life. The following depreciation periods are applied: Equipment and tools, 5 – 10 years.

## LEASED ASSETS

### Operational leasing

The Group has only operational lease agreements. When the Group is the lessee, leasing fees are booked as costs regarding operational lease agreements on a straight-line basis over the leasing period. Related costs, such as maintenance and insurance, are booked as expenses at the time they arise.

### Test for impairment of goodwill, other intangible assets and tangible fixed assets

In conjunction with an assessment of impairment, assets are grouped in the smallest cash-generating units possible. A cash-generating unit is a legal entity with independent receipts. Goodwill is allocated over the cash-generating units which are

## Continued Note 1. Accounting and valuation principles

expected to derive benefits from the synergies of related business acquisitions and represent the lowest level of the Group at which Group management monitors goodwill.

An impairment is reported at the amount by which the cash-generating unit's reported value exceeds its recoverable amount, which is the fair value less any cost for sale, or the value in use, whichever is higher. In order to establish the value in use, Group management estimates expected future cash flows from each cash-generating unit and establishes an appropriate discount interest rate in order to be able to calculate the present value of these cash flows. The data which is used in the test for impairment is directly linked to the Group's most recent approved budget, adjusted based on the need to exclude the effects of future reorganisations and improvements of assets.

Discounting factors are established individually for each cash-generating unit and reflect current market assessments of the time value of the money and asset-specific risk factors.

Impairment regarding cash-generating units first reduces the reported value of any goodwill which is allocated to the cash-generating unit. Any remaining impairment proportionally reduces the other assets in the cash-generating units. With the exception of goodwill, a new assessment of all assets is carried out for signs that a previous impairment is no longer justified. An impairment is reversed if the asset, or the recoverable value of the cash-generating unit, exceeds the reported value.

### FINANCIAL INSTRUMENTS

#### Reporting and valuation on the first reporting occasion

Financial assets and financial liabilities are reported when the Group becomes a contracting party regarding the agreed terms and conditions of the financial instrument. These are valued in conjunction with the first reporting occasion at the fair value adjusted for transaction expenses, with the exception of financial instruments in the category of "financial assets" or "financial liabilities" valued at fair value through profit or loss. These are valued at the fair value on the first reporting occasion. Subsequent valuation of financial assets and liabilities is described below.

Financial assets are removed from the report of financial position when the contractual rights regarding the financial asset terminate, or when the financial asset and all significant risks and benefits have been transferred. A financial liability is removed from the report of financial position when it is extinguished, performed, annulled or terminates.

#### Classification and subsequent valuation of financial assets

With respect to subsequent valuations, financial assets are valued based upon the category in which they were initially classified. The Group applies the following categories of financial assets:

- loan recievables and accounts receivable
- realisable financial assets

The impairment for all financial assets excluding those which are valued at fair value through profit or loss must be tested at least at the end of each reporting period in order to determine whether there is objective evidence of impairment of a financial asset or group of financial assets. Various criteria to establish the impairment are used for each category of financial assets, as described below.

All income and expenses regarding financial assets which are reported in the income statement are classified as "Financial expenses", "Financial income" or "Other financial items", except with respect to impairment of accounts receivable which are classified as "Other expenses".

*Loan recievables and accounts receivable*

Loan recievables and accounts receivable are financial assets which are not derivative instruments, with established payments or payments capable of being established, and which are not listed on an active market. After the first reporting occasion, they are valued at the accrued acquisition value using the effective interest method, after deductions for any impairment. Discounting is not carried out in those cases where the effects of discounting are insignificant. The Group's cash equivalents, accounts receivable, and most of the other recievables belong to this category of financial instruments.

Individual significant receivables are tested for impairment when they become due and payable or where other objective evidence exists that a particular counterparty will not make payment. Receivables which individually are not considered to have any impairment need are tested for impairment as a group, which is determined through reference to the industry and region of the counterparty and other common credit risk characteristics. The estimated impairment is then based on newly produced historical figures regarding the share of bad debts for the counterparties in each identified group.

#### Realisable financial assets

Realisable financial assets are assets which are not derivatives and which have been identified as realisable or have not been classified in any of the other categories. These are reported in the balance sheet in subsequent periods at the fair value, with changes in value regarding fair value via other comprehensive income. When a financial asset in this category is sold or written down, accumulated adjustments to the fair value are transferred from shareholders' equity to the income statement as profits and losses on financial instruments. Interest on financial assets in this category is calculated in accordance with the effective interest method and reported in the income statement under Financial income.

The Group's realisable financial assets consist of short-term investments and other long-term holdings of securities.

#### Classification and subsequent valuation of financial liabilities

The Group's financial liabilities include loans, accounts payable and other liabilities.

Financial liabilities are valued after the first reporting occasion at accrued acquisition value using the effective interest method, with the exception of any financial liabilities which are identified as having been valued at fair value through profit or loss, which are reported at fair value and with profits or losses reported in the income statement after the first reporting occasion. The Group is a party to agreements regarding contingent consideration which arise in conjunction with acquisitions which are reported at fair value through profit or loss.

All interest-related expenses, and where appropriate changes in the fair value of an instrument which is reported in the income statement, are included under the items "Financial expenses" or "Financial income".

# Continued Note 1. Accounting and valuation principles

### Inventories

Inventories are valued at the acquisition value or fair value, whichever is lower. The acquisition value includes all expenses which are directly related to the manufacturing process and the appropriate share of related overhead manufacturing costs, based on normal capacity. Costs for commonly exchangeable articles are allocated according to the first in – first out principle. The fair value is the estimated sales price in the day-to-day business less any applicable selling expenses.

### Income taxes

The tax expense which is reported in the income statement consists of the sum of the deferred tax and short-term tax which is not reported in other comprehensive income or directly in shareholders' equity.

The calculation of short-term tax is based on tax rates and tax rules which have been adopted or, in practice adopted, at the close of the reporting period. Deferred income tax is calculated according to the liability method.

Deferred tax assets are reported to the extent it is likely that it will be possible to utilise the underlying tax deficit or the deductible temporary differences against future tax surpluses. This is estimated based on the Group's forecast of future operating profit, adjusted for significant nontaxable income and expenses and specific restrictions on the use of unutilised tax losses or credits.

Deferred tax liabilities are, in principle, reported in their entirety, even if IAS 12 "Income tax" allows limited exceptions. As a result of these exceptions, the Group does not report deferred tax on temporary differences related to goodwill or investments in subsidiaries.

### Cash and cash equivalents

Cash and cash equivalents consists of cash and disposable balances with banks and corresponding institutions, together with other short-term, liquid investments falling due within 90 days from the date of acquisition and which can be easily converted to known sums of cash and which are exposed to only an insignificant risk of change in value.

### Shareholders' equity, reserves and dividends

Share capital represents the quota (par) value of shares issued. Issued preference shares are classified as shareholders' equity unless they are subject to compulsory redemption or contain agreements regarding mandatory payments to the holder.

Surplus value includes any premium received in conjunction with new issues of shares. Any transaction costs related to a new issue of shares is deducted from the surplus value, taking into consideration any income tax effects.

Other elements of shareholders' equity include the following:

- retained earnings including all retained earnings and share-related compensation for the current and previous periods;
- all transactions with the parent company's owners reported separately under shareholders' equity.

## COMPENSATION AFTER TERMINATION OF EMPLOYMENT AND SHORT-TERM COMPENSATION TO EMPLOYEES

### Compensation after termination of employment

The Group provides compensation after termination of employment largely through various defined contribution pension plans.

For a few employees who are not senior management personnel there is a pension solution in the form of endowment insurance which has been pledged as security for the pension undertakings. The assets constitute a financial instrument which is valued at fair value through profit or loss (see the separate section on financial instruments). The liability, i.e. the pension undertaking, comprises the same value as the assets, plus any payable special employer's contribution. The undertaking is reported on a net basis in the consolidated financial statements.

*Short-term compensation*

Short-term compensation to employees, including holiday compensation, comprises short-term liabilities valued at the undiscounted amount which the Group is expected to pay as a consequence of the unexercised right.

### Provisions, contingent liabilities and contingent assets

Provisions for warranties, legal proceedings, loss-generating contracts or other claims are reported at the time the Group has a legal or informal obligation as a consequence of a previous event where it is likely that an outflow of economic resources will be required and amounts can be reliably estimated. The time or the amount of the outflow may still be uncertain.

Provisions are valued at the estimated amount required in order to settle the existing obligation based on the most reliable information available on the balance sheet date, including any risks and uncertainties associated with the existing obligation. In those cases where there are a number of similar obligations, the likelihood of an outflow is established through an overall assessment of the obligations. Provisions are discounted to their present values where the time value of money is significant.

Any satisfaction which the Group is almost certain to be able to obtain from an external party regarding the obligation is reported as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is reported in the event the outflow of economic resources due to existing obligations is unlikely. Such situations are reported as contingent liabilities unless the likelihood of an outflow of resources is very small.

## SIGNIFICANT ASSESSMENTS AND ESTIMATES IN THE APPLICATION OF ACCOUNTING PRINCIPLES

Estimates and assessments are evaluated on an ongoing basis and based on historical experience and other factors, including expectations of future events which are considered reasonable under the prevailing circumstances.

### Significant assessments made by Group management

When financial reports are prepared, the Group's board of directors and CEO make a number of assessments, calculations and assumptions regarding reporting and the valuation of assets, liabilities, income and expenses.

The following are significant assessments which the board of directors and CEO make upon application of the accounting principles which have the most significant effect on the Group's financial reports.

*Reporting of revenues from construction contracts*

The reporting of revenues from construction contracts requires significant assessments in determining actual accrual and estimated expenses in order to complete the work.

## Continued Note 1. Accounting and valuation principles

### Uncertainty in estimates

Set forth below is information regarding the estimates and assumptions which have the most significant effect on the reporting and valuation of assets, liabilities, income and expenses. The results from these may deviate significantly.

*Impairment of non-financial assets and goodwill*

In order to assess impairment, Group management calculates the recoverable amount of each asset or cash-generating unit based on anticipated future cash flows and using an appropriate rate of interest in order to be able to discount the cash flow. Uncertainty lies in assumptions regarding future operating profits and establishing an appropriate discount interest rate.

At the end of the financial year on 2016-12-31, goodwill amounted to SEK 825,822 thousand (2015-12-31: SEK 514,743 thousand; 2015-01-01: SEK 388,047 thousand). For more information regarding impairment test, please see note 13.

*Acquisitions of businesses and valuation at fair value*

Upon calculation of fair value, Group management employs valuation techniques for the specific assets and liabilities acquired in the acquisition of the business. Above all, the fair value of contingent considerations is dependent on the outcome of several variables including the future profitability of the company acquired.

Group management employs valuation techniques in the calculation of the fair value of financial instruments (in those cases in which no prices all available on active markets) and for non-financial assets. This means making estimates and assumptions which correspond to how parties on the market would price the instrument. Group management bases its assumptions, to the extent possible, on all observable data, but such data is not always available. In these cases, Group management uses the best information available. An estimated fair value may differ from the actual price which might be obtained in a transaction on commercial terms and conditions on the balance sheet date.

Contingent considerations are included in the item Accrued expenses and deferred income in the balance sheet and, on 2016-12-31, were valued at SEK 26,000 thousand (2015-12-31: SEK 3,300 thousand; 2015-01-01: SEK 0). For more information regarding these contingent considerations and acquisitions, please see note 35.

*Revenue from construction agreements*

Reported revenue amounts and associated recievables under construction agreements reflect Group management's best estimate of the results and degree of completion of each agreement. With respect to more complex contracts, there is significant uncertainty in the assessment of costs for completion and profitability.

At the end of the financial year ending 2016-12-31, recievables under construction agreements were reported in the balance sheet at SEK 56,971 thousand (2015-12-31: SEK 47,493 thousand; 2015-01-01: SEK 18,194 thousand). For more information regarding construction agreements, please see note 23.

### The parent company's accounting and valuation principles

The parent company's annual report has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2 Reporting for legal entities. RFR 2 entails that, in the annual report for the legal entity, the parent company must apply all IFRS and statements approved by the EU to the extent possible within the scope of the Swedish Annual Accounts Act and taking into consideration the connection between reporting and taxation. The recommendation states which exceptions and supplements must be made regarding IFRS.

The parent company's annual report is presented in the company's reporting currency which is SEK.

The parent company's accounting and valuation principles correspond to those of the Group subject to the exceptions set forth below.

### Presentation

The income statement and balance sheet follow the format of the Swedish Annual Accounts Act. The report of changes in shareholders' equity follows the Group's format but must contain the columns stated in the Swedish Annual Accounts Act. This also entails differences in designations, as compared with the consolidated financial statements, primarily regarding financial income and expenses and shareholders' equity.

### Interests in subsidiaries

Interests in subsidiaries are reported at the acquisition value after deductions for any impairment. The acquisition value includes expenses related to the acquisition and any earnout.

When there is an indication that interests in subsidiaries have declined in value, a calculation of the recoverable amount is carried out. If this is lower than the reported value, a write-down is carried out. Write-downs are reported in the items "Profit/loss from interests in Group companies".

### Group contributions

All group contributions provided and received are reported as appropriations.

### Financial instruments

IAS 39 is not applied in the parent company and financial instruments are valued at acquisition value. In subsequent periods, financial instruments which have been acquired with the intention of being held on a short-term basis will, in accordance with the lowest of cost or market, be reported at the acquisition value or fair value, whichever is lower.

On each balance sheet date, the parent company determines whether there is any indication of impairment regarding any of the financial fixed assets. Impairment is made if the decrease in value is considered to be permanent. Impairment for interest-bearing financial assets reported at the accrued acquisition value is calculated as the difference between the asset's reported value and its present value based on corporate management's best estimate of future cash flows discounted by the asset's original effective interest rate. The impairment amount for other financial fixed assets is established as the difference between the reported value and the fair value less sales expenses or the present value of future cash flow (which is based on corporate management's best estimate), whichever is higher.

### Shareholders' equity

Preference shares are classified in their entirety as shareholders' equity.

# Note 2. Segment reporting

Group management currently identifies the Group's two operating segments geographically. These operating segments are monitored by the Group's executive decision-makers and strategic decisions are taken based on the operating profit for the segments.

According to IFRS, the portion of the operations which does not constitute operating segments on its own is designated Other segments. At Instalco, this comprises the parent company and the two holding companies at the top of the Group's structure. These companies do not fulfill the definition of an operating segment.

The income measure monitored at Instalco is EBITA.

Net sales for the segments consist of external revenues from customers. No sales take place between the segments.

The Group considers that it supplies one service to its customers (installations) and therefore no further breakdown of revenues has been carried out.

The reporting by segment can be broken down as follows for the current reporting periods:

| 2016 | Sweden | Rest of Nordics | Other | Elim | Total |
|---|---|---|---|---|---|
| Net sales | 2,139,019 | 267,787 | 9 | – | 2,406,816 |
| EBITA | 164,794 | 11,429 | –36,030 | – | 140,192 |
| EBITA margin,% | 7.7% | 4.3% | – | – | 5.8% |
| Adjusted EBITA | 164,794 | 11,429 | –19,934 | – | 156,288 |
| Adjusted EBITA margin,% | 7.7% | 4.3% | – | – | 6.5% |

| 2015 | Sweden | Rest of Nordics | Other | Elim | Total |
|---|---|---|---|---|---|
| Net sales | 1,369,213 | – | –396 | – | 1,368,817 |
| EBITA | 93,561 | – | –44,654 | – | 48,907 |
| EBITA margin,% | 6.8% | – | – | – | 3.6% |
| Adjusted EBITA | 95,072 | – | –9,111 | – | 85,961 |
| Adjusted EBITA margin,% | 6.9% | – | – | – | 6.3% |

The operations in Rest of Nordics began in 2016 and therefore there are no comparison figures from earlier periods.

Revenues from external customers broken down by country and based on where the customers are located:

| | 2016 | 2015 |
|---|---|---|
| Sweden | 2,139,028 | 1,368,817 |
| Norway | 248,044 | – |
| Other countries | 19,743 | – |
| **Total** | **2,406,816** | **1,368,817** |

Revenues included in Other countries are not significant in any individual country.

Fixed assets, other than financial instruments and deferred tax assets (there are no assets in conjunction with benefits following terminated employment or rights under insurance agreements), are broken down by country as follows:

| | 2016-12-31 | 2015-12-31 | 2014-12-31 |
|---|---|---|---|
| Sweden | 8,179 | 6,137 | 2,935 |
| Norway | 4,545 | – | – |
| Other countries | 99 | – | – |
| **Total** | **12,823** | **6,137** | **2,935** |

Fixed assets which are included in Other Countries are not significant in any individual country.

The Instalco Group does not have revenues from any individual customer which amount to more than 10% and therefore there is no reporting regarding this.

# Note 3. Remuneration to auditors

Remuneration booked as expenses and other remuneration amounts to the following:

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Grant Thornton** | | | | |
| Audit services | 3,270 | 1,732 | 125 | – |
| Auditing activities in addition to auditing services | 216 | – | 50 | – |
| Tax advice | 75 | – | – | – |
| Other services | 4,296 | 373 | – | – |
| **Other accounting firms** | | | | |
| Audit services | 176 | 596 | – | – |
| Auditing activities in addition to auditing services | 36 | – | – | – |
| Tax advice | 20 | 21 | – | – |
| Other services | 204 | 23 | – | – |
| **Total** | **8,293** | **2,745** | **175** | **0** |

# Note 4. Operational rental agreements and lease agreements

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Leasing fees are booked as expenses for the year** | 31,703 | 20,200 | 91 | – |
| Future contracted fees | | | | – |
| Termination date, year 1 | 33,330 | 21,623 | 279 | – |
| Termination date, year 2 | 26,999 | 15,442 | 241 | – |
| Termination date, year 3 | 18,863 | 6,404 | 100 | – |
| Termination date, year 4 | 6,476 | 4,504 | | – |
| Termination date, year 5 | 1,349 | 1,054 | | – |
| Termination date, year 6 - | 683 | – | | – |
| **Total future contracted lease fees** | **87,700** | **49,027** | **620** | **–** |

The operational lease agreements of both the parent company as well as the Group relate primarily to commercial premises.

# Note 5. Salaries and remuneration to employees

Costs which are reported for remuneration to employees are broken down as follows:

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Salaries, board of directors and CEO | 2,034 | | 183 | – |
| Salaries, other employees | 499,763 | 292,504 | 521 | – |
| Share-related remuneration | – | – | – | – |
| Pensions, defined contribution plan – directors and CEO | 549 | – | 56 | – |
| Pensions, defined contribution plan – other employees | 34,973 | 23,887 | 100 | – |
| Other employer payroll taxes | 156,822 | 92,746 | 232 | – |
| **Total** | **694,141** | **409,137** | **1,092** | **0** |

## Continued Note 5. Salaries and remuneration to employees

Costs and obligations regarding pensions and similar items for the board of directors, CEO and previous board of directors and CEO:

| | Base salary/ directors' fees | Variable remuneration | Other benefits[1] | Misc.[2] | Total |
|---|---|---|---|---|---|
| Olof Ehrlén | 251 | 0 | 0 | 0 | **251** |
| Anders Eriksson | 397 | 148 | 0 | 0 | **545** |
| Göran Jonsson | 357 | 396 | 30 | 0 | **783** |
| Tommy Larsson | 218 | 0 | 26 | 0 | **244** |
| Tomas Carlsson | 324 | 0 | 0 | 0 | **324** |
| Peter Möller | 0 | 0 | 0 | 0 | **0** |
| Johnny Alvarsson | 140 | 0 | 0 | 0 | **140** |
| Kennet Lundberg | 70 | 0 | 0 | 0 | **70** |
| Andreas Bruzelius | 0 | 0 | 0 | 0 | **0** |
| Mats Wäppling | 0 | 0 | 0 | 0 | **0** |
| CEO | 738 | 0 | 56 | 0 | **794** |
| Other senior management (3) | 1,596 | 329 | 136 | 304 | **2,365** |
| **Total** | **4,091** | **873** | **248** | **304** | 5,516 |

*1) Other benefits consists of company cars and health insurance.*
*2) Miscellaneous consists of consultancy fees.*

The amount for salaries includes bonuses of SEK 329 thousand (220).

A mutual notice of termination period of 6 months applies to the CEO and 3 months for other senior management employees. The Group does not have any agreements regarding severance compensation.

## Note 6. Employees

| | Group | | Parent Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Average number of employees | 1 240 | 870 | 1 | – |
| Of which, women (%) | 7 | 5 | – | – |

Average number of employees broken down by country:

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| Sweden | 1,035 | 870 |
| Norway | 182 | 0 |
| Finland | 23 | 0 |
| **Total** | **1,240** | **870** |

As of 1 October, the CEO and two senior executives were employed by the Parent Company, which, the year before, did not have any employees.

## Note 7. Breakdown by gender

0 (0) of the members of the board of directors are women.
1 (1) senior management employee is a woman.

## Note 8. Profit/loss from interests in group companies

| | Parent Company | |
|---|---|---|
| | **2016** | **2015** |
| Dividends from group companies | – | 45,609 |
| Write-down of interests in group companies | – | –41,750 |
| **Total** | **0** | **3,859** |

# Note 9. Financial income/other interest income and similar profit/loss items

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Other interest income | 254 | 134 | | |
| Interest income, cash and cash equivalents | 822 | 159 | | |
| Total interest income on financial assets not reported at fair value through profit or loss | 1,076 | 293 | – | – |
| **Total** | **1,076** | **293** | **0** | **0** |

# Note 10. Financial expenses/interest expenses and similar profit/loss items

| **Interest expenses, borrowing at accrued acquisition value** | Group | | Parent Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | | | | |
| Bank loans | 8 536 | 3 204 | 2 815 | 1 112 |
| Miscellaneous | 462 | 18 | – | – |
| **Total** | **8 998** | **3 222** | **2 815** | **1 112** |

# Note 11. Income tax/tax on profit for the year

The most important components of the tax expense for the financial year and the relationship between expected tax expense based on a Swedish effective tax rate of 22% (2015:22%) and reported tax expense in the income statement are as follows:

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Profit before tax** | **132,270** | **30,073** | **–3,898** | **56** |
| Tax according to applicable tax rate in Sweden, 22% | –29,099 | –6,616 | –858 | –12 |
| Effect of change in tax rate | | | | |
| Adjustment of previous year's tax | – | 5,305 | | |
| Adjustment of tax expenses for acquired companies | –1,828 | | | |
| Non-taxable income | 462 | 351 | | 10,034 |
| Non-deductible expenses | –11,032 | –11,088 | | –9,185 |
| Loss carryforwards utilised during the year which were not previously reported as an asset | | | 21 | |
| Miscellaneous | 197 | 154 | | |
| **Tax reported in the income statement** | **–41,300** | **–11,894** | **–837** | **837** |

The tax expenses consist of the following components:

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Short-term tax | | | | |
| On profit for the year | –34,850 | –15,637 | | |
| Adjustment of the previous year's tax | | 5,305 | | |
| Deferred tax expenses/income | | | | |
| Change in temporary differences | | 611 | | |
| Untaxed reserves | –5,211 | –3,128 | | |
| Change loss carry-forwards for tax purposes | –1,239 | 955 | –837 | 837 |
| **Tax reported in the income statement** | **–41,300** | **–11,894** | **–837** | **837** |
| Deferred tax expenses/income reported in other comprehensive income | –41,300 | –11,894 | –837 | 837 |

# Note 12. Earnings per share

### Earnings per share

Earnings per share both before and after dilution have been calculated using the earnings attributable to the shareholders of the parent company as the numerator, i.e. no adjustments of earnings was required for 2016 or 2015.

Reconciliation of the weighted average number of shares used to calculate earnings per share after dilution can be verified against the weighted average number of ordinary shares used in the calculation of earnings per share prior to dilution as follows:

| Earnings related to ordinary shares | 2016 | 2015 |
|---|---|---|
| Earnings related to the parent company's shareholders according to the income statement | 90,970 | 34,084 |
| Effect of cumulative interest for the period related to holders of preference shares | –24,064 | –7,518 |
| **Earnings related to holders of ordinary shares, prior to dilution** | **66,906** | **26,566** |
| **Earnings related to holders of ordinary shares, after dilution** | **66,906** | **26,566** |

| Number of shares, thousands | 2016 | 2015 |
|---|---|---|
| Weighted average number of shares used in the calculation of earnings per share before dilution | 96,068 | 89,130 |
| **Weighted average number of shares used in the calculation of earnings per share after dilution** | 96,068 | 89,130 |

# Note 13. Goodwill

Changes in reported values for goodwill are as follows:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| Opening balance, accumulated acquisition values | 514,743 | 388,487 |
| Investments for the year | – | – |
| Acquisitions of subsidiaries | 307,378 | 125,787 |
| Sales/disposals | –167 | 469 |
| Currency exchange differences | 3,868 | – |
| **Closing balance, accumulated acquisition values** | **825,822** | **514,743** |
| **Reported value** | **825,822** | **514,743** |

### Test for impairment

The Group's goodwill in the amount of SEK 825,256 thousand (514,743 thousand) arose through acquisitions of subsidiaries. Tests for impairment of goodwill are carried out at the lowest levels where there are separate identifiable cash flows (cash-generating units). There are 28 cash-generating units in the Group. The impairment test consists of assessing whether the unit's recoverable amount is higher than the reported value. The recoverable amount has been calculated on the basis of the unit's value in use, which comprises the present value of the unit's expected future cash flow without consideration given to any future expansion or restructuring of the operations. The same material assumptions have been made for all of the Group's cash-generating units, with the exception of two, since no material differences exist in the risk calculation between these markets. For the two for which the risk calculations deviate, the Group has made use of a different discount interest rate.

Material assumptions used in the calculations of value in use are set forth below:

- Annual growth rate for the first year has been estimated to be 0% and thereafter 2%. These calculations are based upon estimated future cash flows before tax based on financial budgets approved by corporate management covering a five-year period.
- The weighted average rate of growth in order to extrapolate cash flows beyond the budget has been estimated at 2%. This long-term growth rate corresponds to forecasts found in industry reports;
- The discount rate before tax used in the present value calculation of estimated future cash flows is 9.1%, with the exception of the units AB Expertkyl HH and AR Electro Prosjekt AS where the discount rate before tax used is 11.1%.
- For the units AB Expertkyl HH and AR Electro Prosjekt AS, the same assumptions have been made as above with the exception of the discount interest rate which, for these units, is estimated at 9.5%.

No reasonable change in important assumptions would entail that the reported value for any cash-generating unit above would exceed the recoverable amount.

# Note 14. Equipment and tools

Changes in reported values regarding equipment and tools are as follows:

| | Group | |
|---|---|---|
| | 2016-12-31 | 2015-12-31 |
| Opening balance, accumulated acquisition values | 7,862 | 15,440 |
| Investments for the year | 5,498 | 3,491 |
| Acquisitions of subsidiaries | 6,712 | 2,836 |
| Sales/disposals | –3,837 | –13,905 |
| Reclassifications | – | – |
| Currency exchange differences | 317 | – |
| **Closing balance, accumulated acquisition values** | **16,552** | **7,862** |
| Opening balance, accumulated depreciation | –1,725 | –12,605 |
| Depreciation for the year | –4,074 | –1,650 |
| Acquisitions of subsidiaries | | |
| Sales/disposals | 2,238 | 12,530 |
| Reclassifications | – | – |
| Currency exchange differences | –168 | – |
| **Reported value** | **12,823** | **6,137** |

# Note 15. Financial assets and liabilities

## Categories of financial assets and liabilities

The accounting principles include a description of each category of financial assets and liabilities as well as related accounting principles. The reported values for financial assets and liabilities are as follows:

**Financial assets**

| 2016-12-31 | Realisable financial assets | Loan receivables and accounts receivable | Total |
|---|---|---|---|
| Other long-term securities holdings | 497 | | 497 |
| Other long-term receivables | | 193 | 193 |
| Accounts receivable | | 403,500 | 403,500 |
| Prepaid expenses and accrued income | | 23,731 | 23,731 |
| Short-term investments | 4,447 | | 4,447 |
| Cash and cash equivalents | | 154,968 | 154,968 |
| **Total** | **4,944** | **582,199** | **587,336** |

**Financial liabilities**

| 2016-12-31 | Liabilities, fair value[1] | Other liabilities | Total |
|---|---|---|---|
| Long term borrowing | | 392,080 | 392,080 |
| Short-term borrowing | | 7,900 | 7,900 |
| Accounts payable and other liabilities | | 212,214 | 212,214 |
| Accrued income and prepaid expenses | 26,000 | 1,055 | 27,055 |
| **Total** | **26,000** | **613,249** | **639,249** |

**Financial assets**

| 2015-12-31 | Loan receivables and accounts receivable | Total |
|---|---|---|
| Other long-term receivables | 50 | 50 |
| Accounts receivable | 272,727 | 272,727 |
| Prepaid expenses and accrued income | 31,507 | 31,507 |
| Cash and cash equivalents | 51,991 | 51,991 |
| **Total** | **356,275** | **356,275** |

**Financial liabilities**

| 2015-12-31 | Liabilities, fair value[1] | Other liabilities | Total |
|---|---|---|---|
| Long term borrowing | | 343,678 | 343,678 |
| Short-term borrowing | | 40,000 | 40,000 |
| Accounts payable and other liabilities | | 122,971 | 122,971 |
| Accrued income and prepaid expenses | 3,300 | 462 | 3,762 |
| **Total** | **3,300** | **507,111** | **510,411** |

*1) Liabilities valued at fair value through profit or loss relates to contingent considerations. For more information, see note 30.*

# Note 15. Finansiella tillgångar och skulder

**Financial assets**

| 2015-01-01 | Loan recievables and accounts receivable | Total |
|---|---|---|
| Other long-term recievables | 77 | 77 |
| Accounts receivable | 111,760 | 111,760 |
| Prepaid expenses and accrued income | 11,736 | 11,736 |
| Cash and cash equivalents | 105,046 | 105,046 |
| **Total** | **228,619** | **228,619** |

**Financial liabilities**

| 2015-01-01 | Liabilities, fair value[1] | Other liabilities | Total |
|---|---|---|---|
| Long term Borrowing | | 80,000 | 80,000 |
| Short-term borrowing | | 35 | 35 |
| Accounts payable and other liabilities | | 59,301 | 59,301 |
| Accrued income and prepaid expenses | 0 | 0 | 0 |
| **Total** | | **139,336** | **139,336** |

*1) Liabilities valued at fair value through profit or loss relate to contingent consideration. For more information, see note 30.*

## Borrowing

Borrowing includes the following financial liabilities:

| Long-term borrowing | 2016-12-31 | 2015-12-31 | 2015-01-01 |
|---|---|---|---|
| Other bank loans | 392,080 | 343,678 | 80,000 |
| | **392,080** | **343,678** | **80,000** |

| Short-term borrowing | 2016-12-31 | 2015-12-31 | 2015-01-01 |
|---|---|---|---|
| Other bank loans | 7,900 | 40,000 | 35 |
| | **7,900** | **40,000** | **35** |

The Group has a bank loan in the amount of SEK 139 million for a term until 4 September 2021 and 4 September 2022. Interest is fixed under the bank loan for terms of 6 months STIBOR. In addition to the bank loan, the Group has overdraft facilities in the amount of SEK 75 million (0) linked to the Group's cash pool as well as a revolving credit facility in the amount of SEK 300 million (240). The loan agreements contain financial key ratios (covenants) which the Group must fulfill, as is customary for this type of loan agreement. Instalco fulfilled these key ratios by an ample margin at the end of the year.

Total granted credit commitments, including overdraft facilities amounted to SEK 375 million (240) on 31 December 2016. Of the granted revolving credit facility commitments, SEK 262 million (200) were utilised and of the overdraft facilities SEK 0 (0) was utilised. The remaining time to maturity on the revolving credit facility is 69 (70) months.

## Fair value

Financial instruments valued at fair value are classified in a fair value hierarchy. The various levels are defined as follows:

- Listed prices (unadjusted) on active markets for identical assets or liabilities (level 1);
- Observable data for the asset or liability other than listed prices included in level 1, either directly (i.e. as price quotations) or indirectly (i.e. derived from price quotations) (level 2);
- Data for the asset or liability which is not based on observable market data (i.e. non-observable data) (level 3).

Financial instruments which are valued at fair value in the balance sheet and classified at level 2 according to the fair value hierarchy include short-term receivables and other long-term securities holdings. These fair values have been established through calculation of discounted cash flows.

Contingent considerations which are valued at fair value in the balance sheet are classified at level 3 according to the fair value hierarchy. For more information regarding valuation techniques and changes in the fair value, see note 35.

Fair value for long-term borrowing:

| Long-term borrowing | 2016-12-31 | 2015-12-31 | 2015-01-01 |
|---|---|---|---|
| Fair value | 440,705 | 389,591 | 87,499 |
| | **440,705** | **389,591** | **87,499** |

Fair value is based on discounted cash flows with an interest rate based on a borrowing rate of 1.81% (31 December 2015: 1.96%, 1 January 2015: 1.664%) and is at level 2 in the fair value hierarchy.

The fair value of short-term borrowing and other financial instruments largely corresponds to reported values since the discounting effect is not significant.

# Note 16. Interests in group companies

### The composition of the Group

The Group includes direct holdings in the subsidiary, Instalco Holding AB with a reported value of SEK 1,270,148 and indirect holdings in subsidiaries as follows:

| Name/registered office | Segment | Number of shares | Share % 2016 | Share % 2015 |
|---|---|---|---|---|
| Instalco Holding AB | Other | 437,730 | 100% | 100% |
| Instalco Sverige AB | Other | 50,000 | 100% | 100% |
| PoB:s Elektriska AB / Uppsala | Sweden | 6,000 | 100% | 100% |
| Klimatrör i Stockholm AB / Stockholm | Sweden | 1,000 | 100% | 100% |
| Rörgruppen AB / Stockholm | Sweden | 2,500 | 100% | 100% |
| ORAB Entreprenad AB / Gävle | Sweden | 1,000 | 100% | 100% |
| VVS Metoder i Stockholm AB / Stockholm | Sweden | 5,000 | 100% | 100% |
| OTK Klimat Installationer AB / Uppsala | Sweden | 501 | 100% | 100% |
| Aktiebolaget Rörläggaren / Malmö | Sweden | 5,000 | 100% | 100% |
| AB Expertkyl HH / Göteborg | Sweden | 10,000 | 100% | 100% |
| Tofta Plåt & Ventilation AB / Lidköping | Sweden | 1,000 | 100% | 100% |
| LG Contracting AB / Karlstad | Sweden | 100 | 100% | 100% |
| El-Pågarna i Malmö AB / Malmö | Sweden | 5,000 | 100% | 100% |
| Bi-Vent AB / Helsingborg | Sweden | 4,500 | 100% | 100% |
| VallaCom AB / Linköping | Sweden | 1,000 | 100% | 100% |
| Voltmen OY / Helsinki | Sweden | 100 | 100% | 100% |
| Elexpressen i Lund AB / Lund | Sweden | 1,000 | 100% | 100% |
| Ohmegi Elektro AB / Stockholm | Sweden | 3,000 | 100% | 100% |
| Romerike Elektro AS / Klöfta | Rest of Nordics | 1,000,000 | 100% | – |
| AR Elektro Prosjekt AS / Klöfta | Rest of Nordics | 200 | 100% | – |
| Inkon Sverige AB | Sweden | 50,000 | 100% | – |
| Trä och inredningsmontage Kylteknik i Bandhagen AB / Stockholm | Sweden | 5,000 | 100% | – |
| Tunabygdens VVS Installatör AB / Dalarna | Sweden | 2,000 | 100% | – |
| Dalab VVS Installation AB / Dalarna | Sweden | 500 | 100% | – |
| Dalab Dala Luftbehandling AB / Dalarna | Sweden | 1,000 | 100% | – |
| Rörteft AS / Kjeller | Rest of Nordics | 50 | 100% | – |
| Vito Oslo AS / Oslo | Rest of Nordics | 2,000,000 | 100% | – |
| Vito Teknisk Entreprenör AS / Drammen | Rest of Nordics | 1,000 | 100% | – |
| Vito Vestfold AS / Tönsberg | Rest of Nordics | 1,000,000 | 100% | – |
| Ventilationsförbättringar i Malmö AB / Skåne | Sweden | 300 | 100% | – |
| JN Elinstallatörer AB / Stockholm | Sweden | 1,000 | 100% | – |

All subsidiaries conduct operations in the installations industry.

| | Parent Company | |
|---|---|---|
| **Changes during the year:** | 2016-12-31 | 2015-12-31 |
| Opening balance, accumulated acquisition values | 1,098,148 | – |
| Acquisition/contribution provided | 172,000 | 1,098,148 |
| **Closing balance, accumulated acquisition values** | **1,270,148** | **1,098,148** |
| **Reported value** | **1,270,148** | **1,098,148** |

# Note 17. Shares reported according to the equity method/shares in associates

## Holdings in associates

The following associates are part of the Group where no individual associate is of material significance to the Group:

| Name/registered office | Company reg. no. | Number of interests | Interest (%) | Reported value |
|---|---|---|---|---|
| BM Control Service i Uppland AB | 556950-3591 | 1,520 | 38 | 152 |

| | Group | |
|---|---|---|
| | 2016-12-31 | 2015-12-31 |
| Opening balance, accumulated acquisition values | 152 | 152 |
| **Closing balance, accumulated acquisition values** | **152** | **152** |
| **Reported value** | **152** | **152** |

# Note 18. Other long-term securities holdings

The Group's long-term securities holdings relate primarily to pension allocation funds and ownership of endowment policies. The maturity dates for the endowment policies are dependent on the date of retirement of the individuals insured.

| | Group | |
|---|---|---|
| | 2016-12-31 | 2015-12-31 |
| Opening balance, accumulated acquisition values | – | – |
| Additional values through acquisitions | 497 | – |
| **Closing balance, accumulated acquisition values** | **497** | **0** |
| **Reported value** | **497** | **0** |

# Note 19. Deferred tax assets and tax liabilities

Deferred taxes which arise as a consequence of temporary differences and unutilised loss carryforwards are summarised as follows:

| | | Reported in | | |
|---|---|---|---|---|
| Changes during the year: | 2016-01-01 | Other comprehensive income | Income statement | 2016-12-31 |
| Untaxed reserves | –20,105 | – | –29,966 | –29,966 |
| Temporary differences | –611 | – | –62 | –62 |
| Unutilised loss carryforwards | 1,561 | – | 480 | 480 |
| **Total** | **–19,155** | **–** | **–29,548** | **–29,548** |

| | | Reported in | | |
|---|---|---|---|---|
| Changes during the year: | 2015-01-01 | Other comprehensive income | Income statement | 2015-12-31 |
| Untaxed reserves | –13,162 | – | –6,943 | –20,105 |
| Temporary differences | –611 | – | – | –611 |
| Unutilised loss carryforwards | 630 | – | 931 | 1,561 |
| **Total** | **–13,143** | **–** | **–6,012** | **–19,155** |

Deferred tax assets are reported for loss carryforwards for tax purposes to the extent it is likely that they can be utilised through future taxable profits. The Group reported deferred tax assets in the amount of SEK 480,000 (2015: SEK 1,561,000) which may be utilised against future taxable profits.

There is no time limit on loss carryforwards.

# Note 20. Other long-term receivables

| | Group | | |
|---|---|---|---|
| | 2016-12-31 | 2015-12-31 | 2015-01-01 |
| Opening balance, accumulated acquisition values | 50 | 77 | |
| New receivables | 143 | – | |
| Payment/amortisation | 0 | –27 | |
| **Closing balance, accumulated acquisition receivables** | **193** | **50** | **0** |
| **Reported value** | **193** | **50** | **0** |

Other long-term receivables relate to lease deposits.

# Note 21. Inventories, etc.

| | Group | | |
|---|---|---|---|
| Inventories consists the following: | 2016-12-31 | 2015-12-31 | 2015-01-01 |
| Finished goods | 5,738 | 3,629 | 1,284 |
| **Total** | **5,738** | **3,629** | **1,284** |

# Note 22. Accounts receivable

Age breakdown of accounts receivable and provisions for doubtful accounts receivable:

| | Group | | |
|---|---|---|---|
| | 2016-12-31 | 2015-12-31 | 2015-01-01 |
| Accounts receivable, gross | 407,229 | 273,659 | 111,760 |
| Provisions for bad debt losses | –3,729 | –932 | 0 |
| **Accounts receivable** | **403,500** | **272,727** | **111,760** |

| | Group | | |
|---|---|---|---|
| | 2016-12-31 | 2015-12-31 | 2015-01-01 |
| Accounts receivable, not due and payable | 341,669 | 245445 | 99015 |
| Accounts receivable, due and payable 0–3 months | 54,472 | 26,550 | 12,089 |
| Accounts receivable, due and payable 4–6 months | 2,240 | 810 | 268 |
| Accounts receivable, due and payable more than 6 months | 8,848 | 854 | 388 |
| Provision for doubtful accounts receivable | –3,729 | –932 | 0 |
| **Total** | **403,500** | **272,727** | **111,760** |

Changes in the provisions for doubtful accounts receivable for the Group are as follows:

| | 2016 | 2015 |
|---|---|---|
| **1 January** | **932** | **0** |
| Provisions for bad debts | 3,149 | 1,906 |
| Receivables written off during the year as uncollectible | –198 | –872 |
| Reversed unutilised amounts | –154 | –102 |
| **Reversal of discount effect** | | |
| **31 December** | **3,729** | **932** |

Reported amounts per currency for the Group's accounts receivable are as follows:

| | Group | | |
|---|---|---|---|
| | 2016-12-31 | 2015-12-31 | 2015-01-01 |
| SEK | 340,864 | 272 727 | 111 760 |
| NOK | 60,588 | 0 | 0 |
| EUR | 2,048 | 0 | 0 |
| **Total** | **403,500** | **272,727** | **111,760** |

# Note 23. Construction agreements

| | Group | |
|---|---|---|
| | 2016-12-31 | 2015-12-31 |
| Accrued, non-invoiced income | 56,971 | 47,493 |
| Invoiced, non-accrued income | –62,628 | –16,531 |
| **Net in balance sheet** | **–5,657** | **30,962** |

# Note 24. Prepaid expenses and accrued income

| | Group | | | Parent Company | |
|---|---|---|---|---|---|
| | 2016-12-31 | 2015-12-31 | 2015-01-01 | 2016-12-31 | 2015-12-31 |
| Prepaid rent | 4,572 | 1,821 | 1,089 | – | – |
| Prepaid insurance | 1,594 | 483 | 782 | – | – |
| Accrued income, bonuses, etc. | 23,731 | 31,507 | 11,736 | – | – |
| Other items | 7,652 | 7,042 | 4,882 | 53 | – |
| **Reported value** | **37,549** | **40,853** | **18,489** | **53** | **0** |

# Note 25. Cash and cash equivalents

| **Likvida medel innefattar följande:** | 2016-12-31 | 2015-12-31 | 2015-01-01 |
|---|---|---|---|
| Cash on bank accounts and petty cash | 154,968 | 51,991 | 105,046 |
| Short-term investments | 4,447 | – | – |
| **Total** | **159,415** | **51,991** | **105,046** |

# Note 26. Shareholders' equity

## Share capital

The share capital in the parent company consists solely of fully paid up ordinary shares with a nominal value (quota (par) value) of SEK 1/share. The company has 109,762 class A shares which are ordinary shares and 212,441 class B-AZ shares which are preference shares.

Each preference share entitles the holder to priority to dividends over ordinary shares with annual interest. In the event of liquidation of the company, each preference share entitles the holder to priority to dividends over holders of ordinary shares, less any earlier sums payable on the preference shares in the form of dividends with preference rights. Preference shares entitle the holder to one vote for each share as is the case with the company's ordinary shares and there are no repayment terms and conditions regarding the preference shares.

| Subscribed and paid up shares (thousands): | 2016-12-31 | 2015-12-31 |
|---|---|---|
| At the beginning of the year | 280 | – |
| Formation of Instalco Intressenter – the Group | – | 280 |
| New share issue | 42 | – |
| Subscribed and paid up shares | 322 | 280 |
| **Total authorised shares at the end of the year** | **322** | **280** |

## Provisions

| | Recalculation provision | Realisable financial assets | Total |
|---|---|---|---|
| 1 January 2015 | – | – | – |
| 31 December 2015/ 1 January 2016 | – | – | – |
| Currency exchange rate differences, group companies | 5,958 | – | 5,958 |
| Revaluation of realisable assets, gross | – | –120 | –120 |
| Revaluation of realisable assets, taxes | – | 30 | 30 |
| **As of 31 December 2016** | **5,958** | **–90** | **5,868** |

# Note 27. Provisions

All provisions are reported as short-term in the Group and in the parent company under the heading "Provisions". The reported values and changes in these are as follows:

| Group | Other | Total |
|---|---|---|
| Reported value, 1 January 2015 | 6 077 | 6 077 |
| Additional provisions | 1 025 | 1 025 |
| **Reported value, 31 December 2015** | **7 102** | **7 102** |
| Additional provisions | 1 754 | 1 754 |
| **Reported value, 31 December 2016** | **8 856** | **8 856** |

| Parent Company | Other | Total |
|---|---|---|
| Reported value 31 December 2015 | 0 | 0 |
| Reported value 31 December 2016 | 0 | 0 |

Provisions reported as per the acquisition date in an acquisition of a business are included in "Additional provisions" above. Provisions which are classified as being "Held for sale" are included under "Utilised amounts" above.

Other provisions relate to various legal and other claims by customers, such as warranties under which the customers receive compensation for repair costs.

Normally, these claims are settled within 3 to 18 months from the time the claim is brought depending on which approach is used in the negotiation of the claim. Since the time for settlement of these claims is largely dependent on how quickly the negotiations proceed with various counterparties and legal authorities, the Group cannot reliably estimate the sums which will ultimately be paid out after more than 12 months from the balance sheet date. Consequently, the amount is classified as short-term in the Group's financial reports.

Most of the other provisions reported as per 31 December 2015 relate to claims initiated in 2015 and settled in 2016. After having consulted legal counsel, corporate management does not anticipate that the outcome of any of the remaining cases will give rise to any significant loss beyond those sums reported as per 31 December 2016. In order not to prejudice the Group's position in these disputes, none of the provisions will be reported in more detail here.

## Note 28. Liabilities to credit institutions

Of the above-stated liability items, the following amounts are due and payable after more than 5 years.

| | Group | | | Parent Company | |
|---|---|---|---|---|---|
| **Long-term** | **2016-12-31** | **2015-12-31** | **2015-01-01** | **2016-12-31** | **2015-12-31** |
| Liabilities to credit institutions | 360,100 | 307,900 | 80,000 | 98,100 | 107,900 |
| **Total** | **360,100** | **307,900** | **80,000** | **98,100** | **107,900** |

## Note 29. Accounts payable

The amounts reported as accounts payable are broken down into currencies as follows:

| | Group | | | Parent Company | |
|---|---|---|---|---|---|
| | **2016-12-31** | **2015-12-31** | **2015-01-01** | **2016-12-31** | **2015-12-31** |
| SEK | 184,142 | 122,971 | 59,301 | 468 | – |
| NOK | 27,815 | – | – | – | – |
| EUR | 257 | – | – | – | – |
| **Total** | **212,214** | **122,971** | **59,301** | **468** | **0** |

## Note 30. Accrued expenses and deferred income

| | Group | | | Parent Company | |
|---|---|---|---|---|---|
| | **2016-12-31** | **2015-12-31** | **2015-01-01** | **2016-12-31** | **2015-12-31** |
| Expenses related to personnel | 158,680 | 85,342 | 48,421 | 554 | – |
| Interest | 1,055 | 462 | – | 97 | 118 |
| Other items | 41,080 | 9,652 | 8,358 | 491 | – |
| **Reported value** | **200,815** | **95,456** | **56,779** | **1,142** | **118** |

## Note 31. Pledged assets and contingent liabilities

| | Group | | | Parent Company | |
|---|---|---|---|---|---|
| **Pledged assets** | **2016-12-31** | **2015-12-31** | **2015-01-01** | **2016-12-31** | **2015-12-31** |
| *For own provisions and liabilities:* | | | | | |
| *Liabilities to credit institutions* | | | | | |
| Shares pledged in Group companies | 1,063,060 | 754,482 | 336,414 | – | – |
| Floating charges | 232,583 | 92,550 | 68,718 | | |
| Pledged accounts receivable | 1,800,000 | | | | |
| Other pledged assets | 104,170 | | | | |
| ***Pledged assets provided for the benefit of Group companies:*** | | | | | |
| Other pledged assets provided | | | | | |
| ***Other pledged assets*** | | | | | |
| Floating charges | | 21,900 | | | |
| Other security provided | 1,038,894 | 783 | | | |
| | **4,238,707** | **869,715** | **405,132** | **0** | **0** |
| **Contingent liabilities** | | | | | |
| Performance guarantees | 33,211 | 8,063 | | | |
| | **33,211** | **8,063** | **0** | **0** | **0** |

## Note 32. Transactions with related parties

60.6% of Instalco Intressenter AB is owned by FSN Capital IV Limited Partnership which thus has a controlling influence over the Group. The ownership of the remaining portion of the shares is diversified.

Services agreements with related parties are executed on market terms and conditions. On the balance sheet date there are no receivables or liabilities with respect to related parties. No transactions which have materially affected the company's position and earnings have taken place between the company and related parties. With respect to other transactions, no significant changes have occurred as compared to last year.

For information regarding remuneration paid to senior management, see note 5.

## Note 33. Events after the balance sheet date

In Q1 2017, Instalco acquired the company Andersen og Aksnes Rörläggeribedrift AS in Norway, which is a part of the Rest of Nordics segment. In 2016, the company had sales of SEK 98 million and 32 employees. As of the date of the annual report, the acquisition analysis set forth below is still preliminary.

Preliminary details in the acquisition of the business are as follows:

| | Recalculation provision |
|---|---|
| **Fair value of the purchase price at the time of acquisition** | |
| Contingent purchase price | 8,536 |
| Cash and cash equivalents | 98,314 |
| **Total purchase price** | **106,850** |
| | |
| **Reported amounts for identifiable net assets** | |
| Tangible fixed assets | 708 |
| Other short-term assets | 29,358 |
| Cash and cash equivalents | 19,080 |
| Other liabilities | –19,352 |
| **Total identifiable net assets** | **29,794** |
| Goodwill at the time of the acquisition | 77,056 |
| **Total** | **106,850** |

Acquisition-related expenses amounts are, preliminarily, SEK 693 thousand.

Under agreements regarding contingent considerations, the Group is obligated to make cash payments in respect of future results. The maximum, undiscounted, amount which may be paid to the previous owners is SEK 8,480 thousand. The fair value of the contingent consideration is at level 3 in the fair value hierarchy.

The goodwill in the amount of SEK 77,056 thousand which arose through the acquisition is not related to any specific balance sheet item and is not anticipated to give rise to any synergy effects.

## Note 34. Adjustments which do not affect cash flow and changes in working capital

The following cash flow affecting adjustments and adjustments for changes in working capital have been carried out in profit before taxes in order to obtain the cash flow from the operating activities:

| | Group | | Parent Company | |
|---|---|---|---|---|
| **Write-offs and write-downs of nonfinancial items** | **2016** | **2015** | **2016** | **2015** |
| Depreciation | 4,074 | 1,751 | – | – |
| Changes in accrued interest | 937 | – | – | – |
| Provisions | 1,263 | 166 | – | – |
| Impairment | – | 6 | – | 41,750 |
| Capital gains/losses from financial items | –759 | – | – | – |
| Capital gains/losses from nonfinancial items | 198 | –811 | – | – |
| Other adjustments | 2,348 | –8,026 | – | – |
| **Total** | **8,061** | **–6,914** | **0** | **41,750** |

# Note 35. Acquisitions of businesses

Instalco carried out the following acquisitions in 2016:

| Unit acquired | Country | Acquisition date | Share of share-holders' equity | Est. annual sales, SEK millions | Number of employees |
|---|---|---|---|---|---|
| El-verksamhet / Helsinki | Finland | February | 100% | 15 | 16 |
| El-verksamhet / Klöfta | Norway | March | 100% | 58 | 40 |
| El-verksamhet / Klöfta | Norway | March | 100% | 49 | 8 |
| Kylverksamhet / Stockholm | Sweden | June | 100% | 66 | 44 |
| VS-verksamhet / Arboga | Sweden | July | 100% | 36 | 35 |
| Ventialtion- och VS-verksamhet / Mockfjärd | Sweden | July | 100% | 93 | 41 |
| VS-verksamhet/ Kjeller | Norway | July | 100% | 52 | 26 |
| Ventilationsverksamhet / Drammen | Norway | September | 100% | 154 | 85 |
| Ventilationsverksamhet / Malmö | Sweden | November | 100% | 49 | 30 |
| El-verksamhet / Södertälje | Sweden | December | 100% | 104 | 49 |

Instalco carried out the following acquisitions in 2015:

| Unit acquired | Country | Acquisition date | Share of share-holders' equity | Est. annual sales, SEK millions | Number of employees |
|---|---|---|---|---|---|
| VS-verksamhet / Karlstad | Sweden | April | 100% | 133 | 78 |
| El-verksamhet / Malmö | Sweden | May | 100% | 25 | 19 |
| Ventilationsverksamhet / Helsingborg | Sweden | June | 100% | 122 | 55 |
| El-verksamhet / Linköping | Sweden | June | 100% | 76 | 46 |
| El-verksamhet / Lund | Sweden | November | 100% | 22 | 21 |
| El-verksamhet / Stockholm | Sweden | November | 100% | 174 | 121 |

No single acquisition is of material significance to the Group and therefore the information has been consolidated below. The Group is anticipated to increase its presence on these national and international markets as a result of the acquisitions.
All acquisition analyses were established prior to the expiration of 2016.

The details of the acquisitions of businesses are as follows:

| | 2016 | 2015 |
|---|---|---|
| **Fair value of purchase price at time of acquisition** | | |
| Contingent consideration | 26,000 | 3,300 |
| Cash and cash equivalents | 408,579 | 177,073 |
| **Total purchase price** | **434,579** | **180,373** |
| **Reported amounts for identifiable net assets** | | |
| Tangible fixed assets | 6,715 | 2,926 |
| Financial fixed assets | 4,732 | 1,737 |
| Deferred tax assets | 698 | – |
| Other short-term assets | 183,822 | 94,686 |
| Cash and cash equivalents | 101,625 | 53,880 |
| Deferred tax liabilities | –4,046 | –4,428 |
| Other liabilities | –166,345 | –94,215 |
| Total identifiable net assets | 127,201 | 54,586 |
| Goodwill at the time of the acquisition | 307,378 | 125,787 |
| **Total** | **434,579** | **180,373** |
| Compensation paid in cash and cash equivalents | 408,579 | 177,073 |
| Less: acquired cash and cash equivalents | –102,235 | –53,880 |
| **Net cash flow at the time of acquisition** | **306,344** | **123,193** |

## Continued Note 35. Acquisitions of businesses

Acquisition related costs in the amount of SEK 6,005 thousand (SEK 5,444 thousand) are included in the item Other operating expenses in the consolidated income statement. Recalculation to IFRS yielded an effect of SEK 18,903 thousand (SEK 28,565 thousand) related to earnouts and acquisition costs as compared with the cash flow analysis of SEK 325,247 thousand (SEK 94,628 thousand).

In accordance with agreements regarding contingent considerations, the Group should make cash payments of earnouts in respect of future earnings. The maximum, undiscounted, amount which may be paid to the previous owners is SEK 25 million. The fair value of the contingent consideration is at level 3 in the fair value hierarchy.

Contingent considerations are reported under the item "Accrued expenses and deferred income" in the balance sheet and, as per 31 December 2016, amounted to SEK 26 million (31 December 2015: SEK 3,300 thousand; 1 January 2015: SEK 0 thousand).

Set forth below is a table illustrating changes in reported contingent purchase prices:

| | 2016 | 2015 |
|---|---|---|
| As of 1 January | 3,300 | – |
| Profits or losses reported in the income statement | 5,943 | 24,509 |
| Paid contingent purchase prices | –9,243 | –24,509 |
| Arose due to acquisition during the year | 26,000 | 3,300 |
| **As of 31 December** | **26,000** | **3,300** |

The goodwill in the amount of SEK 307,378 thousand which arose through acquisitions in 2016 is entirely attributable to goodwill. The goodwill in the amount of SEK 125,787 thousand which arose through acquisitions in 2015 is attributable to goodwill in the Group. No other intangible assets have been identified which fulfill the terms and conditions for separate reporting.

The revenues from acquisitions in 2016 which are included in the consolidated income statement following the date of each acquisition amount to SEK 386,729 thousand. Units acquired in 2016 have contributed to the profit of SEK 1,286 thousand for 2016.

If units acquired during the year had been consolidated from 1 January 2016, the consolidated income statement would have reported additional income of SEK 444,853 thousand and additional profit of SEK 48,580 thousand.

### Acquisition of Instalco Holding AB

Instalco Holding AB was acquired through a share issue against payment in kind on 16 September 2015. This transaction is reported in the consolidated financial statements as an acquisition of a business which includes companies under common control. Thus, no acquisition analysis has been prepared. Instead, historical acquisition analyses are taken over. See further under the Group's accounting principles.

## Note 36. Risks relating to financial instruments

### Risk management goals and principles

The Group is exposed to various risks with respect to financial instruments. Summary information regarding the Group's financial assets and financial liabilities broken down into categories is set forth in a separate note; see above. The main types of risks are market risk (interest rate risk and currency rate risk), credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters in close cooperation with the board of directors and focuses actively on hedging the Group's short-term to mid-term cash flows by minimising exposure to the volatile financial markets. Long-term financial investments are managed in order to generate lasting return.

The most significant financial risks to which the Group is exposed are described below.

### Market risk

The Group is exposed to market risk through currency risk and interest rate risk as a consequence of both the operating activities as well as the investing activities.

*Currency risk*

Transaction risk arises when future transactions are denominated in a currency which is not the unit's functional currency. The Group's units do not have significant transactions in any currency other than the unit's functional currency and therefore the Group's transaction risk is not significant.

In 2016, the Group had a number of holdings in foreign businesses, the net assets of which are exposed to currency risks. The Group has not elected to currency hedge the currency exposure which arises from the net assets in the Group's foreign operations since these are not considered to be significant. The table below illustrates the translation risk by demonstrating how a reasonable possible change in the currency for each foreign business, where all other variables remain constant, would affect the translation difference in total comprehensive income which is included in the item "Reserves" in total equity.

| | 2016 |
|---|---|
| EUR/SEK +/– 10% | 7 |
| NOK/SEK +/–10% | 589 |

*Interest rate risk*

The Group's interest rate risk arises through long-term borrowing. Borrowing at a variable interest rate exposes the Group to interest rate risks regarding cash flow. The Group's exposure to the variable interest rate has not been significant during the year and therefore no risk management measures have been taken. In 2016 and 2015, the Group's borrowing was at a variable interest rate in SEK.

The table set forth below illustrates the effects on the Group's earnings after taxes of a reasonably possible change in the interest rate on borrowing in SEK, with all other variables remaining constant. All effects on earnings relate to effects from higher/lower interest expenses for borrowing at a variable interest rate. Ther are no further effects with respect to total equity.

| | 2016 | 2015 |
|---|---|---|
| 25 base points higher/lower | 1,003 | 868 |

For more information regarding the Group's borrowing, see note 15.

# Continued Note 36. Risks relating to financial instruments

## Analysis of credit risk

Credit risk is the risk that a contracting party will fail to fulfil an obligation towards the Group. The Group is exposed to this risk for various financial instruments, for example through receivables from customers. The Group's maximum exposure to credit risk is limited to the reported value of financial assets on 31 December, as set forth below:

| Types of financial assets – reported values | 2016 | 2015 |
|---|---|---|
| Cash and cash equivalents | 159,415 | 51,991 |
| Accounts Receivable and other receivables | 403,500 | 272,727 |
| **Total** | **562,915** | **324,718** |

The Group continuously monitors nonpayment by customers and other contracting parties, identified by the Group individually or by category and the Group incorporates this information in its credit risk controls. Where external credit ratings and/or reports regarding customers and other contracting parties are available at a reasonable cost, these are obtained and used. The Group's policy is to only do business with creditworthy parties.

The Group's management believes that all of the above-stated financial assets which have not been written down or become due and payable by 31 December have a high credit quality.

On 31 December, the Group had certain accounts receivable which had not been settled by the agreed due date but which are not considered to be doubtful. The amounts as per 31 December, specified based on the due date, are as follows:

| Due and payable: | 2016 | 2015 |
|---|---|---|
| Not more than 3 months | 54,472 | 26,550 |
| 3 months but not more than 6 months | 2,240 | 810 |
| More than 6 months | 8,848 | 854 |
| **Total** | **93,774** | **28,214** |

With respect to accounts receivable and other receivables, the Group is not exposed to any significant credit risks regarding any individual contracting party or group of contracting parties with similar characteristics. Accounts receivable consist of a large number of customers in different industries and geographical areas. Based on historical information regarding suspension of payments by customers, Group management believes that the accounts receivable which have not yet become due and payable or written down have a good credit quality.

The credit risk for cash and cash equivalents is considered to be negligible since the contracting parties are highly reputed banks with high credit ratings by external assessors.

## Analysis of liquidity risk

Liquidity risk is the risk that the Group will be unable to fulfill its obligations. The Group manages its liquidity needs by monitoring planned loan payments for long-term financial liabilities and forecast receipts of payments and payments made in the day-to-day operations. The data used to analyse these cash flows corresponds with the data used in the analysis of contracted loan terms set forth below. The liquidity needs are monitored using various time spans, daily and weekly, and in a rolling 30-day forecast. Long-term liquidity needs for a period of 180 days and 360 days are identified monthly.

Net cash requirements are compared with available credit facilities in order to establish a safety margin or any potential deficits. This analysis demonstrates that available loan facilities are expected to be sufficient during this period.

The Group's goal is to have cash and cash equivalents and realisable securities which fulfill the liquidity requirements in periods of at least 30 days. This goal is achieved during the reporting period. The financing of long-term liquidity needs is also secured by an appropriate amount of granted credit facilities and the possibility to sell long-term financial assets.

The Group takes into consideration anticipated cash flows from financial assets in the assessment and management of liquidity risk, particularly cash reserves and accounts receivable. The Group's existing cash reserves and accounts receivable significantly exceed the current requirements for cash outflows. Cash flow from accounts receivable and other receivables all become due and payable within 6 months.

As per 31 December 2016, the Group's financial liabilities which are not derivatives have contracted terms (including interest payments where applicable), which can be summarised as follows:

| | Short-term | | Long-term | |
|---|---|---|---|---|
| 2016-12-31 | Within 6 months | 6–12 months | 1–5 years | Longer than 5 years |
| Liabilities to credit institutions | 3,950 | 3,950 | – | 392,080 |
| Accounts payable and other liabilities | 250,109 | | | |
| **Total** | **254,059** | **3,950** | **–** | **392,080** |

This can be compared with the terms during previous reporting periods for the Group's financial liabilities which are not derivatives as follows:

| | Short-term | | Long-term | |
|---|---|---|---|---|
| 2015-12-31 | Within 6 months | 6–12 months | 1–5 years | Longer than 5 years |
| Liabilities to credit institutions | | 40,000 | – | 343,678 |
| Accounts payable and other liabilities | | | 165,131 | |
| **Total** | **–** | **40,000** | **165,131** | **343,678** |

# Note 37. Proposal for allocation of the parent company's profit or loss

The following retained earnings are available for allocation by the annual general meeting (SEK thousands):

| | 2016-12-31 |
|---|---|
| Share premium reserve | 736,395 |
| Retained earnings from last year | 402,768 |
| Loss for the year | –4,735 |
| | **1,134,428** |

| | |
|---|---|
| The board of directors proposes that the retained earnings | 1,134,428 |
| **be carried forward** | **1,134,428** |

# Note 38. Effects of transition to IFRS

These are the first financial reports which Instalco has prepared in accordance with IFRS.

The effects of the change in accounting principles have been reported directly against total equity. Previously published financial information for the 2015 financial year, prepared in accordance with the Swedish Annual Accounts Act and BFNAR 2012:1 (K3) have been recalculated to IFRS. Financial information for financial years before 2015 has not been recalculated.

Acquisitions of businesses carried out before 1 January 2015 have not been recalculated. Other voluntary and compulsory exceptions from a retroactive application of IFRS have not been applied by the Group.

Upon transition to IFRS, the accounting principles applicable on 31 December 2016 have been applied for recalculated periods. The following tables illustrate how the conversion to IFRS has affected the Group's financial position and earnings.

For the year2015, the transition to IFRS entails that the total earnings for the year for the Group have increased by SEK 15,928 thousand as a consequence of reversed depreciation of goodwill in the amount of SEK 45,955 thousand, acquisition costs booked as expenses in the amount of SEK –5,444 thousand, earnouts in the amount of SEK –24,509 thousand, adjustments to warranty provisions totaling SEK –80, thousand, and defined contribution endowment insurance totaling SEK 6, thousand.

This entails that the Group's shareholders' equity at the time of the transition was reduced by SEK 4,660 thousand.

| **Consolidated report of total profit 1 January - 31 December 2015** | Note | According to previous principlesr | Adjustments to IFRS | According to IFRS |
|---|---|---|---|---|
| *Revenues* | | | | |
| Net sales | | 1,368,817 | | 1,368,817 |
| Other income | | 3,353 | | 3,353 |
| **Total revenues** | | **1,372,170** | | **1,372,170** |
| *Operating expenses* | | | | |
| Material and purchased services | b | –753,563 | –102 | –753,665 |
| Other external expenses | | –100,543 | | –100,543 |
| Personnel expenses | c | –437,231 | 6 | –437,225 |
| Depreciation/amortisation of tangible and intangible fixed assets | d | –47,706 | 45,955 | –1,751 |
| Tangible fixed assets | b | | | |
| Other operating expenses | e, f | –126 | –29,953 | –30,079 |
| **Total Operating expenses** | | **–1,339,169** | **15,906** | **–1,323,263** |
| **Operating profit** | | **33,001** | **15,906** | **48,907** |
| Profit from other fixed securities and recievables | | 134 | –134 | 0 |
| Financial income | | 159 | 134 | 293 |
| Financial expenses | | –3,222 | | –3,222 |
| **Financial items - net** | | **30,072** | **15,906** | **45,978** |
| Income tax | b | –11 917 | 23 | –11 894 |
| **Profit for the year** | | **18,155** | **15,929** | **34,084** |

## Continued Note 38. Effects of transition to IFRS

| Consolidated balance sheet as of 1 January 2015 | Note | According to previous principlesr | Adjustments to IFRS | According to IFRS |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Fixed assets** | | | | |
| *Intangible fixed assets* | | | | |
| Goodwill | | 388,487 | | 388,487 |
| *Tangible fixed assets* | | | | |
| Equipment and tools | | 2,935 | | 2,935 |
| *Financial fixed assets* | | | | |
| Shares in associates | | 152 | | 152 |
| Associate receivables | | 48 | | 48 |
| Other long-term securities holdings | c | 101 | –101 | |
| Other long-term receivables | | 29 | | 29 |
| Deferred tax assets | | 630 | | 630 |
| **Total fixed assets** | | **392,382** | **–101** | **392,281** |
| | | | | |
| **Short-term assets** | | | | |
| Inventories | | 1,284 | | 1,284 |
| Accounts receivable | | 111,760 | | 111,760 |
| Short-term tax asset | b | 2,835 | 1,286 | 4,121 |
| Other receivables | | 11,278 | | 11,278 |
| Accrued, non-invoiced income | | 18,194 | | 18,194 |
| Prepaid expenses | | 18,489 | | 18,489 |
| Cash and cash equivalents | | 105,046 | | 105,046 |
| **Total short-term assets** | | **268,886** | **1,286** | **270,172** |
| | | | | |
| **TOTAL ASSETS** | | **661,268** | **1,185** | **662,453** |
| | | | | |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Share capital | | 4,138 | –4,138 | 0 |
| Additional paid-in capital | | 421,334 | 4,138 | 425,472 |
| Other equity including profit for the year | | –28,276 | –4,660 | –32,936 |
| **Total equity** | | **397,196** | **–4,660** | **392,536** |
| | | | | |
| Provisions | a | 14,005 | –14,005 | |
| | | | | |
| **Long-term liabilities** | | | | |
| Interest bearing financial liabilities | | 80,000 | | 80,000 |
| Deferred tax liabilities | a | | 13,773 | 13,773 |
| **Total long-term liabilities** | | **80,000** | **13,773** | **93,773** |
| | | | | |
| **Short-term liabilities** | | | | |
| Interest bearing financial liabilities | | 35 | | 35 |
| Accounts payable | | 59,301 | | 59,301 |
| Provisions | a | | 6,077 | 6,077 |
| Invoiced, non-accrued income | | 25,540 | | 25,540 |
| Accrued expenses and deferred income | | 56,779 | | 56,779 |
| Other liabilities | | 28,412 | | 28,412 |
| **Total short-term liabilities** | | **170,067** | **6,077** | **176,144** |
| | | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **661,268** | **1,185** | **662,453** |

## Continued Note 38. Effects of transition to IFRS

| Consolidated balance sheet as of 31 December 2015 | Note | According to previous principlesr | Adjustments to IFRS | According to IFRS |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Fixed assets** | | | | |
| *Intangible fixed assets* | | | | |
| Goodwill | b, d, e | 473,727 | 41,016 | 514,743 |
| *Tangible fixed assets* | | | | |
| Equipment and tools | | 6,137 | | 6,137 |
| *Financial fixed assets* | | | | |
| Shares in associates | | 152 | | 152 |
| Associate receivables | | | | |
| Other long-term securities holdings | c | 601 | –600 | 1 |
| Other long-term receivables | h | 248 | –198 | 50 |
| Deferred tax assets | | 1,561 | | 1,561 |
| **Total fixed assets** | | **482,426** | **40,218** | **522,644** |
| | | | | |
| **Short-term assets** | | | | |
| Inventories | | 3,629 | | 3,629 |
| Accounts receivable | | 272,727 | | 272,727 |
| Short-term tax asset | b | 6,748 | 1,402 | 8,150 |
| Other recievables | | 19,914 | | 19,914 |
| Accrued, non-invoiced income | | 47,493 | | 47,493 |
| Prepaid expenses | g | 44,375 | –3,522 | 40,853 |
| Cash and cash equivalents | h | 51,967 | 24 | 51,991 |
| **Total short-term assets** | | **446,853** | **–2,096** | **444,757** |
| | | | | |
| **TOTAL ASSETS** | | **929,279** | **38,122** | **967,401** |
| | | | | |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Share capital | i | 280 | | 280 |
| Additional paid-in capital | i | 548,792 | –283,797 | 264,995 |
| Other equity including profit for the year | b, c, d, e, h, i | –318,426 | 319,574 | 1,148 |
| **Total equity** | | **230,646** | **35,777** | **266,423** |
| | | | | |
| Provisions | a, b, c | 21,951 | –21,951 | |
| | | | | |
| **Long-term liabilities** | | | | |
| Interest bearing financial liabilities | g | 347,200 | –3,522 | 343,678 |
| Deferred tax liabilities | a | | 20,716 | 20,716 |
| **Total long-term liabilities** | | **347,200** | **17,194** | **364,394** |
| | | | | |
| **Short-term liabilities** | | | | |
| Interest bearing financial liabilities | | 40,000 | | 40,000 |
| Accounts payable | | 122,971 | | 122,971 |
| Tax liabilities | | 12,364 | | 12,364 |
| Provisions | b | | 7,102 | 7,102 |
| Invoiced, non-accrued income | | 16,531 | | 16,531 |
| Accrued expenses and deferred income | | 95,456 | | 95,456 |
| Other liabilities | | 42,160 | | 42,160 |
| **Total short-term liabilities** | | **329,482** | **7,102** | **336,584** |
| | | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **929,279** | **38,122** | **967,401** |

## Continued Note 38. Effects of transition to IFRS

The main rule is that all applicable IFRS and IAS standards which have entered into force and been approved by the EU are to be applied with retroactive effect. However, IFRS 1 contains transitional provisions which allow certain exceptions to the rule requiring application with complete retroactivity. Instalco has elected to apply the following exceptions:

a) Acquisitions of businesses which have been acquired prior to the transition date (1 January 2015) have not been recalculated according to IFRS.

The following adjustments have been made in the transition to IFRS:

a) **Provisions** – as opposed to K3, the layout of the balance sheet according to IFRS breaks down provisions into long-term and short-term provisions. The Group's provisions have therefore been broken down in accordance with this.
b) **Warranty provisions** – provisions for warranty costs according to the Group's principles have affected the acquisitions of businesses made in 2015 and have been recalculated in accordance with IFRS. The warranty provisions which have been changed in the acquisition analysis have resulted in effects on goodwill and deferred taxes.
c) **Pensions** – Instalco has pension obligations regarding direct pensions secured through endowment policies pledged to the benefit of the beneficiary. These are classified in accordance with IAS 19 as defined contribution plans and have therefore been eliminated from the balance sheet.
d) **Acquisition expenses** – IFRS does not permit capitalising transaction expenses in conjunction with the acquisition of a business. The costs for acquisitions which have been capitalised according to K3 and which constitute a part of the value of goodwill are therefore adjusted and booked as expenses in the period in which they arose.
e) **Depreciation of goodwill** – IFRS does not permit depreciation of goodwill. This means that depreciation carried out after the transition date to IFRS is reversed.
f) **Contingent consideration** – according to IFRS, changes in the fair value of contingent considerations made in the acquisition analysis and which are a result of events occurring after the date of the acquisition must be reported in the income statement. The contingent consideration has subsequently been valued at fair value on each balance sheet date.
g) **Borrowing costs** – according to IFRS, transaction fees for taking loans must reduce the acquisition value of the loan and be allocated in the accounts over the term of the loan by applying the effective interest method. Previously, these costs were reported as prepaid expenses and have therefore been adjusted.
h) **Reclassification of subsidiaries** – the dormant company, Voltmen, was acquired close in time to the close of the 2015 accounts and temporarily classified as a financial receivable. Since the acquisition was completed before the end of the year, this was adjusted and Voltmen's cash on account increased the Group's cash on account while the acquired equity is eliminated.
i) **Acquisitions of businesses which include companies under common control** – the Group's new parent company, Instalco Intressenter AB, acquired Instalco Holding AB in 2015 (the former Instalco Group) through a share issue against payment in kind. Acquisitions of businesses which include companies under common control are not clearly regulated by IFRS and therefore historical acquisition values have been applied. For more information, see the basic principles governing the preparation of the report.

## Note 39. Items affecting comparability

| | 2016 | 2015 |
|---|---|---|
| Earnouts | 5,943 | 24,509 |
| Acquisition costs | 6,005 | 5,444 |
| Refinancing costs | 2,013 | 5,590 |
| IPO costs | 2,135 | – |
| Sponsor costs | – | 1,510 |
| **Total** | **16,096** | **37,053** |

# Note 40. Quarterly information

| | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 | Q1 2015 |
|---|---|---|---|---|---|---|---|---|
| **Sales measure** | | | | | | | | |
| Net sales | 777,227 | 556,408 | 598,911 | 474,269 | 486,693 | 335,963 | 303,893 | 242,267 |
| Net sales growth,% | 59.7% | 65.6% | 97.1% | 95.8% | – | – | – | – |
| **Income measure** | | | | | | | | |
| EBIT (Operating profit) | 57,739 | 10,996 | 48,609 | 22,848 | 38,400 | –6,850 | 9,555 | 7,802 |
| EBITA | 57,739 | 10,996 | 48,609 | 22,848 | 38,400 | –6,850 | 9,555 | 7,802 |
| EBITDA | 59,618 | 12,006 | 49,206 | 23,436 | 39,031 | –6,407 | 9,922 | 8,111 |
| Adjusted EBITA | 60,911 | 15,108 | 54,918 | 25,351 | 38,317 | 15,047 | 24,371 | 8,225 |
| Adjusted EBITDA | 62,789 | 16,117 | 55,515 | 25,939 | 38,948 | 15,490 | 24,738 | 8,535 |
| **Margin measure** | | | | | | | | |
| EBIT margin,% | 7.4% | 2.0% | 8.1% | 4.8% | 7.9% | –2.0% | 3.1% | 3.2% |
| EBITA margin,% | 7.4% | 2.0% | 8.1% | 4.8% | 7.9% | –2.0% | 3.1% | 3.2% |
| EBITDA margin,% | 7.7% | 2.2% | 8.2% | 4.9% | 8.0% | –1.9% | 3.3% | 3.3% |
| Adjusted EBITA margin,% | 7.8% | 2.7% | 9.2% | 5.3% | 7.9% | 4.5% | 8.0% | 3.4% |
| Adjusted EBITDA margin,% | 8.1% | 2.9% | 9.3% | 5.5% | 8.0% | 4.6% | 8.1% | 3.5% |
| **Capital structure** | | | | | | | | |
| Working capital | –8,281 | 2,915 | 15,320 | 34,747 | 100,396 | 55,474 | 7,220 | –1,656 |
| Working capital in relation to net sales,% | –0.3% | 0.1% | 0.8% | 2.2% | 7.3% | – | – | – |
| Interest-bearing net debt | 240,566 | 210,228 | 265,382 | 292,776 | 331,687 | 284,959 | 25,551 | –22,889 |
| Net debt/equity ratio,% | 42.8% | 40.6% | 78.0% | 99.3% | 124.5% | 106.6% | 5.7% | –5.6% |
| Interest-bearing net debt in relation to EBITDA (rolling twelve months) | 1.7x | 1.7x | 2.5x | 4.4x | 6.5x | – | – | – |
| **Other** | | | | | | | | |
| Order backlog | 1,999,399 | 1,910,883 | 1,683,249 | 1,649,589 | 1,318,123 | 1,116,436 | 1,156,669 | 856,389 |
| Number of local units at end of period | 29 | 27 | 19 | 18 | 15 | 13 | 13 | 9 |
| Average number of employees | 1,240 | 1,221 | 1,082 | 1,043 | 870 | 949 | 760 | 759 |
| Number of employees at end of period | 1,295 | 1,257 | 1,120 | 1,060 | 925 | 985 | 786 | 785 |
| **Sweden** | | | | | | | | |
| Net sales | 662,971 | 493,122 | 531,825 | 452,607 | 487,238 | 336051 | 304003 | 242,266 |
| EBITA | 55,597 | 23,922 | 53,517 | 25,968 | 39,835 | 18870 | 26965 | 7988 |
| EBITA margin,% | 8.4% | 4.9% | 10.1% | 5.7% | 8.2% | 5.6% | 8.9% | 3.3% |
| Adjusted EBITA | 55,597 | 28,033 | 59,825 | 28,471 | 40,659 | 18870 | 29984 | 10621 |
| Adjusted EBITA margin,% | 8.4% | 5.7% | 11.2% | 6.3% | 8.3% | 5.6% | 9.9% | 4.4% |
| Number of operating units at end of period | 22 | 20 | 16 | 15 | 15 | 13 | 13 | 9 |
| **Rest of Nordics** | | | | | | | | |
| Net sales | 109,791 | 70,242 | 67,080 | 21,662 | – | – | – | – |
| EBITA | 8,393 | –251 | 5,283 | 1,527 | – | – | – | – |
| EBITA margin,% | 7.6% | –0.4% | 7.9% | 7.0% | – | – | – | – |
| Adjusted EBITA | 8,393 | –251 | 5,283 | 1,527 | – | – | – | – |
| Adjusted EBITA margin,% | 7.6% | –0.4% | 7.9% | 7.0% | – | – | – | – |
| Number of operating units at end of period | 7 | 7 | 3 | 3 | – | – | – | – |

## Note 41. Key ratios not defined according to IFRS

| | 2016 | 2015 |
|---|---|---|
| **Sales measure** | | |
| Net sales | 2,406,816 | 1,368,817 |
| Net sales growth,% | 75.8% | 171.3% |
| Organic net sales growth,% | 22.0% | 26.6% |
| Acquired growth in net sales,% | 53.8% | 144.7% |
| Exchange rate movements,% | – | – |
| **Income measure** | | |
| EBIT (Operating profit) | 140,192 | 48,907 |
| EBITA | 140,192 | 48,907 |
| EBITDA | 144,266 | 50,658 |
| Adjusted EBITA | 156,288 | 85,961 |
| Adjusted EBITDA | 160,362 | 87,712 |
| **Margin measure** | | |
| EBIT margin,% | 5.8% | 3.6% |
| EBITA margin,% | 5.8% | 3.6% |
| EBITDA margin,% | 6.0% | 3.7% |
| Adjusted EBITA margin,% | 6.5% | 6.3% |
| Adjusted EBITDA margin,% | 6.7% | 6.4% |
| **Cash flow and return measure** | | |
| Operating cash flow | 288,389 | –12,739 |
| Cash conversion,% | 179.8% | –14.5% |
| Return on equity,% | 22.0% | 10.3% |
| **Capital structure** | | |
| Working capital | –16,662 | 100,396 |
| Working capital in relation to net sales,% | –0.7% | 7.3% |
| Interest-bearing net debt | 240,566 | 331,687 |
| Net debt/equity ratio,% | 43.4% | 124.5% |
| **Other** | | |
| Order backlog | 1,999,399 | 1,318,123 |
| Number of units at end of period | 29 | 15 |
| Average number of employees | 1,240 | 870 |
| Number of employees at end of year | 1,295 | 925 |

## Note 42. Reconciliation tables, yearly

| **Calculation of organic growth in net sales** | 2016 | 2015 |
|---|---|---|
| Net sales | 2,406,816 | 1,368,817 |
| Acquired net sales | 737,075 | 730,004 |
| Exchange rate movements | – | – |
| (A) Comparison figure compared with preceding year | 1,669,741 | 638,813 |
| (B) Net sales, preceding year | 1,368,817 | 504,531 |
| **(A/B) Organic growth in net sales,%** | **22.0%** | **26.6%** |
| **INCOME MEASURE AND MARGIN MEASURE** | | |
| **(A) Operating profit (EBIT)** | **140,192** | **48,907** |
| Depreciation/amortisation and impairment of acquisition-related intangible fixed assets | – | – |
| **(B) EBITA** | **140,192** | **48,907** |
| Depreciation/amortisation and impairment of tangible and intangible fixed assets | 4,074 | 1,751 |
| **(C) EBITDA** | **144,266** | **50,658** |
| **Items affecting comparability** | | |
| Earnouts | 5,943 | 24,509 |
| Acquisition costs | 6,005 | 5,444 |
| Refinancing costs | 2,013 | 5,590 |
| IPO costs | 2,135 | – |
| Sponsor costs | – | 1,510 |
| **Total adjustments** | **16,096** | **37,053** |
| **(D) Adjusted EBITA** | **156,288** | **85,960** |
| **(E) Adjusted EBITDA** | **160,362** | **87,712** |
| **(F) Net sales** | **2,406,816** | **1,368,817** |
| (A/F) EBIT margin,% | 5.8% | 3.6% |
| (B/F) EBITA margin,% | 5.8% | 3.6% |
| (C/F) EBITDA margin,% | 6.0% | 3.7% |
| (D/F) Adjusted EBITA margin,% | 6.5% | 6.3% |
| (E/F) Adjusted EBITDA margin,% | 6.7% | 6.4% |
| **CASH FLOW AND RETURN MEASURES** | | |
| **Calculation of operating cash flow and cash conversion** | | |
| (A) Adjusted EBITDA | 160,362 | 87,712 |
| Net investments in tangible and intangible fixed assets | –4,018 | –780 |
| Changes in working capital | 132,236 | –99,671 |
| **(B) Operating cash flow** | **288,580** | **–12,739** |
| **(B/A) Cash conversion,%** | **180.0%** | **–14.5%** |

## Continued Note 42. Reconciliation tables, yearly

| Calculation of return on equity | 2016 | 2015 |
|---|---|---|
| (A) Net profit | 90,970 | 34,084 |
| Equity at the start of period | 266,423 | 392,536 |
| Equity at end of period | 553,403 | 266,423 |
| (B) Average total equity | 409,913 | 329,479 |
| **A/B) Return on total equity,%** | **22.2%** | **10.3%** |

| CAPITAL STRUCTURE | 2016 | 2015 |
|---|---|---|
| **Calculation of working capital and working capital in relation to net sales** | | |
| Inventories | 5,738 | 3,629 |
| Accounts receivable | 403,500 | 272,727 |
| Accrued, non-invoiced income | 56,971 | 47,493 |
| Prepaid expenses and accrued income | 37,549 | 40,853 |
| Other current assets | 10,370 | 19,914 |
| Accounts payable | –212,214 | –122,971 |
| Invoiced but non-accrued income | –62,628 | –16,531 |
| Accrued expenses and deferred income including provisions | –209,671 | –102,558 |
| Other short-term liabilities | –46,277 | –42,160 |
| **(A) Working capital** | **–16,662** | **100,396** |
| (B) Net sales (rolling 12 months) | 2,406,816 | 1,368,817 |
| **(A/B) Working capital in relation to net sales (rolling 12 months), %** | **–0.7%** | **7.3%** |

| Calculation of interest-bearing net debt and net debt/equity ratio | | |
|---|---|---|
| Long-term interest-bearing financial liabilities | 392,080 | 343,678 |
| Current interest-bearing financial liabilities | 7,900 | 40,000 |
| Other short-term investments | –4,447 | 0 |
| Cash and cash equivalents | –154,968 | –51,991 |
| **(A) Interest-bearing net debt** | **240,566** | **331,687** |
| (B) Equity | 553,403 | 266,423 |
| **(A/B) Net debt/equity ratio, %** | **43.4%** | **124.5%** |
| (C) EBITDA | 144,266 | 50,658 |
| **(A/C) Interest-bearing net debt in relation to EBITDA** | **1.7x** | **6.5x** |

# Note 43. Reconciliation tables, quarterly

| Income measure and margin measure | According to IFRS | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Amounts in SEK thousands | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 | Q1 2015 |
| **(A) Operating profit (EBIT)** | **57,739** | **10,996** | **48,609** | **22,848** | **38,400** | **–6,850** | **9,555** | **7,802** |
| Depreciation/amortisation and impairment of acquisition-related intangible fixed assets | – | – | – | – | – | – | – | – |
| **(B) EBITA** | **57,739** | **10,996** | **48,609** | **22,848** | **38,400** | **–6,850** | **9,555** | **7,802** |
| Depreciation/amortisation and impairment of tangible and intangible fixed assets | 1,879 | 1,009 | 597 | 588 | 631 | 443 | 368 | 309 |
| **(C) EBITDA** | **59,618** | **12,006** | **49,206** | **23,436** | **39,031** | **–6,407** | **9,922** | **8,111** |
| | | | | | | | | |
| **Items affecting comparability** | | | | | | | | |
| Earnouts | – | 243 | 5,700 | – | –4,674 | 17,610 | 11,573 | – |
| Acquisition costs | 736 | 2,792 | 291 | 2,185 | 2,568 | – | 2,876 | – |
| Refinancing costs | 1,059 | 318 | 318 | 318 | 1,610 | 3,980 | – | – |
| IPO costs | 1,377 | 758 | – | – | – | – | – | – |
| Sponsor costs | – | – | – | – | 412 | 307 | 367 | 423 |
| **Total, items affecting comparability** | **3,172** | **4,112** | **6,309** | **2,503** | **–83** | **21,897** | **14,816** | **423** |
| | | | | | | | | |
| **(D) Adjusted EBITA** | **60,911** | **15,108** | **54,918** | **25,351** | **38,317** | **15,047** | **24,371** | **8,225** |
| | | | | | | | | |
| **(E) Adjusted EBITDA** | **62,789** | **16,117** | **55,515** | **25,939** | **38,948** | **15,490** | **24,738** | **8,535** |
| | | | | | | | | |
| **(F) Net sales** | **777,227** | **556,408** | **598,911** | **474,269** | **486,693** | **335,963** | **303,893** | **242,267** |
| | | | | | | | | |
| *(A/F) EBIT margin,%* | *7.4%* | *2.0%* | *8.1%* | *4.8%* | *7.9%* | *–2.0%* | *3.1%* | *3.2%* |
| *(B/F) EBITA margin,%* | *7.4%* | *2.0%* | *8.1%* | *4.8%* | *7.9%* | *–2.0%* | *3.1%* | *3.2%* |
| *(C/F) EBITDA margin,%* | *7.7%* | *2.2%* | *8.2%* | *4.9%* | *8.0%* | *–1.9%* | *3.3%* | *3.3%* |
| *(D/F) Adjusted EBITA margin,%* | *7.8%* | *2.7%* | *9.2%* | *5.3%* | *7.9%* | *4.5%* | *8.0%* | *3.4%* |
| *(E/F) Adjusted EBITDA margin,%* | *8.1%* | *2.9%* | *9.3%* | *5.5%* | *8.0%* | *4.6%* | *8.1%* | *3.5%* |

# Continued Note 43. Reconciliation tables, quarterly

| Capital stucture | Accoring to IFRS | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Amounts in SEK thousands | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 | Q1 2015 |
| **Calculation of working capital and working capital in relation to net sales** | | | | | | | | |
| Inventories | 5,738 | 5,356 | 3,754 | 3,843 | 3,629 | 3,354 | 3,354 | 1,268 |
| Accounts receivable | 403,500 | 349,449 | 296,253 | 264,195 | 272,727 | 195,764 | 175,671 | 121,854 |
| Accrued, non-invoiced income | 56,971 | 54,203 | 48,175 | 44,644 | 47,493 | 29,812 | 21,226 | 25,980 |
| Prepaid expenses and accrued income | 37,549 | 16,663 | 18,037 | 28,664 | 40,853 | 32,127 | 13,950 | 6,044 |
| Other short-term assets | 10,370 | 9,325 | 9,025 | 8,950 | 19,914 | 4,887 | 7,105 | 5,948 |
| Accounts payable | –212,214 | –220,879 | –175,276 | –150,847 | –122,971 | –122,878 | –106,477 | –66,511 |
| Invoiced but non-accrued income | –62,628 | –24,430 | – | – | –16,531 | –834 | –3,243 | –16,008 |
| Accrued expenses and deferred income | –209,671 | –168,855 | –154,637 | –144,279 | –102,558 | –77,578 | –89,337 | –73,457 |
| Other short-term liabilities | –46 277 | –17,916 | –30,011 | –20,424 | –42,160 | –9,178 | –15,029 | –6,775 |
| **(A) Working capital** | **–8,281** | **2,915** | **15,320** | **34,747** | **100,396** | **55,474** | **7,220** | **–1,656** |
| | | | | | | | | |
| (B) Net sales (rolling 12 months) | 2,406,816 | 2,116,282 | 1,895,837 | 1,600,819 | 1,368,817 | – | – | – |
| **(A/B) Working capital in relation to net sales,%** | **–0.7%** | **0.1%** | **0.8%** | **2.2%** | **7.3%** | **–** | **–** | **–** |
| | | | | | | | | |
| **Calculation of interest-bearing net debt and net debt/equity ratio** | | | | | | | | |
| Long-term interest-bearing financial liabilities | 392,080 | 443,911 | 321,120 | 374,560 | 343,678 | 199,998 | –7 | – |
| Short-term interest-bearing financial liabilities | 7,900 | –98 | 40,000 | 40,000 | 40,000 | 140,000 | 120,000 | 80,001 |
| Cash and cash equivalents | –159,414 | –233,585 | –95,738 | –121,785 | –51,991 | –55,040 | –94,442 | –102,890 |
| **(A) Interest-bearing net debt** | **240,566** | **210,228** | **265,382** | **292,776** | **331,687** | **284,959** | **25,551** | **–22,889** |
| | | | | | | | | |
| (B) Equity | 553,403 | 518,263 | 340,089 | 294,822 | 266,423 | 267,230 | 449,013 | 406,590 |
| **(A/B) Net debt/equity ratio,%** | **43.5%** | **40.6%** | **78.0%** | **99.3%** | **124.5%** | **106.6%** | **5.7%** | **–5.6%** |
| | | | | | | | | |
| (C) EBITDA (rolling 12 months) | 144,266 | 123,679 | 105,266 | 65,982 | 50,657 | – | – | – |
| **(A/C) Interest-bearing net liabilities in relation to EBITDA (rolling 12 months)** | **1.7x** | **1.7x** | **2.5x** | **4.4x** | **6.5x** | **–** | **–** | **–** |

# Note 44. Approval of financial reports

The Group's financial reports for the reporting period ending 31 December 2016, including comparison figures) were approved by the board of directors on 17 March 2017.

Board of Directors' assurance:
The Board of Directors and the CEO ensure that the consolidated accounts and the annual accounts have been prepared in accordance with IFRS and generally accepted accounting principles, and that they give a true and fair view of the Group's and the Parent Company's position and earnings. The Directors' report for the Group and Parent Company provides a fair overview of the Group's and the Parent Company's operations, position and earnings, and describes significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

The Group's and Parent Company's earnings and position in general are disclosed in the income statement and balance sheets, cash flow statements and notes included in this report.

Stockholm, 17 March 2017

Olle Ehrlén
Chairman of the Board

Peter Möller
Director

Johnny Alvarsson
Director

Kennet Lundberg
Director

Göran Johnsson
Director

Anders Eriksson
Director

Per Sjöstrand
CEO

Our audit report was submitted on 17 March 2017

Grant Thornton Sweden AB

Jörgen Sandell

Authorised Public Accountant

# Auditor's report

*To the general meeting of the shareholders of Instalco Intressenter AB, corporate identity number 559015-8944*

## *Report on the annual accounts and consolidated accounts*

### Opinions

We have audited the annual accounts and consolidated accounts of Instalco Intressenter AB for the year 2016.

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

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

### Basis for Opinions

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

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

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

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

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

### Auditor's responsibility

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
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 our 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.

- 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.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We 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 as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- 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. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

## *Report on other legal and regulatory requirements*

### Opinions

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

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

### Basis for Opinions

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

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

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

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

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

### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:
- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism 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 our professional judgment with starting point in risk and materiality. This means that we 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. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Stockholm March 17, 2017

Grant Thornton Sweden AB

Jörgen Sandell
Authorised Public Accountant

# Definitions

| | |
|---|---|
| **General** | All amounts in tables are in SEK million unless otherwise stated. All values in brackets () are comparative figures for the same period last year unless otherwise stated. |

| Key figure | Definition/calculation | Purpose |
|---|---|---|
| Net sales growth | Change in net sales as a percentage of net sales during the comparison period. | Change in net sales reflects the Group's realised sales growth over time. |
| EBIT margin | Operating profit (EBIT) as a percentage of net sales. | EBIT margin is used to measure operating profitability. |
| EBITA | Operating profit (EBIT) before amortisation and impairment of acquisition-related intangible fixed assets. | EBITA provides an overall view of profit generated by operating activities. |
| EBITA margin | Operating profit (EBIT) before amortisation and impairment of acquisition-related intangible fixed assets, as a percentage of net sales. | EBITA margin is used to measure operating profitability. |
| EBITDA | Operating profit (EBIT) before amortisation and impairment of acquisition-related intangible fixed assets as well as depreciation/amortisation and impairment of tangible and intangible assets. | EBITDA together with EBITA provides a holistic view of profit generated by the operating activities. |
| EBITDA margin | Operating profit (EBIT) before amortisation and impairment of acquisition-related intangible fixed assets as well as depreciation/amortisation and impairment of tangible and intangible fixed assets, as a percentage of net sales. | EBITDA margin is used to measure operating profitability. |
| Items affecting comparability | Items affecting comparability, such as earnouts, acquisition costs, refinancing costs, IPO costs and sponsor costs. | Exclusion of items affecting comparability increases comparability of results between periods. |
| Adjusted EBITA | EBITA adjusted for items affecting comparability. | Adjusted EBITA increases the comparability of EBITA. |
| Adjusted EBITA margin | EBITA adjusted for items affecting comparability, as a percentage of net sales. | Adjusted EBITA margin excludes the effect of items affecting comparability, thereby facilitating a comparison of the underlying operating profitability. |
| Adjusted EBITDA | EBITDA adjusted for items affecting comparability. | Adjusted EBITDA increases the comparability of EBITDA. |
| Adjusted EBITDA margin | EBITDA adjusted for items affecting comparability, as a percentage of net sales. | Adjusted EBITDA margin excludes the effect of items affecting comparability, thereby facilitating a comparison of the underlying operating profitability. |
| Operating cash flow | Adjusted EBITDA less net investments in tangible and intangible fixed assets as well as adjustment for cash flow from changes in working capital. | The operating cash flow is used to monitor the cash flow generated by the operating activities. |

| Key figure | Definition/calculation | Purpose |
|---|---|---|
| Cash conversion | Operating cash flow as a percentage of adjusted EBITDA. | Cash conversion is used to monitor the efficiency of the Group's management of ongoing investments and working capital. |
| Working capital | Inventories, accounts receivable, accrued, non-invoiced income, prepaid expenses and accrued income and other current assets, less provisions, accounts payable, invoiced but non-accrued income, accrued expenses and deferred income, and other current liabilities. | Working capital is used to measure the company's ability to meet short-term capital requirements. |
| Working capital in relation to net sales | Working capital at the end of the period as a percentage of net sales in the most recent 12-month period. | Working capital in relation to net sales is used to measure the Company's working capital tie-up. |
| Interest-bearing net debt | Long-term and current interest-bearing liabilities less cash and cash equivalents and other current investments | Interest-bearing net debt is used as a measure to show the Group's total indebtedness. |
| Net debt in relation to adjusted EBITDA | Interest-bearing net debt as at the end of the period a divided by adjusted EBITDA, rolling 12 months. | Net debt in relation to adjusted EBITDA gives a feeling for the company's ability to decrease its debts. It represents the number of years it would take to repay the debt if the net debt and adjusted EBITDA is held consistent, without considering cash flows regarding interest, tax and investments. |
| Net debt/equity ratio | Interest-bearing net debt as a percentage of total equity. | Net debt/equity ratio measures the degree to which the Group is financed by borrowing. Since cash and cash equivalents and other current investments can be used to pay debt on short notice, net debt is used in the calculation instead of gross debt. |
| Order backlog | The value of outstanding not yet accrued project revenues from received orders at the end of the period. | The order backlog is an indicator of the Group's outstanding project revenues from already received orders. |

# Shareholder information

## Further information

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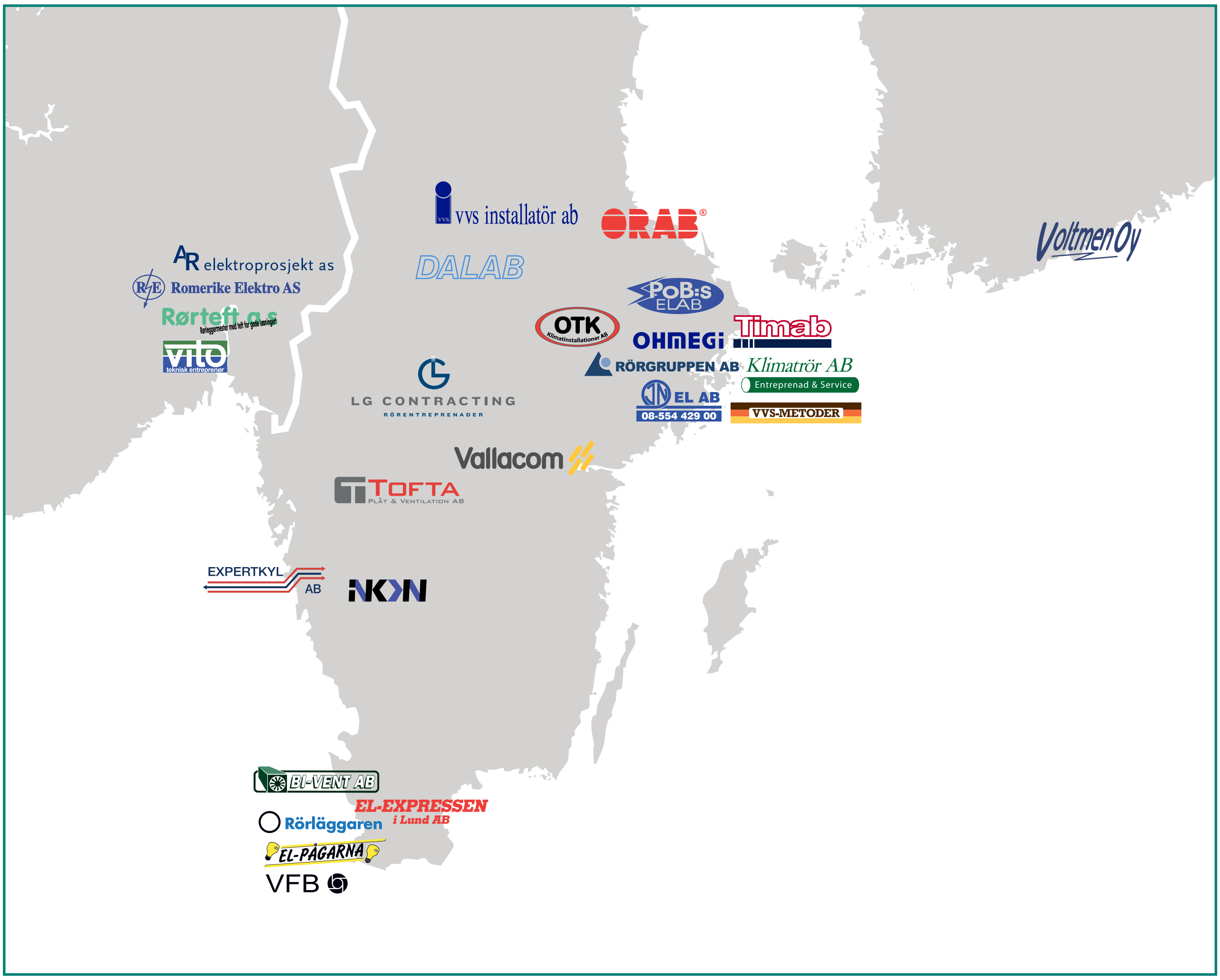
Lotta Sjögren CFO lotta.sjogren@instalco.se +46 (0)70-999 62 44

## Reporting dates

| | |
|---|---|
| Interim report January-March 2017 | 29 May 2017 |
| Annual General Meeting 2017 | 27 April 2017 |
| Interim report January-Juni 2017 | 24 August 2017 |
| Interim report January-September 2017 | 8 November 2017 |



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