2016

volati.

volatı.

Welcome to Volati's world.

Volati is a Swedish industrial group that acquires stable companies at reasonable valuations and develops these with emphasis on long-term value creation. Acquisitions focus on well-managed, Nordic companies, often in conjunction with a generation change. Volati's common share and preference share have been listed on Nasdaq Stockholm since November 2016.

Volati was founded in 2003 by Karl Perlhagen and Patrik Wahlén, and has grown rapidly and profitably since then. Volati comprises three business areas – Trading, Industry and Consumer – and is active in 16 countries. Volati has a strong financial position that supports the further development and expansion of existing companies, as well as continued acquisitions. Sales in 2016 totalled SEK 3,206m and EBITA was SEK 318m.

The annual report contains more in-depth information about the past year's performance and present the companies and people who make Volati a success and contribute to its development potential. You can also read about exciting stories, our future plans and much more.

Enjoy your reading!
Mårten Andersson, CEO

"It's better to turn down a good deal than risk making a bad one."

PATRIK WAHLÉN

Volati Group 2016

Contents.

Another stride forward

Volati's overriding objective is to create long-term value growth for shareholders. Consequently, we use a proven business model whereby the strong operating cash flow of the business units is utilised to acquire solid companies at reasonable valuations, which are then developed with a focus on long-term value creation.

THE ROBUSTNESS and attractiveness of our business model was confirmed on 30 November, when Volati's common share was listed on the Nasdaq Stockholm and we welcomed slightly more than 6,000 new shareholders, 13 years after Volati's founding by Karl Perlhagen and Patrik Wahlén. We look forward to our shared journey ahead, with continued focus on long-term company development and value creation.

A strong trend in 2016

Our growth in 2016 was driven by a combination of strong organic growth and continued business acquisitions. Net sales increased nearly 47% to slightly more than SEK 3.2 billion and EBITA rose 40% to SEK 318m (excluding nonrecurring costs of SEK 352m).

Mårten Andersson, CEO

We continuously evaluate opportunities to accelerate our business units' strategies through acquisitions. In 2016, we completed five acquisitions of excellent companies at reasonable valuations, of which one was transferred in the first quarter of 2017. One example is Besikta's acquisition of ClearCar, with around 80 vehicle inspection stations in Sweden. Combining ClearCar's station network with Besikta's infrastructure provided us with the preconditions for realising economies of scale in terms of staffing, IT and quality initiatives. During the year, ClearCar was fully integrated into Besikta, thereby securing a strong market position and ensuring efficient inspection operations.

A key component of our business model is continuously working on refining operations in a wise and efficient manner – improving a little every day. In 2016, we increased our business units' EBITA organically by 28%. This year, we were given a boost by the strong demand for Corroventa's dehumidifying equipment and the positive trend at Besikta, which resulted in organic growth that far exceeded our expectations and historical growth rate. For the past three years, average organic EBITA growth was 8%, which is a solid indication that good companies perform better when part of Volati.

Successful new issue and listing

A new share issue at the end of the year, which contributed more than SEK 1.2 billion in capital, has created opportunities for continued vigorous acquisition-driven growth. We now have net cash of SEK 265m and unutilised credit facilities of SEK 750m, which provides us with capacity for continued acquisitions. If we were to factor in the potential for additional financing within the framework of our gearing targets, the estimated total scope for acquisitions would be around SEK 2 billion at the end of 2016. However, an ever-larger balance sheet also requires continued positive EBITA growth, if we are to meet our equity yield requirements. In 2016, the return on adjusted equity was 25% – well above our target of 20%. It should be noted that the new share issue of SEK 1.2 billion was only included in equity in the fourth quarter. In 2017, the new share issue will gradually be factored into calculations, resulting in an initial decline in the return on equity, until the capital from the new share issue is invested in the acquisition of new operations. »

» Prepared for acquisitions

We are continuing our efforts to evaluate potential acquisitions – we look at a total of more than 100 companies each year to identify the acquisition opportunities that we assess as meeting our requirements in terms of valuation, stability and development potential. We are confident in our continued ability to acquire solid businesses at reasonable valuations. However, great acquisition opportunities arise when they arise – when we have found the right company at the right price. As an investor, it is crucial to maintain discipline and not to be drawn in when valuations are too high. We are very cautious in this regard and adhere to the principle that it is better to turn down a good deal than to risk making a bad one. In 2016, we declined to participate in several processes, when the price expectations were far too high. We acted in a similar manner in 2008, when we felt that most opportunities were too expensive. Volati's strategy of making acquisitions at reasonable valuations remains firm and we have sharpened our focus on identifying our own acquisition candidates, particularly for complementary acquisitions. The five complementary acquisitions that we made in 2016 are confirmation that our approach works well.

Volati's business concept:

Volati's business concept is to create value by acquiring companies with proven business models, leading market positions and strong cash flows at reasonable valuations, and by developing these with an emphasis on long-term value creation.

In 2016, the operating cash flow from the business units was SEK 343m and cash conversion was 89%. We implemented four acquisitions and signed an agreement for another acquisition that will be transferred to us in the first quarter of 2017, all of which will contribute to our profitability in 2017. The acquisition was implemented at a somewhat higher acquisition multiple than Volati's historical average EV/EBITDA multiple. EBITA growth from acquisitions was 28%.

Creating the preconditions for development

We are also continuing our efforts to develop Volati as an owner. The foundation for creating the optimal preconditions for our business units to continue to grow are: decentralised leadership, clear management and follow-up combined with support for key functions. Our operations should experience the best imaginable support from Volati in the business units' respective areas of focus. This could be investments for expansion, recruitment, skills reinforcement and complementary acquisitions. During the year, we continued successfully with our long-term efforts to secure the right leadership for our business units, such as through the Volati Management Program for future managers and the Volati Academy for our most senior management.

When we, as owners, are adept at developing companies, it also means that we have scope to consider paying a somewhat higher price for an acquisition. Allow me to give an example. For the past few years, we have very successfully implemented a number of purchasing projects as a part of Volati Knowledge – our initiative for intra-Group transfers of knowledge. We used a

specific method that enabled cost savings in different industries for various products and services. Consequently, when we evaluate a potential acquisition, we could, under certain circumstances, take into consideration factors such as potential savings in purchasing.

Full focus on growth and acquisitions

During the year, Volati's board adopted a dividend policy entailing distribution of 10-30% of the net profit attributable to shareholders. Prior to the 2017 annual general meeting, the Board resolved to propose a dividend of SEK 0.50 per share, corresponding to approximately 20% of net profit. The Board's assessment is that the dividend achieves a balance between a cash outflow to shareholders and maintaining scope for acquisitions. The dividend to holders of common shares corresponds to 14% of the continuous cash flow from operations in 2016.

In conjunction with the listing, new financial targets were set for Volati that include increasing underlying EBITA to SEK 700m before the end of 2019 – in part through organic growth of not less than 5% and in part through acquisitions. With the listing and the new issue behind us, we look forward to focusing in full on delivering in line with our targets and continuing to build Volati in 2017.

Earnings 2016

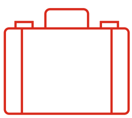
Volati's overriding objective is to generate long-term increases in value by building an industrial group of profitable companies with solid cash flows and the capacity for continuous development.

25.1%

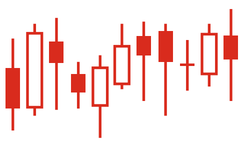
Return on adjusted equity, 2016

Volati's business areas, 2016

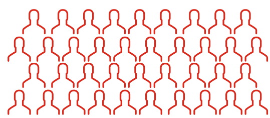
	Net sales in 2016, SEKm	EBITA for 2016, SEKm
Trading	1,493	121
Industry	782	135
Consumer	932	138
Central costs and eliminations	-1	-76
Group	3,206	318



Five
acquisitions completed in 2016

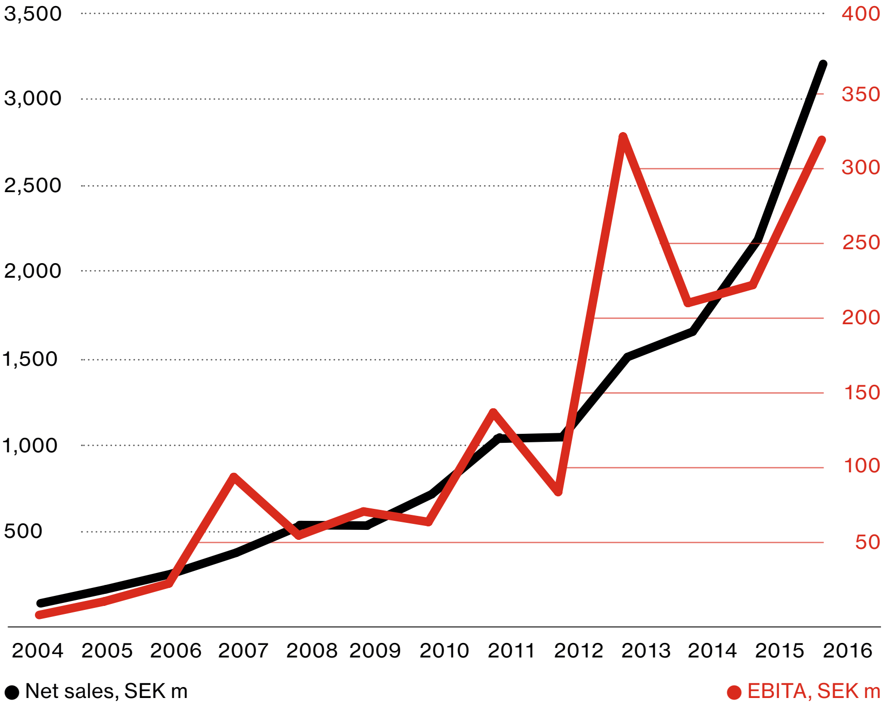


New issue
of common shares and listing on Nasdaq Stockholm



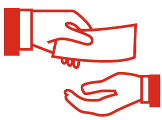
More than 6,000
new shareholders

Performance trend since Volati was founded

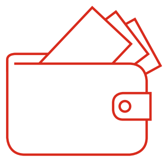


1,164 employees 31 Dec 2016

28%
Organic EBITA growth



SEK 264m
Net cash, which corresponds to a multiple of negative 0.6 times net debt/EBITDA



Dividend
SEK 0.50 per common share and SEK 40.00 per preference share

Financial targets, 2017

Volati's Board has adopted five financial targets, which should be evaluated as a whole. The financial targets are based on a number of assumptions concerning Volati's operations, and the industry and macroeconomic environment in which Volati operates.

1

EBITA growth

Target:
Volati's target is to reach an adjusted EBITA of SEK 700m by the end of 2019. The target for average annual organic EBITA growth is 5%.

Outcome:
EBITA growth was 40% in 2016. Organic EBITA growth was 28% in 2016. For the 2011–2016 period, annual EBITA growth was 25%.

2

Cash conversion

Target:
Volati aims to achieve an annual cash conversion of at least 85%.

Outcome:
The cash conversion was 89% in 2016. For the 2011–2016 period, average cash conversion was 92%.

3

Dividend policy

Target:
Volati's target for common shares is to distribute approximately 10–30% of the Group's net earnings attributable to Parent Company's owners. Dividends on preference shares are to be issued at an annual amount of SEK 40.00 per preference share.

Outcome:
For 2016, the dividend amounted to SEK 0.50 per common share, corresponding to 20% of the Group's net earnings attributable to the Parent Company's owners, and SEK 40.00 per preference share.

4

Capital structure

Target:
Volati's long-term target is for a net debt ratio of less than three times LTM adjusted EBITDA.

Outcome:
At the close of 2016, Volati had net cash of SEK 264m and therefore the net debt/adjusted EBITDA ratio was negative 0.6. The average net debt/adjusted EBITDA ratio was 1.9 for the 2011–2016 period.

5

Return on adjusted equity

Target:
Volati's long-term objective is a return on adjusted equity of at least 20%.

Outcome:
In 2016, the return on adjusted equity was 25%. The average return was 43% for the 2011–2016 period.

Volati's business concept is to create value primarily by acquiring companies with proven business models, leading market positions and strong cash flows at reasonable valuations.

Strengths and competitive advantages

A success story

With a total of 23 completed acquisitions since 2004, Volati is an experienced and established player in the M&A market. Volati's experience and focus on long-term value creation, in combination with Volati's flexible organisational structure that enables fast decision-making, are important competitive advantages when implementing acquisitions. A disciplined and structured acquisition strategy has also enabled Volati to acquire companies at reasonable valuations, regardless of the market conditions. Volati's business units' internal abilities to manage and complete acquisitions have increased as the business units have grown larger.

Average EV/EBITA multiple of 4.7 since the start

Attractive financial profile

Volati has a strong financial track record, driven by growing and profitable business units in combination with value-adding acquisitions. Overall, this has resulted in strong earnings growth and cash conversion, as well as a high return on equity.

Net cash of SEK 264m

"One of Volati's success factors is that the company is under no pressure to conduct exits."

Focus on long-term value creation.

Volati is a Swedish industrial group that primarily creates value by acquiring companies with proven business models, leading market positions and strong cash flows at reasonable valuations, and developing these with an emphasis on long-term value creation. Volati's vision is to be regarded as Sweden's best owner of medium-sized companies, subject to the overriding objective of long-term value creation.

Average EBITA growth of 38% since the start

Scalable business model

Volati's operating model is based on decentralised governance of its business units, which entails that the operating companies make day-to-day decisions at the operations level, with limited involvement from the head office. The decentralised business model allows Volati to focus on the business units' strategic issues, while supporting them in areas where Volati possesses specialised expertise. Centrally, Volati works to develop companies primarily within four focus areas: Strategy, HR, Know-how and Financial capacity.

Strategy: Volati actively assists in the creation of strategic plans and supports the management in the implementation of these plans.

HR: Volati's network allows for the appointment of a competent management team and Board of Directors. Volati subsequently continuously strengthens the management's competence through initiatives, including the Volati Academy. Volati contributes to the supply of new competent management through the Volati Management Programme.

Know-how: When business units need to implement change processes, which were not necessarily identified by the business units, Volati supports these efforts through measures including training programmes and exchanges of best practices.

Financial capacity: Volati contributes with efficient capital allocation between the business units by distributing capital where it is most needed. When necessary, the business units are also supported by capital injections and strategic initiatives.

23 acquisitions since 2004

Seasoned management and Board of Directors

Volati is governed by a seasoned management team with complementary experience, where the CEO and CFO have substantial holdings in Volati. The management is also supported by a committed and active Board with relevant and diverse backgrounds.

Together, the CEO and Board own around 72% of the shares in Volati

Robust underlying businesses

Volati's focus on acquiring companies with proven business models, leading market positions and strong cash flows has established Volati as a diversified industrial group with sound individual business units. This reduces the level of risk in the Volati Group, due to the low level of concurrent risks in the business units. As Volati's operations are well-managed, asset-light and demonstrate solid profitability, they generate strong cash flows that can be used for new acquisitions.

SEK 343m operating cash flow 2016

Continued focus on long-term value creation.

VOLATI HAS A CONCISE AND CLEAR BUSINESS CONCEPT – to acquire companies with proven business models at reasonable valuations, and to develop these with an emphasis on long-term value creation. The acquisition rate has intensified over the last few years, and from 2004 through 2016 Volati completed 23 acquisitions. Volati currently operates businesses in 16 countries with around 1,200 employees and has sales of SEK 3.2 billion.

Volati was founded by Karl Perlhagen and Patrik Wahlén in 2003 with the business concept of acquiring companies with proven business models, leading market positions and strong cash flows at reasonable valuations. The acquired companies are then developed with a focus on long-term value creation.

Since its start in 2004, Volati has grown vigorously, both organically and through the 23 acquisitions that have been completed. »

PHOTO: TOBIAS OHLS

Karl Perlhagen (on left) and Patrik Wahlén, Volati's founders.

Today, Volati is an industrial group comprising 12 business units organised into three business areas: Trading, Industry and Consumer. The Group has a total of 40 operating companies in 16 countries, with around 1,200 employees. In 2016, combined net sales amounted to SEK 3,206m, with the majority attributable to Sweden.

The new share issue and listing on Nasdaq Stockholm completed in November 2016 means Volati has excellent prerequisites to continue its

PHOTO: TOBIAS OHLS

Karl Perlhagen, Chairman of Volati.

Education: BSc in Business and Economics from Lund University.
Background: Founded Volati in 2003 together with Patrik Wahlén and previously founded Cross Pharma AB.

"We love building companies – this is true for both Volati and the businesses we acquire."

expansion through new acquisitions. One of the new financial targets adopted in conjunction with the listing was to reach an adjusted EBITA of SEK 700m not later than the end of 2019, implying just over a doubling compared with the result for 2016.

"Volati now has net cash of SEK 264m and unutilised credit facilities of SEK 750m, which means we definitely have the capacity for continued acquisitions. At the same time, it is crucial that we keep true to our core concept and are not swayed by outside pressure to complete more acquisitions. The prevailing low interest rates mean funds are readily available, which means prices are currently often a little too high for acquisition targets," says Patrik Wahlén.

"We love building companies – this is true for both Volati and the businesses we acquire. Similar to the manner in which Tornum, our first acquisition, has grown under our ownership from a successful but primarily Swedish operation into an international group with quadrupled net sales, Volati has also developed, from the two of us each with our own computer in a business centre, into a Group with more than a thousand employees and an EBITA of slightly more than SEK 300m. We are


PHOTO: TOBIAS OHLS

ready to continue on this journey," says Karl Perlhagen.

Volati has an organisation that supports proficient company-management teams operating within the business units to promote the organic development of operations and to methodically search for complementary acquisitions.

"When evaluating acquisitions, we use the motto, 'It's better to turn down a good deal than risk making a bad one.' We intend to stay true to this approach, even as we are now about to put new capital to work," says Patrik Wahlén.

Finding the right employees and delegating responsibilities is a key success factor for the growing industrial group. Volati has an elaborate model for identifying and "schooling" new talents in its operations.

Patrik Wahlén, Senior Advisor, Board member of Volati.

Education:
BSc in Business and Economics from Lund University.
Background: Founded Volati in 2003 together with Karl Perlhagen. He has previously worked for Kemira Group and Ernst & Young Management Consulting AB.

"One of the most critical issues for us is locating the right individuals for the right positions. We ensure this is achieved through measures including our efforts with the Volati Academy and the Volati Management Program," says Karl Perlhagen.

Volati, year by year.

2003

Karl Perlhagen and Patrik Wahlén founded Volati.

2004

Completes the acquisition of Tornum, Sweden's leading manufacturer of grain facilities for agriculture and the grain industry.

Net sales reach SEK 100m.

2005

Completes the acquisitions of Sveico and Kökskungen, two companies within the household-appliance segment.

2006

Completes the acquisition of GastroMax, a company within the household-appliance segment

A total of 100 employees.

2007

Completes the acquisition of dehumidifying equipment company Corroventa.

2008

Completes the acquisition of subcontracting firm Sandberg & Söner.

Net sales reach SEK 500m.

2009

Completes the acquisition of Olmed Ortopediska, an orthopaedic aids company.

2010

Completes the acquisition of Team Ortopedteknik, orthopaedic aids.

2011

Completes the acquisition of Kellfri, machines and accessories for agroforestry farmers.

Completes the acquisition of printing company Ettikettoprintcom.

Net sales reach SEK 1,000m.

A total of 500 employees.

2012

2013

Completes the acquisition of Besikta Bilprovning, motor vehicle inspection stations.

Completes the acquisition of me&i, clothing for children and their mothers.

Net sales reach SEK 1,500m.

A total of 1,000 employees.

2014

Completes the acquisition of NaturaMed Pharma, health supplements, herbal medicinal products and health products.

2015

Issues preference shares and lists on Nasdaq First North.

Completes the acquisition of Lomond Industrier, Nordic supplier in the hardware and home improvement markets.

Net sales reach SEK 2,000m.

2016

Completes the acquisition of Ventotech

Completes the acquisition of ClearCar

Completes the acquisition of Miljöcenter

Completes the acquisition of Lantbutiken.

Completes the acquisition of a minor label printing operation

Issues common shares and lists on Nasdaq Stockholm.

Good companies becoming even better.

Volati's operational model has been under continuous development since the company started in 2003. It aims to offer an environment in which good companies can become even better and to create conditions conducive to long-term value creation. »

» **VOLATI STRIVES TO** create an operational model that comprises six areas: decentralised leadership, corporate governance, strategic capital allocation, strategic HR, expertise and business tools, as well as support in connection with acquisitions.

Decentralised leadership

The core of Volati's operational model is decentralised and delegated management. A distinct emphasis on local entrepreneurship engenders conditions favourable to efficient and well-founded decisions.

"For such a highly decentralised model to function, both company management and Volati's management must arrive at a consensus on how to generate the most value within each business unit. Consequently, we spend considerable time on jointly creating a Vision, Business Concept, Objectives and Strategy (VAMS)," explains Mårten Andersson, CEO of Volati.

Corporate governance

"As owners, we act through the boards of the business units. Each business unit has a minimum of four board meetings per year, and the management reports monthly on the company's performance to both the Board of Directors and Volati's Group management," Andersson explains.

Mattias Björk, CFO of Volati.

"We place considerable emphasis on cash flow and return on capital employed."

The Board of Directors adheres to a preset calendar for its meetings, where each meeting has a specific theme and follow-up. This Board calendar ensures and facilitates the long-term approach of the Board's strategic work.

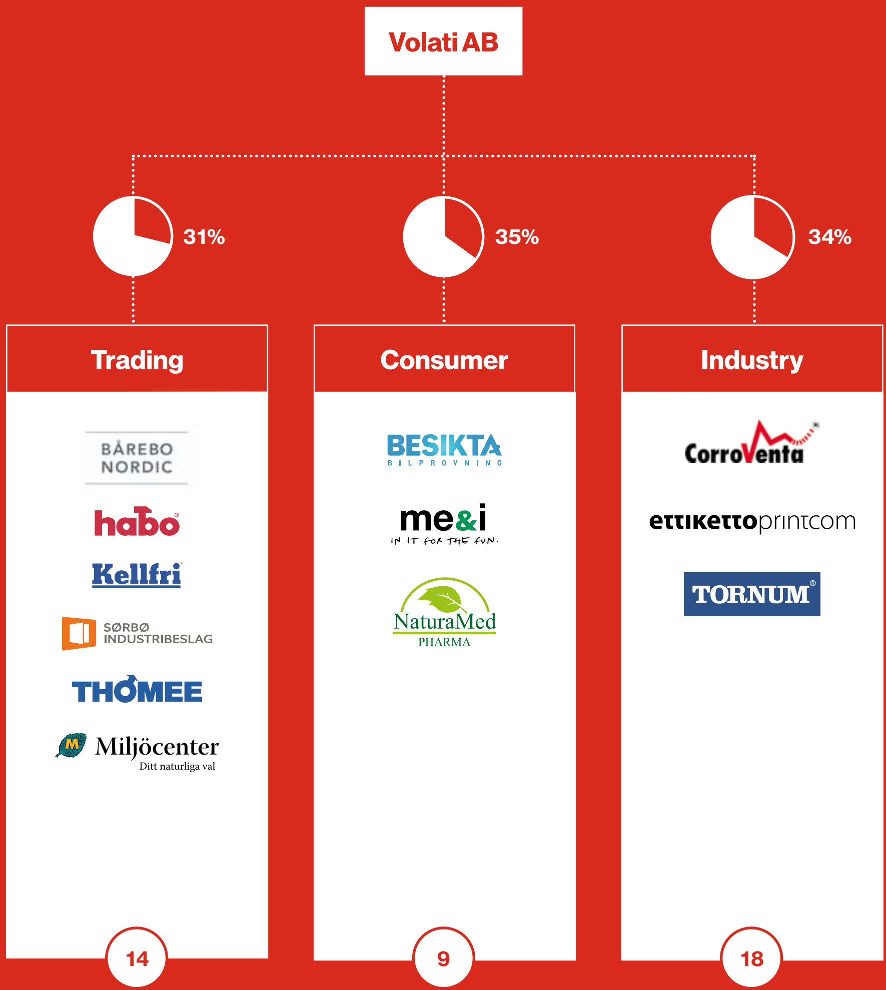
To gauge the performance and evaluate the business units' deliveries in line with the VAMS, Volati applies a number of central key metrics, such as growth, EBITA margin, ROCE and cash flow.

"We place considerable emphasis on cash flow and ROCE," says Volati's CFO, Mattias Björk.

Efficient capital allocation

Group management disposes of the business units' liquidity and cash flow, through the connection, in principle, of all Group companies to an intra-Group cash pool. Liquidity is thus gathered under the control of Group management to, for example, allow lending to another Group company in need of liquidity or utilisation by the Group for acquisitions purposes.

"It could be said that management owns the profit or loss, while Volati centrally owns the balance sheet. This is possible because all of our companies are consolidated in the Group," Björk explains. »



Explanation

Percentage of EBITA in 2016*

1 Number of operating companies

*Excluding central costs and items affecting comparability

"As owners, we act through the boards of the business units."

» Within the framework of capital allocation, investments in existing business units are divided into three categories:

- ongoing investments for maintaining and pursuing operations, such as the purchase of new computers;
- investments aimed at maintaining competitiveness, such as the replacement of old equipment;
- major investments to expand operations, such as add-on acquisitions, increased capacity, entry into new markets or the development of new product categories.

Shared HR strategy

It is important for Volati to have employees with the right competence in the right position within the Group. Although employee recruitment and development are autonomously managed by the business units, Volati provides central support at the management level and for certain expert functions. This is accomplished through a strategic long-term plan for filling management and key positions within the companies.

The strategy comprises three main components, all of which are aimed at the development of existing skills, making Volati and the Group companies attractive as employers and ensuring the long-term supply of management skills. This is accomplished through initiatives such as the Volati Academy, the Volati Management Programme and the Volati Management Meeting.

Volati Academy is a leadership programme that runs for about 18 months and is aimed at employees within the Group who hold a management position in one of the business units.

The Volati Management Programme is a 15-month training programme for talents with a couple of years' relevant professional experience.

The Volati Management Meeting is an annual three-day conference with all the members of business management and other representatives from the business units. The conference includes workshops, discussion forums and external lecturers.

Knowledge and tools

To further support the operations in the business units, Volati strives to provide the right tools and to encourage an exchange of experiences and best practices. The Volati Knowledge concept utilises and develops the Group's knowledge base in various areas and thereby improves business processes throughout the Group. Volati Knowledge encompasses areas such as digitalisation, pricing, production and sourcing. The tools that we use include workshops, online courses and a network of external experts.

A current area is the ongoing industry-wide digitalisation, and in 2016 Volati conducted a series of courses focused on the digitalisation of business, with participants from all the companies. One of the participants was Eirik Helgensen, Manager of pharmapolar.no, which is a new concept launched by NaturaMed Pharma in 2016. »

Volati Academy

Rikard Ahlin took over as CEO of Ettikettoprintcom in summer 2016 after having participated in the first round of Volati Academy in 2015/2016. He has been employed at Ettikettoprintcom for 18 years, holding positions such as the Head of Operations. He took over as CEO when Philip Schwarz moved on within Volati to become the CEO of Kellfri.

What has the Volati Academy given you?
"Several things. The owners' apparent confidence was rewarding, but it also gave me clear insight into more financial-oriented issues and imparted the owners' perspective, which is crucial to the CEO's role."

You were about 14 participants. How was this significant?
"You are part of a helpful network where you can discuss successes and setbacks openly with other employees of Volati and get some different perspectives, which is invaluable, and the network and contacts are still in place."

What is it like to be CEO in a group of companies such as Volati?
"I believe it is easier than trying to stand on your own feet with a single owner. The support that comes from the owners engenders confidence in the management."

The Volati Academy.

A leadership programme that runs for about 18 months.

1. Ulf Olsson, Head of Purchasing and Marketing, Thomée. **2.** Carl-Otto Knopp, Head of Business Development, Tornum. **3.** Jonas Baudtler, Head of Sales and Exports, Kellfri. **4.** Mattias Löwenborg, Country Manager Sweden, Habo. **5.** Carina Josefsson, Country Manager Germany, me&i. **6.** Anders Malm, Head of Marketing and Sales, Tornum. **7.** Eirik Helgensen, Marketing Director, NaturaMed Pharma. **8.** Emma Hirell Appelfeldt, HR Manager, Besikta. **9.** Thomas Hellman, CFO, Kellfri. **10.** Henrik Nettersand, CFO, Besikta.


4.
7.
10.
8.
6.
9.

The Volati Management Programme

Niklas Gustavsson was one of five people who joined Volati's Management Programme in 2016. After six months at Besikta he joined Tornum for his second assignment. When he finishes the programme, he will be employed at Besikta. He has a Master of Science in Engineering from Linköping University with a focus on industrial engineering and management.

Why did you apply to join the Volati Management Programme?
"After graduation, I was at KPMG's mergers and acquisitions department and what Volati offered me seemed exciting, with possibilities for both career development and trying out new areas."

How was the first assignment?
"I was at Besikta and although I was supposed to mainly work with pricing issues, I was soon involved in an add-on acquisition, which was very interesting and I felt I could contribute directly. We also attended several useful courses during the programme."

What happened at Tornum?
"I was involved with the start-up of the sales office in Thailand, which was exciting. I also worked on the creation of a digital strategy for the company. In smaller companies, it is easier to be assigned and to assume greater responsibilities than otherwise, and it is enjoyable to be able to have a noticeable impact."

What happens when the programme is completed?
"The plan is for me to return to Besikta for a more permanent role, but over time, I would naturally be keen on shouldering the responsibilities of CEO at some point."

FOTO: TOBIAS OHLS

Current participants in the Volati Management Programme 1. Niklas Gustavsson 2. Caroline Sjödahl 3. Pontus Ljungblad 4. Hanna Pettersson 5. Oskar Persson

» "The training and network that I gained from Volati's digitalisation initiatives have provided me with considerable support in building and launching the new online service. Having the opportunity to learn from the experts made me more confident about taking this step," Helgensen explained.

Successful acquisitions

Volati has a long history of, and extensive experience in, corporate acquisitions, and continuously endeavours to assist and train its business units in how to integrate acquisitions into the business model and how to use acquisitions as a strategic enabler for expansion and development. Volati offers the business units its experience and support when it comes to add-on acquisitions, such as concerning the sourcing of potential acquisition targets and deal execution, including due diligence processes, negotiations and documentation.

"What is important is that we find a common language. The business units are good at identifying healthy companies that are potential acquisition targets, while we at Volati can offer experience on what constitutes a reasonable valuation and how to complete an acquisition in a productive manner. We learn from each other and I think we have been highly successful, particularly when considering that we completed five add-on acquisitions in 2016," Andersson comments. ●

VOLATI HAS EXTENSIVE EXPERIENCE with successful acquisitions, which has enabled the development of structured acquisition processes. Our focus is on long-term value creation, and a key principle is that it is better to turn down a good deal than to risk making a bad one.

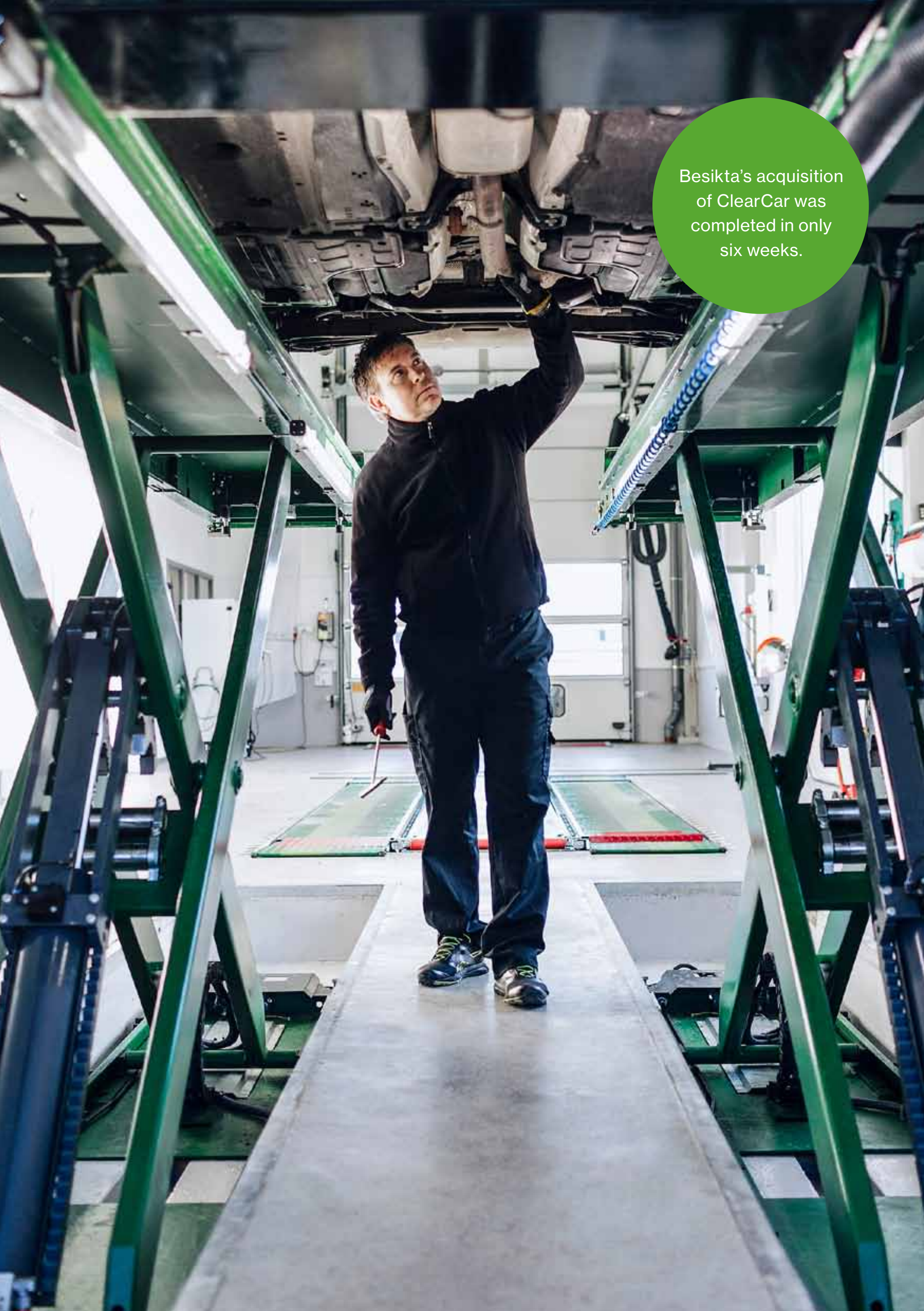
A value-creating acquisition strategy

Voria Fattahi has been Investment Director at Volati since 2015. He was previously at Kinnevik, where he was part of building the private investment business in Stockholm and London.

Volati's acquisition model is first and foremost to acquire companies with proven business models, leading market positions and strong cash flows at reasonable valuations, and to subsequently develop these with an emphasis on long-term value creation. Since 2003, Volati has completed a total of 23 acquisitions, of which 17 had a debt-free enterprise value exceeding SEK 10m.

Voria Fattahi has been Investment Director at Volati since 2015. He emphasises that Volati does not limit itself to acquiring companies within any particular industry, but is open to all types of potentially attractive acquisition opportunities.

"We are open-minded. The common denominator comprises the attributes: a proven business model, a leading market position, a strong cash flow and a reasonable valuation. It could be added that acquisition targets have frequently been privately owned family businesses and that it is not unusual for the transaction to occur in conjunction with a generation



Besikta's acquisition of ClearCar was completed in only six weeks.

Acquisition criteria:

- The company should have a track record of solid profitability.

- The company should have strong cash flows.

- The company should have a proven business model.

- The company should be market leading or have a strong market position within its niche.

- Volati acquires at least a majority stake in the target company, with the aim of obtaining control.

- For platform acquisitions, Volati primarily evaluates companies with a minimum EBITDA of SEK 20m. Add-on acquisitions are however not size-dependent, instead their strategic fit is central to the evaluation.

- Platform acquisitions are completed within the Nordic region with a primary focus on the Swedish market, while add-on acquisitions may be pursued in other Nordic or European countries.

We are continuously seeking new potential acquisitions, both add-on acquisitions to existing business units and acquisitions that can form new business units.

You are welcome to contact us:
voria.fattahi@volati.se or +46 (0)722-205506

change," he explains.

"However, we typically avoid technology-intensive and capital-intensive businesses, and since we want to see tried and proven business models, we also avoid start-ups. Moreover, we shy away from turn-around cases, where the company is in financial distress. The exceptions would be add-on acquisitions for one of our existing business units, where we have a clear plan for solving the problems of the acquired business."

Thanks to our extensive experience with successful acquisitions, Volati has developed structured acquisition processes. More than one hundred companies are evaluated annually and only the companies that meet Volati's acquisition criteria are further analysed.

The first stage is to identify potential acquisition targets, which may occur through various sources. Volati receives a continuous flow of potential acquisition targets through an established network of advisors who contact Volati regularly concerning their sales assignments, as well as business owners who contact Volati directly. In addition, Volati and its business units autonomously identify potential acquisition targets by means of market analyses and screening.

"Following the initial sourcing process, some 20 companies per year are further evaluated internally, through which Volati obtains an in-depth understanding of factors such as the company's customer offering, market and competitive positioning, financial history and valuation," Fattahi explains. In conjunction with this, Volati also creates a hypothesis for how to add value to the company through active ownership. Volati's management actively participates in this phase and jointly approves all non-binding offers together with the Board prior to their submission.

"One of our strengths is that by the non-binding offer phase, we already know that we have the Board's approval. This enables us to complete transactions quickly and creates certainty for counterparties that we can follow through on the deal all the way to closing," Fattahi says.

In the final phase of the acquisition process, Volati performs confirmatory commercial, financial and legal due diligence on the acquisition target. The majority of this work is performed internally and advisors are selectively engaged.

Following the completion of an acquisition, Volati spends time with the company's management to jointly formulate a strategic and financial plan with clearly defined financial targets that the company's management is expected to deliver on. If necessary, a new management team is appointed, for example when acquiring companies that are undergoing a generation change. A new board of directors is commonly also appointed. Volati then works actively with the company by continuously following up on the implementation of the strategic plan. This is accomplished not only through board work, but through continuous dialogue with management and, for example, monthly reports.

A cornerstone of Volati's acquisition strategy is to turn down a good deal rather than risk making a bad one.

"This means that we are highly selective and use a disciplined approach to acquisitions. Since our company was founded, we have completed 23 acquisitions and evaluated more than 1,000 acquisition targets," Fattahi explains.

case.

Acquisition of Lantbutiken.

One of Volati's acquisitions in 2016 was Lantbutiken, a fast-growing e-commerce company with an extensive range of products for agriculture, forestry, construction and leisure.

Lantbutiken was founded in 2009 by Anders Bengtsson from Smålandstenar. Its founding concept originated from the invention of a fence opener by Anders and his father, Erland Bengtsson. Anders saw the opportunity not just to sell a single product, but to create a complete online store for people living in the countryside. After a few tough years at the start, the concept

Lantbutiken's product range includes equine equipment and stable accessories.

"Volati was a good buyer for us, due to its long-term perspective."

took off and sales increased to about SEK 20m in the 2014 financial year, without the injection of any external capital or the acquisition of other operations. For the July 2015 to June 2016 period, Lantbutiken reported sales of about SEK 45m, corresponding to year-on-year growth of around 65% and an EBITDA of about SEK 2.3m.

The decision to consider the sale of the business began to gain momentum due to Lantbutiken's considerable need for new

PHOTO: LANTBUTIKEN

Lantbutiken.

Business concept: E-commerce store with a wide range of products for agriculture, forestry, construction, leisure and livestock.
Customers: Primarily consumers who live in the countryside.
Markets: The products are delivered to customers throughout Sweden.

Lantbutiken's turnover

SEK 53m

"Together with Kellfri, we can offer our customers a full range of products."

employees and because it was outgrowing its existing premises.

"Volati first contacted me in 2015, but we simply had too much to do at the time and nothing materialised from this. But when we were re-approached in spring 2016, I felt it was the right time to move on," explains Anders Bengtsson.

The acquisition was implemented as an add-on acquisition for Volati's business unit, Kellfri, which develops and sells machines and products for agroforestry farmers. The purchase price was about SEK 10.2m on a cash and debt-free basis. The acquisition of Lantbutiken is accelerating the transition of Kellfri's primary sales channel from physical mail order to e-commerce, and is strengthening both Kellfri's and Lantbutiken's offerings, thanks to the complementary product ranges of both companies. Lantbutiken.se has more than 120,000 visits per month and, together with Kellfri, has a product range of more than 11,000 articles.

"Volati was a good buyer for us, due to its long-term perspective and intention to develop the brand that we have built. Together with Kellfri, we can offer our customers a full range of products and there is excellent potential for synergies between the companies," Bengtsson explains.

Volati's acquisition history:

2004 The first acquisition is Tornum.

2005 Sveico and Kökskungen are acquired.

2006 The acquisition of GastroMax, which is subsequently merged with Sveico along with Kökskungen.

2007 Corroventa is acquired.

2008 Acquisition completed of Sandberg & Söner.

2009 Olmed Ortopediska and Team Ortopedteknik are acquired. The companies are merged together as TeamOlmed. Sveico is divested following a structural change in the household appliance market.

2011 Kellfri and Ettikettoprintcom are acquired.

2013 Acquisitions completed for Besikta Bilprovning and me&i. TeamOlmed is divested, mainly due to market consolidation.

2014 The acquisition of NaturaMed Pharma.

2015 Lomond Industrier is acquired. Sandberg & Söner is sold to a former employee of Volati.

2016 Five add-on acquisitions: Corroventa acquires Ventotech, Besikta Bilprovning acquires ClearCar, Lomond Industrier acquires Miljöcenter, Kellfri acquires Lantbutiken and Ettikettoprintcom signs an agreement to acquire a label printing business.

Solid platform for continued growth.

VOLATI HAS GROWN over time, and in 2016 a new organisation was introduced, through which the Group's 40 subsidiaries were reorganised into three business areas: Trading, Industry and Consumer. The aim of the reorganisation was to create a stable platform for continued growth, both organically and through acquisitions. As an active and engaged owner, Volati provides support for change, while emphasising the importance of avoiding top-down control of the business units and preserving their independence. »

Trading Business Area.

THE TRADING BUSINESS AREA comprises six business units with 15 operating companies in six countries. This business area focuses on three market segments: the hardware and home improvement markets, home and garden, and agriculture and forestry. The business units under Trading have similar business models and customers, and are integrated through several functions and spheres of cooperation. The business area includes the following business units:

Thomée
Thomée is a wholesaler and distributor of building materials and tools, whose business concept is to optimise the goods flow to resellers in the Nordic region.

Bårebo Nordic
Bårebo Nordic provides a wide assortment of building hardware components through proprietary brands to professional craftsmen and DIY customers.

Bårebo Nordic caters to professional craftsmen and DIY customers.

Kellfri
Kellfri develops and sells affordable agricultural and forestry equipment to small-scale agroforestry customers.

Sørbø Industribeslag
Sørbø Industribeslag is a Norwegian supplier to the window and door industries, and collaborates through an integrated customer offering to a large number of shared customers.

Habo has a broad range of interior and security fittings.

Miljöcenter
Miljöcenter develops and sells environmentally friendly products and solutions for the home and garden.

Habo
Habo is a supplier of fittings in the Nordic region. Its product range comprises a broad offering of interior and security fittings, of which the majority consist of proprietary brands.

EBITA 2016

SEK 121m

Percentage of Volati's sales:

31%

Mårten Sundberg, Head of Business Area Trading.

Solid transactions in the Trading Business Area.

The Head of Business Area Trading is Mårten Sundberg, who joined Volati in conjunction with the acquisition of Lomond Industrier in 2015 – Volati's largest acquisition to date.

"At the time, Lomond Industrier was something of a 'mini Volati', with four business units," Mårten Sundberg comments.

The Trading business area includes the business units Thomée, Habo, Bårebo Nordic, Sörbö Industribeslag, Kellfri and Miljöcenter. The latter, which was acquired in 2016, is a company whose business concept is to sell practical and safe solutions for the home and garden. The product range includes pest and

PHOTO: CHRISTIAN ANDERSSON

weed control, comfort heaters, composting equipment and secure mail management, all with an emphasis on added value for users and the environment.

"Thomée has had Miljöcenter as a supplier for a considerable time and Miljöcenter has strong brands in Berglunds, Silverline and Greenline. When the opportunity arose to acquire the company, we decided that it would be an excellent complement to the business area's other offerings."

The environment and sustainability are concepts that permeate most of the business units within the Trading Business Area. Another example of this is Habo, which has created Habo Clean, a new series of door handles with an anti-bacterial coating.

"Smart and healthy buildings are on trend right now and in this regard, Habo Clean is at the cutting edge. Bacteria levels on the handle are halved every 30 minutes and I believe that there will be a good market for the product, for example, in preschools and hospitals," Sundberg explains.

In 2016, Lantbutiken was also acquired by the business unit Kellfri. Lantbutiken is a fast-growing e-commerce company with an extensive range in agriculture, forestry, leisure and poultry.

"The acquisition of Lantbutiken is accelerating the transition of Kellfri's primary sales channel from physical mail order to e-commerce, and is strengthening the offerings of both companies, thanks to their complementary product ranges. Lantbutiken.se has more than 120,000 visits per month and, together with Kellfri, has a product range of more than 11,000 articles."

Ahead of 2017, one of the most crucial focal points for the Trading Business Area is sales to consumers.

"Although our business area has been directed at B2B, the acquisition of Lantbutiken in particular is refocusing us on B2C and e-commerce. B2C presently accounts for less than 20% of our sales and it will be really exciting to see how we can develop this in 2017," Sundberg explains.

Roger Andersson, Managing Director of Thomée.

PHOTO: CHRISTIAN ANDERSSON

Thomée celebrates its 125th anniversary.

On 25 February 1892, a young Edwin Håkan Thomée walked in determined strides across Drottningtorget in Malmö. He had just registered his own company, and was starting the journey that has now spanned one-and-a-quarter centuries.

Once a local wholesaler, Thomée now has customers from Trelleborg in southern Sweden to Kiruna in the north. Thomée offers its customers a wide range of building materials, consumables and tools for the groundwork, construction and maintenance of house and garden. Customers mainly comprise builders' merchants and the DIY market, such as XL-Bygg, Woody Bygghandel, Beijer Byggmaterial, Byggmax and Järnia. A total of approximately 17,000 articles are stocked, from about 350 suppliers, near and far.

Customers can find a wide range of construction consumables at Thomée.

Thomée can look back at an excellent year in 2016, thanks to a booming construction market in Sweden.

"There is a strong underlying demand for residential construction in Sweden, and in 2016 around 64,000 apartments were built – the highest number for many years. This resulted in an excellent year for us. I can also state that our growth during the year was higher than the industry in general. It was slightly more than 11%, while the industry average was just short of 7%," states Roger Andersson, Managing Director of Thomée.

Thomée has fostered unique customer relationships through its extensive history and maintains a continuously strong presence with customers.

"The 125th anniversary will be highlighted in several ways during the year. On 25 February, we had an anniversary celebration in conjunction with the date of the company's founding and we will be hosting a series of activities throughout the year. Our customers will also be made aware of offers, campaigns and activities linked to the anniversary, through our B2B online store," Andersson adds.

PHOTO: CHRISTIAN ANDERSSON

Industry Business Area.

THE INDUSTRY BUSINESS AREA comprises three business units with a total of 18 operating companies in 14 countries. This business area focuses on various B2B niches and is driven by strong local entrepreneurship in combination with collaboration in selected areas, such as international expansion, lean manufacturing and HR. The Head of the business area is responsible for coordinating Volati's central support function and providing support during acquisition processes. The business area includes the following business units:

Tornum

Tornum develops and manufactures grain handling systems for agriculture and the grain industry.

Ettikettoprintcom

Ettikettoprintcom is a Swedish supplier of adhesive labels and labelling systems.

Corroventa

Corroventa offers sales, rental and leasing of premium products and solutions within water damage, humidity, ventilation and radon.

Tornum took a new step in 2016 by establishing itself in Thailand.

EBITA 2016

SEK 135m

Percentage of Volati's sales:

34%

Ettikettoprintcom's business concept is effective labels.

A strong trend for Industry

Volati's CEO, Mårten Andersson, is also the Head of the Industry Business Area. He can look back at an excellent year for all of the business units included in this business area and is pleased with the performance of the new organisation.

Factors such as the extensive flooding that struck large areas of Europe in the summer created very high demand for the Corroventa Business Unit's equipment for managing water damage, which resulted in Corroventa posting its best earnings in the company's history.

"It is very pleasing to see that we are getting such excellent leverage from our investments in product development and the plant hire fleet, which is one of Europe's largest, with about 10,000 pieces of equipment," Andersson says.

During the year, the Ettikettoprintcom business unit completed an add-on acquisition of a minor label-printing business with sales of approximately SEK 17m. Ettikettoprintcom also received a new CEO when Rikard Ahlin replaced Philip Schwarz, who moved on to assume the position of new Managing Director of the Kellfri Business Unit under Volati's Trading Business Area.

"We got to know Rikard when he attended the Volati Academy in 2014-2015. It is very positive that he gains the opportunity to show his initiative and continue developing within Volati," Andersson says.

The Tornum Business Unit operates in a range of European markets and delivers grain-handling solutions. Tornum's 2016 performance was stable and positive, despite difficulties in some of the company's markets, such as Poland, due to external factors. In 2016, a new step was taken in Tornum's geographic expansion, through the establishment of a new subsidiary in Thailand.

"It's exciting to see Tornum continue its geographic expansion by taking the step into Southeast Asia. These markets have tremendous long-term potential for Tornum," Anderssons says.

Volati actively participates in Board work in the business units and complements its own internal experience through the addition of relevant external Board members. In 2016, we welcomed Magnus Rosén, former CEO of Ramirent, as a new member of Corroventa's Board of Directors, and Lars Kjellberg, a former owner of a label printing business, became a new member of Ettikettoprintcom's Board of Directors.

"The composition of the Board is highly important to us and our business units," Andersson explains. "Consequently, I am very pleased to welcome two experienced Board members such as Lars and Magnus to our business units within the Industry Business Area."


Mårten Andersson,
CEO of Volati and
Head of Industry
Business Area

Per Ekdahl,
CEO of Corroventa.

PHOTO: SVANTE ÖRNBERG

Excellent year for Corroventa.

Corroventa is a market-leading company within the premium segment, operating within the field of water-damage restoration and within residential environments, where the company focuses on the management of moisture, odours and radon. Its product range includes portable and mobile dehumidifiers and their associated peripherals, such as equipment that enables the monitoring and remote control of processes. Corroventa offers four different business models that allow customers to purchase equipment, rent it for a limited period, join a machine pool or lease the equipment.

Per Ekdahl is the CEO of Corroventa and can look back on an excellent year for the company in 2016.

"In 2015, we successfully launched a series of new products, with roadshows throughout Europe, which resulted in an excellent sales start even before the end of 2015, and which we have succeeded in increasing throughout 2016. Our increased geographic presence and flexible production enables us to sharply

Corroventa offers seminars to increase knowledge about drying techniques.

Ergonomic designs make Corroventa's machines easy to carry and move.

"We have access to one of the largest plant-hire fleets in Europe."

» increase sales whenever catastrophic weather strikes," Ekdahl explains.

Corroventa is active throughout Europe and its largest markets comprise Germany, Sweden, the UK and France. Since a considerable proportion of the company's products are aimed at flood management, sales and rentals benefitted from the heavy rainfall that affected major regions of Europe during the summer months in 2016. The proactive management of new customers in the past few years was a critical factor for maximising sales and leasing during the floods.

"We have access to one of the largest plant-hire fleets in Europe, which includes everything from small condensing driers to large industrial adsorption dehumidifiers. Due to the floods, we were able to circulate a considerable portion of our equipment, and due to our presence in several geographic markets and also to our achieving the highest production rate to date in June, we were able to post excellent earnings – the best in the company's history," Ekdahl explains. ●

Corroventa's sales in 2016 benefitted from the heavy rainfall that affected major regions of Europe during the summer months.


CTR 300TT2

Consumer Business Area.

THE CONSUMER BUSINESS AREA has three business units with a total of nine operating companies in five countries. The business units focus on various B2C niches and are driven by a combination of strong local entrepreneurship in combination with collaboration in selected areas, such as database marketing, digitalisation and e-commerce. The business area includes the following business units:

Besikta Bilprovning

Besikta Bilprovning is one of the leading vehicle inspection companies in Sweden, with approximately 155 motor vehicle inspection stations distributed over some 130 locations.

me&i

me&i primarily offers children and women's clothing sold at home and online.

NaturaMed Pharma

NaturaMed Pharma is a Scandinavian supplier of OTC health supplements and herbal medicinal products.

NaturaMed Pharma has launched a new e-commerce platform.

EBITA 2016

SEK 138m

Percentage of Volati's sales:

35%

me&i has strengthened its management in several European countries.

PHOTO: CHRISTIAN ANDERSSON

Successful niche companies with large customer databases.

The Head of Business Area Consumer is Nicklas Margård, who is also the CEO of Besikta Bilprovning. His assignment is to develop three successful niche companies with the common denominator of having substantial customer databases.

"Besikta has approximately 1.3 million customer visits per year and 1.6 million customers in its database; NaturaMed Pharma has 2 million customers and me&i 250,000. We are working very intensively with digitalisation issues and I am convinced that, over time, we will become even more adept at understanding our customer data and provide improved offerings to our customers," Margård explains.

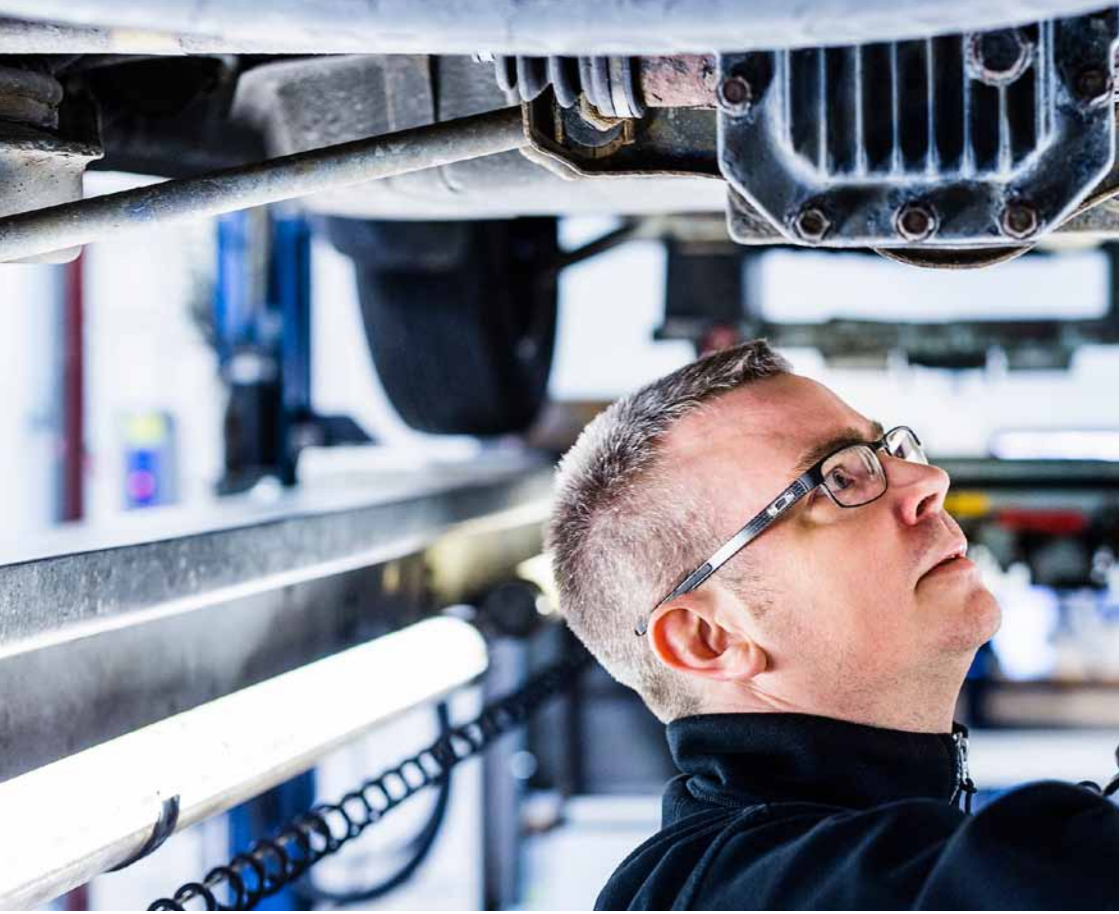
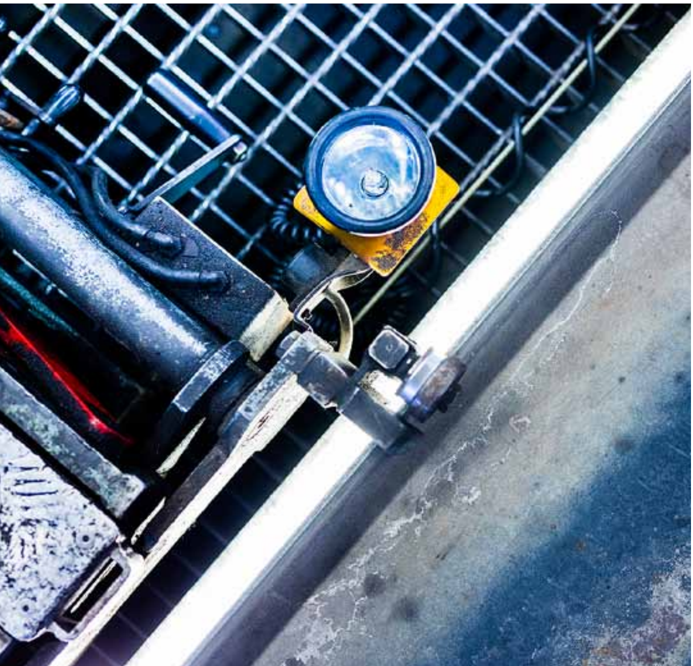
Besikta Bilprovning accounts for more than 60% of the business area's sales and performed excellently in 2016.

"In 2015, we implemented a new IT system that required considerable time and money. In 2016, we were able to leverage the investment, which contributed to improving our earnings."

The single most important event for Besikta Bilprovning during the year was the acquisition of the competitor vehicle-inspection company ClearCar, which was completed at the beginning of the year. The acquisition was triggered in early February by ClearCar's loss of its accreditation from Swedac, which monitors the vehicle-inspection market. The reasons for this included major shortcomings in quality and a dysfunctional management system.

"It was an opportunity that just appeared. We initiated a dialogue with ClearCar in the final week of February, and six weeks later the deal was done. There weren't so many other potential buyers that wanted to take on the risk of such a transaction, but we were convinced that we would be able to resolve the situation with our well-functioning organisation, IT system and with Volati as an owner that is accustomed to rapid and complex transactions," Margård explains. »

Nicklas Margård, Managing Director of Besikta.


“Through the acquisition, Besikta gained a larger geographic coverage.”

» The acquisition gave Besikta access to approximately 80 new vehicle inspection stations and 140 employees, while expanding the area of operations from southern Sweden up to Falun and the Stockholm region.

“Through ClearCar, Besikta gained a larger geographic coverage and increased availability for customers. It also provided us with enhanced possibilities to improve safety on Swedish roads, which is Besikta’s ambition.”

As for the business unit, NaturaMed Pharma, Margård states that the solid company continues to deliver strong figures.

“From the perspective of key metrics, NaturaMed Pharma is one of Volati’s best companies and continues to deliver excellent results. At the moment, the company has created a new e-commerce platform, pharmapolar.no, which has been launched in Norway. It will serve as an excellent complement to NaturaMed Pharma’s existing sales model, whereby customers subscribe for dietary supplements.”

The management of the business unit me&i was reinforced in Germany, the UK, Norway and Finland, and Margård is confidently hopeful about improved earnings in 2017.

“I am hoping for success, particularly in the large and growing German market,” he adds.●

CSR.

Sustainability with a clear focus.

IN 2016, VOLATI further increased the pace of its sustainability work. In a joint effort with the business units, Volati assessed specific areas of sustainability that are of importance to Volati, its customers, partners and other stakeholders.

Health and safety, anti-corruption and non-discrimination landed high on the agenda when Volati conducted an assessment together with its subsidiaries in 2016 to determine which areas of sustainability were of the highest priority to Volati and its stakeholders.

Based on the survey responses, Volati will prepare a Group-wide agenda in 2017 for how to pursue our sustainability efforts.

"At Group level, Volati will primarily focus on three areas: diversity, equality, and health and safety. Since the Group's business units have different prerequisites, the units will themselves decide

which specific areas they wish to focus on, and create a customised code of conduct for their company," explains Caroline Sjödahl, who is participating in the Volati Management Programme and who works with areas including sustainability issues at the me&i business unit.

The Habo business unit, which is under the Trading Business Area, provides a good example of sustainability initiatives within Volati. Habo develops and markets interior and security fittings, and has subcontractors in countries such as China and India. Habo has appointed Henrik Beck as its new Sourcing Project Manager, tasked with controlling and following up suppliers in Asia to ensure that products encompassed by the Habo brand fulfil all ethical, societal and environmental requirements. This entails, among other tasks, that he visit production facilities, speak with employees, review documents and verify compliance with the respective country's laws and regulations.

me&i has a sustainability strategy that encompasses the entire product cycle.

"Overall, the factories are managing themselves well. Sweden is a respected country and they know that Swedish companies stand by their promises and pay invoices on time. This makes suppliers more receptive when demanding change," Beck explains. »

Caroline Sjödahl is participating in the Volati Management Programme and has worked with sustainability issues at me&i.

PHOTO: TOBIAS OHLS

» **ANOTHER EXAMPLE** of sound sustainability work is the me&i business unit, which operates under the Consumer Business Area and manufactures children's and women's clothing. The textile industry is an industry that is difficult to monitor, where price pressure risks resulting in corruption, child labour and substandard factory premises. me&i counteracts this in line with a code of conduct agreed with suppliers, through efforts such as the placement of local factories and the certification of the clothes in accordance with the green standards under OEKO-TEX. In 2016, me&i created its new sustainability strategy and set clear targets that will form the basis for me&i's future sustainability efforts. The strategy encompasses the entire product cycle, from the garments' design all the way to recycling.

"Sustainability is something that is a part of me&i's DNA and has always been a vital aspect. Many choices are made as early as the design process, for example, adjustable waistlines and extra fabric at the knees, which extend the usability of the clothes. Another good example of our sustainability efforts is when we create new products from surplus fabric in the factories left over from earlier collections. We thereby generate value from fabric that would otherwise be discarded," Sjödahl explains.

Sustainability efforts will progress further, since Volati will start presenting a sustainability report as part of its Annual Report from the 2017 financial year. ●

Viewpoints from the assessment:

- "Emphasise where business value and environmental value go hand in hand."
- "All issues are relevant and must be addressed to achieve long-term success and credibility."
- "Sustainability is a key focus area both within our industry and among our major customers and suppliers."

On location, where it is happening

Volati is donating SEK 1,195,000 to the organisation Doctors Without Borders, who are on-site to try to relieve the refugee crisis in the Mediterranean.

2016 had the highest mortality rates ever for refugees in the Mediterranean. An estimated total of 4,913 men, women and children have perished, which was 1,000 more than in 2015. Those who were rescued tell of incredible difficulties. Some are fleeing war, torture, forced military recruitment and violations of their human rights. Others have been subjected to sexual discrimination, violence, persecution, extreme poverty and misery.

One of the organisations that is on location to try to provide assistance to the refugees is Doctors Without Borders. In 2016, they patrolled the waters near the Libyan coast with three vessels – Dignity I, Bourbon Argos and Aquarius (which is operated in cooperation with SOS Méditerranée). Search-and-rescue operations were conducted from April to November, and the vessels saved a total of 21,603 people from overcrowded boats.

Doctors Without Borders states that the number of people trying to get from Libya to Italy has not increased, but that more people are dying at sea. This is due to factors such as ever-greater numbers of refugees using cheap rubber boats, and on several occasions the organisation has found bodies crushed by the weight of hundreds of other passengers, and people who have drowned in a lethal mix of sea water and petrol in the inundated boats.

Volati traditionally donates SEK 1,000 per employee per year to a charity organisation, which for 2016 totalled SEK 1,195,000. On this occasion, it was Doctors Without Borders who received the donation.

You can read more about rescue operations in the Mediterranean at www.lakareutangranser.se/english

"A win-win situation."

Christian Brunlid has been working as a fund manager at Handelsbanken Fonder for ten years. He manages Handelsbanken's Svenska Småbolagsfond, with approximately SEK 19 billion in managed capital, and a newly launched micro-company fund with SEK 1 billion in managed assets.

In his capacity as a fund manager, he interacts with essentially all relevant listed companies as part of his mandate. When it came to Volati, Handelsbanken Fonder made the decision to assume the role of one of Volati's four anchor investors.

"This entails the commitment to purchase a certain number of shares in conjunction with stock-market listing. For the issuing company, this secures unambiguous ownership and increases the probability of a successful listing. For us, the advantage is that we can participate in pricing discussions and achieve a relevant shareholding in the company. We could say it's something of a win-win situation," Brunlid adds.

However, the commitment as an anchor investor does not entail Handelsbanken Fonder pledging to retain the shares for any specific period.

"There is no lock-up period, as we are not allowed to restrict ourselves from selling. In theory, our investors could decide to sell their funds and we would then have to be able to realise the assets in the portfolio."

Handelsbanken Fonder's analysis of Volati continued for several months prior to the listing and involved a number of meetings with Volati's management. "We recognised the business concept from other companies, such as Indutrade and Lagercrantz. Volati's management is competent and has proven its success in developing portfolio companies. The cash flow looks healthy and they have a sufficient arsenal to continue their proactive acquisition strategy moving forward. We believe there are excellent opportunities for positive performance in Volati." ●

Volati's new share issue:

- The new share issue comprised 20,862,069 common shares, including over-allotment options. The issue price was set at SEK 58 per share and the first day of trading on Nasdaq Stockholm was 30 November 2016.
- The proceeds from the new issue totalled around SEK 1,210m before issue costs.
- Four investors committed to becoming anchor investors: Didner & Gerge Fonder, the Fourth Swedish National Pension Fund, Handelsbanken Fonder and Peter Lindell privately as well as through controlled companies.
- Volati gained more than 6,000 new shareholders through the new share issue.

PHOTO: TOBIAS OHLS

Christian Brunlid manages Handelsbanken's Svenska Småbolagsfond, which has chosen to invest in Volati.

The Volati share.

Dividend and dividend policy

Volati's Board has adopted a dividend policy entailing that dividends on common shares correspond to 10–30% of the Group's net profit attributable to the Parent Company's owners. When assessing dividends, consideration is given to future acquisition opportunities, development potential in existing companies, the Group's financial position and other factors deemed to be significant by Volati's Board of Directors. The Board proposes a dividend of SEK 0.50 kronor per common share, corresponding to a total dividend of SEK 40,203,285.50 for the 2016 financial year. The dividend on the common shares corresponds to around 20% of net profit after tax. Dividends on preference shares are to be issued at an annual amount of SEK 40.00 per preference share, corresponding to a total dividend of SEK 64,150,960, through quarterly payments of SEK 10.00 per share, in accordance with the Articles of Association.

Shares and share capital, etc.

Volati's shares have been issued in accordance with Swedish law and are electronically registered to holders at Euroclear. Euroclear also maintains the company's share register. The company's shares are denominated in Swedish kronor (SEK).

According to the Articles of Association, the company's share capital shall amount to a minimum of SEK 5,000,000 and a maximum of SEK 20,000,000, distributed over a minimum of 40,000,000 and a maximum of 160,000,000 shares. Further to the Articles of Association, the company may issue shares of two share classes: common shares and preference shares. At year-end 2016, there was a total of 80,406,571 common shares and 1,603,774 preference shares. At 31 December 2016, Volati's share capital was SEK 10,251,293.13 distributed over 82,010,345 shares.

All of the shares are issued and fully paid for, and each has a quotient value of SEK 0.125. No shares in the company are held by the company itself, on its behalf or by its subsidiaries.

The company is a limited liability company and is regulated by the Swedish Companies Act (2005:551). The rights associated with the shares in accordance with the company's Articles of Association may only be changed pursuant to the regulations of the Swedish Companies Act. »

Share information.

SHARE DATA.

Nasdaq Stockholm	Common Share	Preference share
Number of shares	80,406,571	1,603,774
Last paid, 30 Dec 2016 (SEK)	74.00	554.00
Highest/lowest price in 2016 (SEK)	78.00/62.00	577.50/442.50
Market capitalisation, 30 Dec 2016 (SEKm)	5,950.1	888.5
Price trend in 2016 (%)	+17.5%	+16.0%

SHARE CAPITAL TREND.

The following table shows the changes in share capital from Volati's formation.

Year	Event	Change in no. of common shares	Change in no. of preference shares	Total no. of shares	Change in share capital	Total share capital	Quotient value (SEK)
1998	New formation	1,000	-	1,000	100,000	100,000	100
2006	Bonus issue	49,000	-	50,000	4,900,000	5,000,000	100
2007	Share split 400:1	19,950,000	-	20,000,000	-	5,000,000	0.25
2011	Warrants	505,656	-	20,505,656	126,414	5,126,414	0.25
2011	Decrease through withdrawal of shares	-305,656	-	20,200,000	-76,414	5,050,000	0.25
2015	Share split 10:1	181,800,000	-	202,000,000	-	5,050,000	0.025
2015	New share issue	-	6,603,773	208,603,773	165,094.3	5,215,094.3	0.025
2015	Private placement to main owner	-	1,415,094	210,018,867	35,377.3	5,250,471.7	0.025
2016	Non-cash issue[1]	95,722,508	-	305,741,375	2,393,062.7	7,643,534.4	0.025
2016	New share issue[2]	2	3	305,741,380	0.125	7,643,534.5	0.025
2016	Reverse share split 1:5	-238,178,008	-6,415,096	61,148,276	-	7,643,534.5	0.125
2016	New share issue[3]	20,862,069	-	82,010,345	2,607,758.625	10,251,293.13	0.125

1. In January 2016, the announced share swap in Volati AB (publ) approved by the general meeting was implemented, whereby Patrik Wahlén (Board member), Mårten Andersson (CEO) and Mattias Björk (CFO) through a non-cash issue swapped their shares in Volati 2 AB for shares in Volati AB (publ).
2. In connection with the reverse share split in September 2016, three preference shares and two common shares were issued with the aim of achieving an even number of shares in the company before the implementation of the reverse split. The preference shares were issued at an exercise price of SEK 106 per preference share and the common shares were issued at a subscription price of SEK 0.025 per common share (corresponding to the shares' quotient value at the time).
3. The new share issue was conducted in conjunction with the listing of Volati's common shares in November 2016.

» **Share swap.**
In January 2016, a share swap was completed whereby the subsidiary Volati 2, which owned shareholdings in certain business units, became a wholly owned subsidiary of Volati. This was conducted through the private placement of a non-cash issue of common shares in Volati to the existing minority owners of Volati 2, meaning Board member Patrik Wahlén, CEO Mårten Andersson and CFO Mattias Björk. Through this non-cash issue, Volati acquired the remaining 49.9% minority shareholding in Volati 2.

Shareholders' rights

General meeting and voting rights

Each common share entitles the holder to one (1) vote and each preference share entitles the holder to one-tenth (1/10) of a vote at the general meeting, and every shareholder who is entitled to vote may vote for the full number of owned and represented shares without being subject to any limitations in voting rights. Shareholders' rights may only be amended by the general meeting in accordance with the Swedish Companies Act.

To participate in the general meeting, a shareholder must be listed in a transcript of the share register with respect to the conditions five weekdays prior to the meeting and shall have registered with the company by no later than the date set forth in the notice of the meeting.

Preferential rights to new shares, etc.

If the company decides to issue new shares through a cash or offset issue, the shareholders as a main rule have preferential rights to subscribe for new shares of the same share class in relation to the number of shares the holder already owns (primary preferential rights). Shares not subscribed for on the basis of primary preferential rights shall be offered for subscription to all shareholders (subsidiary preferential rights). If the company decides to issue new warrants or convertibles through a cash or offset issue, the shareholders have, as a general rule, preferential rights in relation to the number of shares they already own.

Right to dividends and surpluses upon dissolution

Entitlement to receive any dividends is limited to those who are registered in the shareholders' register maintained by Euroclear on the record date determined by the general meeting of shareholders. If a shareholder cannot be reached through Euroclear, the shareholder's claim on the company remains in respect of the dividend amount and is limited solely through regulations governing the statute of limitations. Should the claim become barred by the statute of limitations, the dividend amount is forfeited to the company. Neither the Swedish Companies Act nor Volati's Articles of Association contain any restrictions regarding the right to dividends to shareholders outside Sweden. Apart from the restrictions pursuant to banking and clearing systems, payments to such shareholders are made in the same manner as those made to shareholders domiciled in Sweden.

The preference shares have priority over the common shares to an annual dividend of SEK 40 per preference share (defined as a "preference dividend" in »

Shareholder structure 31 December 2016

The tables below present information concerning the largest shareholders in Volati.[1]

	No. of shares		Percentage of	
Ownership structure	**Common shares**	**Preference shares**	**Share capital**	**Votes**
Karl Perlhagen	34,440,000	204,174[2]	42.24%	42.77%
Patrik Wahlén	19,046,954	10,129	23.24%	23.64%
Didner & Gerge Fonder AB	3,817,154	-	4.65%	4.74%
The Fourth Swedish National Pension Fund (AP4)	3,468,275	-	4.23%	4.30%
Handelsbanken Fonder	3,334,983	-	4.07%	4.14%
Mårten Andersson	2,511,532	1,887	3.06%	3.12%
Mattias Björk	2,166,705	1,887	2.64%	2.69%
Mats Andersson	1,379,311	-	1.68%	1.71%
Nordnet Pensionsförsäkring	781,074	64,878	1.03%	0.98%
SEB S.A. Client asset ucits	495,000	72,651	0.69%	0.62%
Didner & Gerge Small and Micro cap Fond	493,190	-	0.60%	0.61%
AFA Försäkring	481,000	-	0.59%	0.60%
Catella Fondförvaltning	443,157	-	0.54%	0.55%
Försäkringsaktiebolaget Avanza Pension	261,548	167,793	0.52%	0.35%
SEB Life International	400,000	-	0.49%	0.50%
Total of the 15 largest shareholders	73,519,883	523,399	90.29%	91.32%
Other shareholders	6,886,688	1,080,375	9.71%	8.68%
Total	**80,406,571**	**1,603,774**	**100.00%**	**100.00%**

1. The shareholder structure is based on information from Euroclear Sweden as of 31 December 2016.
2. Includes ownership indirectly through companies.

WARRANTS

Volati has one warrants programme outstanding, for Voria Fattahi, which is presented in the table below. The programme has been recalculated taking into account the reverse share split of September 2016.

Issued warrants	**Highest no. of new common shares based on warrants outstanding**	**Highest increase in share capital**	**Highest increase in no. of shares and votes**
Issued warrants of series 2016/2019	834,914	SEK 104,364.25	1.02% of the shares and 1.03% of the votes

» the company's Articles of Association), with quarterly disbursements as of the date of the first disbursement. Dividends are subject to the approval of the general meeting. The record dates for dividends are 5 February, 5 May, 5 August and 5 November, or the bank day immediately prior, if the record date falls on a public holiday. Preference shares otherwise entail no rights to dividends. If, during a quarter, the general meeting should resolve not to issue a dividend or issue a dividend that is less than the preference dividend, the preference shares shall entail a right to, in addition to future preference dividends, receive an amount evenly distributed over each preference share, corresponding to the difference between the amount that would have been paid out and the actual amount paid out (defined as "Amount Outstanding" in the company's Articles of Association). No dividends may be paid to holders of common shares until the holders of preference shares have received preference dividends in full, including any Amount Outstanding.

Following resolution by the general meeting, preference shares may be redeemed, in part or in whole, at a set amount: until the fifth anniversary of the first issue of preference shares (defined as the "Initial Issue" in the company's Articles of Association), an amount equivalent to (i) SEK 725, plus (ii) any accrued portion of the preference dividend, plus (iii) any Amount Outstanding adjusted upwards by annual interest as per above. However, the redemption amount for every redeemed preference share shall never be below the share's quotient value. As of the fifth anniversary of the Initial Issue, the percentage according to point (i) above shall be SEK 675 and as of the tenth anniversary of the Initial Issue and thereafter, an amount equivalent to SEK 625. All common shares entitle the holder to an equal share in Volati's assets, profits and any surpluses in the event of liquidation. In the event of the winding up of the company, preference shares have priority over common shares to receive, from the company's assets, an amount per preference share corresponding to the redemption amount applicable at that time, before any distribution to holders of common shares. Preference shares shall otherwise not confer any entitlement to any additional dividend.

Authorisation for the Board

The Extraordinary General Meeting on 15 September 2016 resolved to authorise the board to decide on a new issue of common shares, with or without deviation from the shareholders' preferential rights within the limits set by the Articles of Association. Payment for subscribed shares can be made in cash, by offset or through payment with a non-cash consideration. The issue authorisation was registered with the Swedish Companies Registration Office on 19 September 2016. The 2016 AGM resolved to authorise the Board to repurchase and transfer own shares under certain conditions and on certain terms.

Central securities depositary

The Company's shares shall be registered in a control registry in accordance with the Act on Accounting of Financial Instruments (1998:1479). The register is maintained by Euroclear Sweden AB, PO Box 191, SE-101 23 Stockholm, Sweden. No share certificates are issued for the company's shares. Nordea Bank AB (publ) is the account-operating institute. The ISIN code for the common shares is SE0009143662 and the ISIN code for the preference shares is SE0009143670.

Undertaking to refrain from selling and issuing shares

The Main Shareholders, shareholding Board members and senior executives in the company have entered into lock-up undertakings and have committed, with some reservations and exceptions, to the Joint Global Coordinators that for a period of 360 days from 30 November 2016, not to, without the prior written approval of the Joint Global Coordinators: (i) offer, pledge, sell, contract to sell, sell or purchase options or a right to purchase or sell, or otherwise transfer or divest, directly or indirectly, any shares in the company or any other securities which are convertible to or can be exercised or exchanged for such shares; or (ii) enter into swap arrangements or other arrangements which wholly or partly assign to another the financial risk associated with ownership of shares in the company. Exceptions apply to divestments within the offering, any acceptance of, or any undertaking to accept a third-party takeover offer in accordance with the Swedish takeover rules provided that the offer is made on terms that treat all shareholders equally; transfers of shares in connection with an offer by the company to purchase its own shares provided that the offer is made on terms that treat all shareholders equally; transfers of shares in the company to a wholly owned company or capital insurance held by the main shareholder, shareholding Board member or senior executive in the company provided that the company or the capital insurance trustee undertakes to be bound by the lock-up undertaking; transfers of shares in the company required by law or by order or ruling by a court or public authority; any use of shares or other financial instruments as collateral or security for loans (however, this exception does not apply to main shareholders who are Board members of the company); sales of shares by a main shareholder to minority shareholders in Volati Parts AB and transfers of preference shares in the company to another party registered with Finansinspektionen (the Swedish Financial Supervisory Authority) as a Person Discharging Managerial Responsibilities as defined in Regulation (EU) No. 596/2014 of the European Parliament and of the Council on market abuse. In addition, the company has made the same undertakings, with some reservations and exceptions, to the Joint Global Coordinators for a period of 180 days from the first trading day on Nasdaq Stockholm. Exceptions apply to issues of shares encompassed by the Offering; issues of shares or other financial instruments as payment-in-kind in conjunction with acquisitions by the company; issues of subscription warrants in connection with incentive programmes duly approved by the company's general meeting; and dispositions of the company's preference shares acquired by the company as payment-in-kind in connection with acquisitions completed by the company based on authorisations granted through resolution by the company's general meeting. Following the expiration of the lock-up periods, the shares may be offered for sale. ●

Volati Annual Report.

Administration report.

The board of directors and CEO of Volati AB (publ), Corp. Reg. No. 556555-4317 with its registered office in Stockholm, herewith present the Annual Report and the consolidated accounts for the 2016 financial year.

Volati's operations.

Volati is an industrial group comprising 12 business units, organised into three business areas: Trading, Industry and Consumer.

Acquisitions are a central feature of Volati's strategy. Volati primarily acquires companies with proven business models, leading market positions and strong cash flows at reasonable valuations, and develops these with an emphasis on long-term value creation. Volati's corporate-development strategy is based on retaining the entrepreneurial spirit of companies and supplementing leadership, expertise, processes and financial resources. Volati has a flexible organisation that facilitates fast decision-making and a decentralised governance model that entails day-to-day decision-making at the operations level with limited involvement from Volati. This decentralised business model is a key success factor, as it encourages a high level of entrepreneurship in the business units, creates a clear framework of responsibilities and allows for Volati's continued growth with limited central resources.

The Group has some 40 operating companies in 16 countries, with Sweden accounting for the largest share of net sales. Of the Group's total EBITA for 2016, 31% was attributable to the Trading Business Area, 34% to the Industry Business Area, and 35% to the Consumer Business Area.

Trading:

The Trading Business Area consists of six business units with 14 operating companies in six countries. This business area focuses on three market segments: the hardware and home improvement sector, home and garden, and agriculture and forestry. Customers from the hardware and home improvement sector include trade companies, such as Beijer, Woody, XL-Bygg and stores with a DIY focus. The home and garden segment's products are distributed through chain stores such as Plantagen and Bauhaus, as well as supermarkets. The agriculture and forestry segment mainly includes small-scale agroforestry customers, and pertains to products such as lawn equipment and other agricultural equipment, as well as accessories.

Industry:
The Industry Business Area comprises three business units with a total of 18 operating companies in 14 countries. The business area focuses on various B2B niches and is driven by the combination of strong local entrepreneurship with collaboration in selected areas, such as international expansion, lean manufacture and HR.

Consumer:
The Consumer Business Area has three business units with a total of nine operating companies in five countries. The business units focus on various B2C niches and are driven by a combination of strong local entrepreneurship and collaboration in selected areas, such as database marketing, digitalisation and e-commerce.

Acquisitions and new establishments.

A central part of Volati's strategy is to continue growing through acquisitions of well-managed companies, both as a complement to existing business units and within entirely new business fields. In 2016, four acquisitions were carried out and another contract was signed for an add-on acquisition that will be transferred to Volati in early 2017. Although the acquisitions market continued to be competitive in 2016, the five add-on acquisitions completed during the year prove that Volati is in a position to implement acquisitions on attractive terms. The acquisitions that were completed during the year included Ventotech AB, a provider of patents, systems and knowledge pertaining to the controlled ventilation of connected spaces; Pagnol Gruppen AB, a leading supplier of home and garden products; ClearCar AB, which is an add-on acquisition to Besikta Bilprovning's operations; and Lantbutiken AB, which is a Swedish e-commerce company with products for agriculture and country living. Moreover, Volati signed agreements to acquire label printing assets with transfer in the first quarter of 2017.

Financial targets.

Volati's overriding objective is to generate long-term increases in value by building an industrial group of profitable companies with solid cash flows and the capacity for continuous development. Volati's Board has adopted the following financial targets, which should be evaluated as a whole.

EBITA growth:
Volati's target is to attain an Adjusted EBITA of SEK 700m by the end of 2019, which entails a healthy doubling compared with the LTM Adjusted EBITA at 30 September 2016. The target for average annual Organic EBITA growth is 5%.

Cash conversion:
Volati's target is to achieve a cash conversion rate exceeding 85% per year.

Return on equity:
Volati's long-term target is a return on adjusted equity exceeding 20%.

Capital structure:
Volati's long-term target is for net debt in relation to LTM Adjusted EBITDA not to exceed a multiple of 3.0.

» **Dividend policy:**
Volati's target for common shares is to distribute approximately 10-30% of the Group's net earnings attributable to shareholders in the parent company. When assessing dividends, consideration is given to future acquisition potential, development potential in existing companies, the Group's financial position and other factors deemed to be significant by Volati's Board of Directors. Dividends on preference shares are to be issued at an annual amount of SEK 40.00 per preference share, through quarterly payments of SEK 10.00, in accordance with the Articles of Association.

The financial objectives are guidelines and are not, and should not, be regarded as forecasts or estimates of Volati's future earnings. The financial targets are based on a number of assumptions concerning Volati's operations, and the industry and macroeconomic environment in which Volati operates. As a result of the above and other factors, Volati's actual earnings may deviate from the above targets.

Developments during the year.

Since Volati's business units operate within different sectors, the performances of these different operations have varied during the year. Varying company-specific events have impacted each company's financial performance, which has resulted in some companies reporting a positive trend, while other companies were adversely impacted by company-specific events.

Net sales and earnings

For the full-year 2016, consolidated net sales were SEK 3,206.5m (2,187.6), corresponding to a year-on-year increase of 46.6%. Growth was driven by both strong organic expansion of 9.7% and a positive effect of acquisitions of 37.4%. The exchange-rate effect was negative at 0.5%.

For the full-year 2016, EBITA amounted to SEK 318.4m (227.3), corresponding to an increase of 40.1%. EBITA excluding items affecting comparability was SEK 352.2m (218.9). During the period, earnings were charged with costs of SEK 33.8m pertaining to listing expenses, restructuring costs relating to ClearCar, termination costs and one-off bonuses for personnel and an earn-out revaluation. EBITA growth was driven by robust organic expansion of 28.1% and a positive effect of acquisitions totalling 27.9%.

Net profit after tax increased 59.2% to SEK 200.5m (125.9) for the full-year 2016. Net profit after tax attributable to the Parent Company's owners increased to SEK 196.2m (92.7) for the year. The minority share of earnings was SEK 4.3m (33.3).

In November 2016, Volati listed common shares and transferred the trading of preference shares to Nasdaq Stockholm. In conjunction with this, 20,862,069 common shares were issued, providing Volati with SEK 1,210m before issue costs.

Companies that were acquired or divested during the year are included from the date of acquisition or divestment, or from the date that controlling influence was transferred.

Cash flow

Cash flows from operating activities totalled SEK 285.2m (247.0). The cash conversion rate was 89.1% (94.3) for the full-year 2016. The year-on-year change in cash flows was mainly attributable to an increase in tied-up working capital as a result of a lower share of deferred income for Tornum and increased inventories at Tornum and the Trading Business Area. Investments in non-current assets in the business units amounted to SEK 33.4m (68.5) and pertained primarily to ongoing investments in machinery and the development of certain products and systems. Sales of financial fixed assets totalled SEK 10.0m (3.4) and pertained to cash received from the vendor's mortgage from the sale of Sandberg & Söner. Cash flow from financing activities totalled SEK 158.9m (472.4). Cash flow from financing activities was mainly impacted by funds raised from the new issue and the concurrent redemption of loans. Total cash flows for the full-year 2016 were SEK 160.5m (59.3).

Development expenditure

The Group's expenses for research and development that are dependent on the nature of the project and operations are either expensed on an ongoing basis or capitalised and amortised over the course of their expected economic life. In accordance with the IFRS, development expenditure of SEK 13.4m (45.6) was capitalised in the balance sheet during the year. The development expenditure stems primary from product development that occurred within Corroventa. In addition, the Group's earnings were charged with development expenditure totalling SEK 1.8m in profit or loss.

Employees

The average number of employees during the year, calculated as full-time equivalents (FTEs), was 1,122 (908).

Equity

Total equity for the Group amounted to SEK 2,257.5m (1,050.9) at the end of the period. The change in Group equity was mainly attributable to the new issue in November, which resulted in an increase in equity of SEK 1,169.3m after issue costs and comprehensive income for the year less the dividend paid to shareholders. During the year, equity increased SEK 106.3m as a result of the remeasurement of non-controlling interests in conjunction with the restructuring of me&i ownership and the acquisition of an 18% minority holding in Volati Parts, which is the parent company of the Trading Business Area. During the year, equity attributable to the Parent Company's shareholders adjusted for preference share capital increased from SEK 141.7m at 31 December 2015 to SEK 1,411.7m at 31 December 2016.

As a result of the new issue, the equity ratio increased slightly to 69.6% compared with 37.2% at the end of 2015. The new issue completed in November 2016 meant an increase in equity in parallel with a reduction in borrowing. The increase in equity meant that the average return on adjusted equity for the full-year 2016 was 25.1% (42.6).

Net debt

Following the new issue in November 2016, the external bank financing was settled. At the end of the year, the Group had net cash of SEK 264.5m compared with a net debt of SEK 756.2m at 31 December 2015. Total liabilities amounted to SEK 985.7m compared with SEK 1,774.9m at 31 December 2015. At the end of the year, interest-bearing liabilities including pension provisions were SEK 129.4m compared with SEK 1,042.5m at 31

» December 2015.

At the end of the year, the unutilised portion of the overdraft facility amounted to SEK 200m, the unutilised portion of the revolving credit facility was SEK 550m, and cash and cash equivalents totalled SEK 370.7m.

In addition, Volati issued preference shares at a nominal amount of SEK 850m, which was classified as equity. Preference shares are entitled to receive a quarterly dividend payment of SEK 10.00 per share.

Volati's financing agreements comprise customary terms and conditions, known as covenants, from Volati's bank. In accordance with the loan agreement, the existing financial covenants stipulate specific levels that net debt in relation to EBITDA and EBITDA in relation to net interest income may not exceed. Volati AB has not breached any covenants during the year.

Future performance

Volati is not issuing any financial forecasts for next year's performance. The assessment is that Volati is financially well-prepared for 2017 and that it has the financial capacity to continue pursuing operations in accordance with its established strategy, which also enables further acquisitions of businesses during 2017, if the right opportunity should appear.

Shareholders

Volati AB's common shares and preference shares have been listed on Nasdaq Stockholm since November 2016. At the end of the year, the number of shareholders was 6,289. At year-end, the largest shareholders comprised the founders Karl Perlhagen and Patrik Wahlén, who held 42.77% and 23.64% of the votes in the company, respectively.

2017 AGM

Volati AB's 2017 AGM will be held at 16.00 on 18 May 2017 at Nalen, David Bagares Gata 17, Stockholm. The doors to the AGM premises will open at 3.45 p.m.

Events after the balance-sheet date

No significant events took place after the balance-sheet date.

Proposed appropriation of profits

The Board of Directors proposes that:	SEK
Retained earnings	323,905,252.97
Net profit	76,233,419.75
Share premium reserve	2,435,847,098.10
Be appropriated as follows:	
Shareholders be paid a total of SEK 0.50 per common share	40,203,285.50
Shareholders be paid a total of SEK 40.00 per preference share	64,150,960.00
To be carried forward:	2,731,631,525.32

The Board of Directors' statement about the proposed appropriation of profits

The proposed dividend reduces the Parent Company's equity ratio from 65% to 63%. With the company's underlying operations, the equity ratio continues to be managed profitably and satisfactorily. The company's liquidity is deemed to be maintainable at a similar satisfactory level. The Board's understanding is that the proposed dividend will not prevent the company from fulfilling its short or long-term obligations, or from implementing any requisite investments.

Risks and uncertainties.

Volati's financial position is dependent on a number of risks that are partly financial – in the form of financing risk, interest-rate risk, credit risk and currency risk – and partly operational, in the form of, for example, business units' operations, as well as legal and regulatory risks.

Financial risks.

Credit risks

Credit risk entails exposure to losses in cases where a counterparty cannot honour its financial obligations to the Group. If these counterparties cannot fulfil their financial obligations to the Group, it could have an adverse impact on the company's operations, financial position and earnings. At 31 December 2016, the Group's accounts receivable amounted to SEK 301.7m (290.2).

Liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment obligations when they are due without a significant increase in the cost of obtaining the funds. Volati's available liquidity amounted to SEK 370.7m at 31 December 2016. In addition, Volati has unutilised credit facilities totalling SEK 550.0m and an unutilised portion of overdraft facilities totalling SEK 200.0m. Should the company's sources of financing prove to be insufficient, this could have a material negative impact on the Group's operations, earnings and financial position.

Refinancing risk and financial obligations in credit agreements

Volati is dependent on obtaining financing through creditors. The company's financing needs comprise operating activities and preparedness for possible future investments.

The availability of financing depends on factors such as the general availability of risk-bearing capital and the Group's credit rating.

Interest-rate risk

Interest-rate risk refers to the risk that changes in interest rates will affect Volati's interest expenses. In the longer term, changes in interest rates have a material

» effect on Volati's earnings and cash flow.

The Group's total interest expenses for loans for the 2016 financial year were SEK 33.5m (34.3) and the average interest rate on bank loans at 31 December 2016 was 2.5%. Should the prevailing interest-rate levels change and/or the company fail to pay interest in the future, the company's operations, earnings and financial position could consequently be adversely impacted.

Risks related to currency risks

Currency risk is defined as changes in exchange rates that have an impact on the company's earnings and which occur in conjunction with transactions in foreign currency, which arise when the Group conducts purchases and sales in foreign currency, and when assets and liabilities are held in foreign currencies. When consolidating foreign subsidiaries, the currency of each country is translated into Swedish kronor, which could have a negative impact on the Group's financial position. A considerable portion of the purchasing is from suppliers located in countries with a different currency, while many sales to customers are in a different currency. Accordingly, future currency fluctuations could adversely impact the Group's earnings and financial position. Volati is primarily exposed to USD, EUR and NOK. USD is a consequence of a portion of the Group's purchases transacted in this currency, but revenue in USD is considerably lower. EUR and NOK, because net purchasing is significantly lower than revenue in EUR. From time to time, the business units may use financial instruments to temporarily hedge their cash flows. See also Note 20 for currency exposure specification.

Macroeconomic risks.

Macroeconomic factors

Demand for Volati's products and services is impacted to a great extent by macroeconomic factors that are beyond Volati's control. Factors in the global capital market and the economy as a whole, such as changes in disposable income, consumption, corporate investments, volatility and capital market sentiment, as well as inflation, affect the business and economic climate. A weakening of these conditions in all or some of the markets where the Group is active could entail material adverse effects on the company's operations, earnings and financial position.

Risks related to the acquisition and transfer of companies

A significant portion of Volati's strategy consists of growth by acquisition, which either complements or broadens the Group's existing holdings. There is a risk that Volati may not be able to identify suitable acquisition targets or implement acquisitions on acceptable terms. Corporate acquisitions are also attached to considerable risks in relation to the acquired company. The target company may be subjected to, for example, customer losses, regulatory difficulties or unforeseen fees following the completion of the acquisition. This may require additional capital contributions from Volati or failure to deliver the expected return. Integration costs may also turn out to be higher than expected or Volati may have paid more than what the acquired object is worth. Furthermore, there is a risk of expected synergies or optimisation effects failing to materialise or to be realised to the expected extent, which could have a negative impact on Volati's operations, earnings and financial position.

Operational risk
Several of Volati's business units are dependent on one or more places of business and/or distribution and warehouse facilities. If such a place of business or facility should be destroyed or closed for some reason, for example, due to storms, floods, other natural disasters, riots, work blockades and industrial actions, fire, sabotage, acts of terrorism or government interventions, or if operating equipment or inventory should be significantly damaged, the business unit concerned would probably have difficulties in distributing its products and/or services.

Political risks
Volati has operations in 16 countries and, to a varying extent, the political and societal development of these countries has an impact on the Group. A key component of the Group's business and customer offering comprises the EU's internal market, meaning the common market and free movement of goods, services, capital and individuals within the EU. Changes in the internal market's method or operation, or turbulent political or societal conditions in Volati's markets, could adversely impact Volati's operations, earnings and financial position.

Disputes
There is a risk of the Group being involved in future disputes. The outcome of such potential disputes may lead to significant expenses for Volati, adversely impact Volati's reputation and interfere with the senior management's focus on other activities. If Volati were to be held responsible in a dispute, it could have a material negative impact on the company's operations, earnings and financial position.

Regulatory risks.

Competition and anti-trust regulation issues
To the extent that the Group is deemed to have acted in conflict with applicable anti-trust regulations, it could result in fees and other sanctions for the parties involved, for example, in the event that a business unit in some context is deemed as abusing its position of dominance or participating in illicit anti-competitive collaborations. In conjunction with acquisitions and divestments, the company cooperates with counterparties and their advisors to perform analyses and report on issues pertaining to competition law and other change-of-ownership issues to competition authorities and other relevant government authorities. In the event that such an analysis is inadequate and/or the competition authorities or other authority calls into question the transactions, analyses and/or reports, this could result in fees for the parties involved and, in certain cases, the invalidation of implemented transactions.

Tax-related risks
Volati pursues its operations through business units located in a number of countries and is impacted by the applicable tax regulations at any time in these countries. These include corporate tax, property tax, value-added tax, regulations pertaining to the tax-free disposal of

» shares, other governmental and municipal duties and interest deductions and subsidies.

The Group's tax situation is also impacted by whether its intra-Group transactions are deemed to be priced at market rates.

Amended tax regulations

Tax regulation is subject to constant change and a review is currently underway on issues such as the rules on interest-deduction limitation. At present, it is uncertain how a future proposal on limitation regulations might be formulated and when these regulations may come into force. Other changes in the regulatory framework that governs corporate tax and other taxes and duties could also impact the conditions of the Group's business and thus impact its earnings. Such decisions or changes could, potentially with retroactive effect, to a significant extent adversely impact the Group's earnings and financial position.

Altered legal conditions

Laws, directives or ordinances, or their new interpretations, that concern Volati's operations could be introduced from time to time, which could result in increased administrative costs for the Group, or in the Group being forced to implement changes to its legal structure, or in a service or product offering being required to be changed or discontinued. This could result in cost increases or other unfavourable consequences, such as a deteriorated tax situation or reduced sales revenues, for the company and its shareholders. Such risks could have negative consequences on the Group's operations, earnings and financial position.

Political risks

The Group's business is exposed to general political and societal risks comprising potential government intervention and regulations or potential inflation or deflation in the countries where it has operations.

Product liability, product recall and project liability

Some of the business units manufacture products that, if used incorrectly, could cause personal injury or damage to a customer's property. The business units could subsequently be exposed to product liability and subjected to requirements on product recall in the event that the use of the relevant company's products cause, allegedly cause or are suspected of potentially causing harm to individuals or property. Volati does not have any control of how the products are actually used, and end customers may use them in a manner that causes personal injury or damage to property. There is a risk that faults in the Group's products or the actual usage of the products could result in product liabilities, which in turn could result in significant financial obligations and negative publicity, which could have an adverse impact on the company's financial position and earnings. Although Volati is well-covered by customary liability and product liability insurance, there is a risk that Volati's insurance coverage may be limited due to, for example, limitations of amounts and excess requirements.

Intellectual property rights
The business unit's intellectual property rights comprise registered patents and patent applications, registered brands and brand applications, registered designs and domain names. The Group's operations are not deemed to be directly dependent on any individual intellectual property rights. However, there is a risk that competitors may, in various ways, call into question or circumvent the Group's protection of industrial property, which could adversely impact the Group's or the relevant business unit's operations.

Environmental impact
Volati's subsidiaries pursue some operations that are hazardous and subject to notification requirements. Some of these companies are also operating on properties that have a certain degree of environmental contamination, and some of the operations have pursued activities on properties that were contaminated due to past activities on those properties.

Corporate Governance Report.

Volati AB is a public limited liability company with privately owned common shares and preference shares listed on Nasdaq Stockholm. The governance and control of Volati is exercised by shareholders through general meetings of shareholders and otherwise by the Board, the CEO and other management individuals. Governance and control are based on the Swedish Companies Act, the Articles of Association, Nasdaq First North's Rulebook for Issuers and the Swedish Corporate Governance Code (the "Code"), as well as internal rules and regulations. Since, during the year, Volati's preference share was listed on Nasdaq First North until its transfer to Nasdaq Stockholm, Volati has applied the Code throughout 2016. Volati believes that it has adhered to the Code during the year without exception. The company's auditors have performed a statutory review of the corporate governance report.

General meeting.

The general meeting is Volati's highest decision-making body, and shareholders exercise their influence over the company by participating in general meetings. The annual general meeting (AGM) is held annually within six months of the end of the financial year. At the AGM, the financial statements are adopted and resolutions are passed regarding the appropriation of the company's profit, elections and remuneration of Board members and auditors and other matters to be addressed at the AGM by law. Notice to attend the AGM and any extraordinary general meetings must be given in accordance with the Articles of Association. Shareholders wishing to have matters considered at the AGM should submit their proposals inwriting to info@volati.se or to Volati AB (publ), Att: CFO, Engelbrektsplan 1, SE-114 34 Stockholm, Sweden. To be certain that a proposal will be included in the notice of the meeting, requests must be submitted not later than seven weeks prior to the AGM. Further information on how and when to provide notice to attend will be published in advance of the AGM.

Volati's common shares entitle shareholders to one vote per share, while preference shares are entitled to one tenth of a vote per share. Dividends on preference shares are regulated in the Articles of Association and carry preferential rights over common shares. Altogether, preference shares represented 2.0% of Volati's share capital at year-end. Since preference shares are entitled to one tenth of a vote, this means that the share of votes from preference shares in Volati corresponds to 0.2%.

2016 Annual General Meeting.

Resolutions passed at the AGM included the election of a Board, auditor and a dividend of SEK 0.08[1] per common share, corresponding to a total of SEK 23,817,800.64. The AGM also resolved on a dividend of SEK 8.00[1] per preference share, corresponding a total of SEK 64,150,936, to be paid on a quarterly basis with SEK 2.00[1] per share. The AGM authorised the Board of Directors to decide on the acquisition and transfer of the company's own shares in accordance with the Board's proposal. The authorisation means that the Board, pursuant to the following terms and conditions, on one or more occasions during the period until the next AGM, will decide on the acquisition and transfer of such classes of the company's own shares that, at the date that the authorisation is utilised, are being traded on Nasdaq Stockholm.

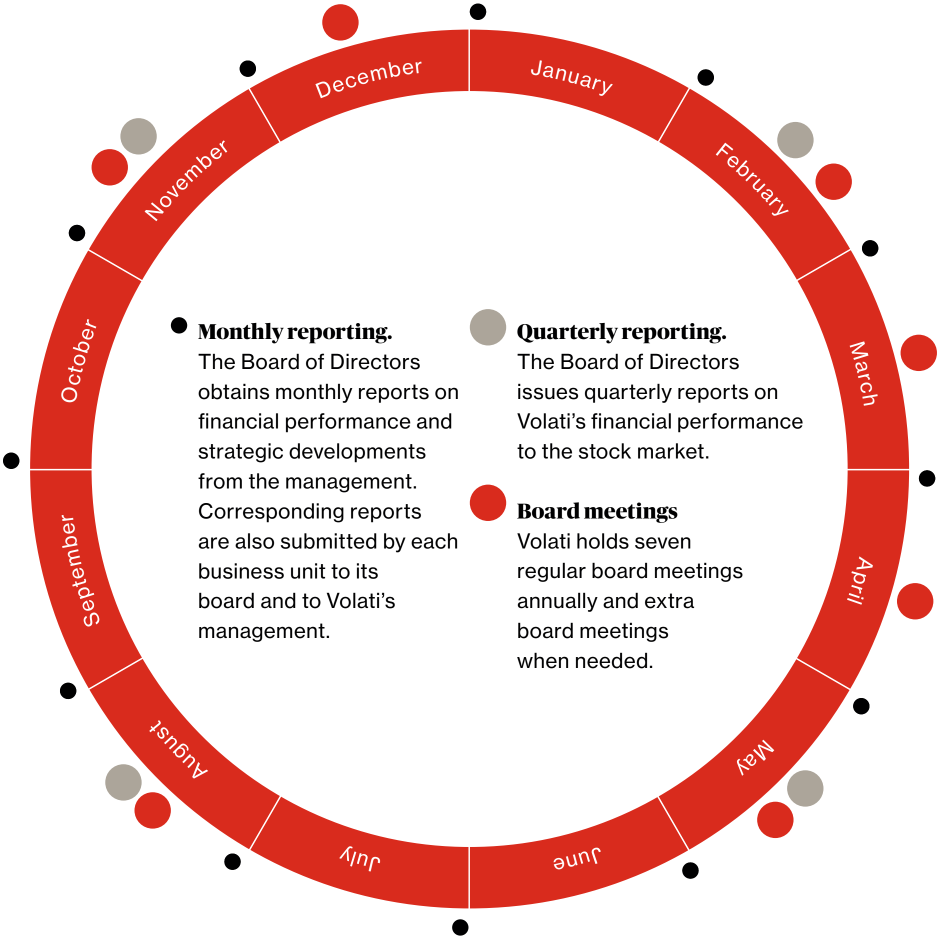
Extraordinary General Meeting 2016

The EGM resolved in accordance with the Board's proposal to reduce the number of shares in the company through a 1:5 reverse split of the company's shares, meaning that every five shares would be consolidated into one share. The EGM also resolved to implement various measures to enable the reverse split to be carried out, including an amendment to the limits set in the Articles of Association with respect to the number of shares in the company and a new issue of a total of three preference shares and two common shares in order to ensure that the number of shares in the company is evenly divisible by five in preparation for the reverse share split. As a result of the reverse split, the dividend on the company's preference share will be adjusted so that the dividend per preference share totals SEK 10.00 per preference share quarterly. The EGM resolved to authorise the Board to make decisions regarding new issues of common shares, with the possibility to disapply the shareholders' preferential rights. The reason for disapplying the shareholders' preferential rights would be to enable payment for acquisitions

[1] Based on the amount calculated per share before the 1:5 reverse split that took place in September 2016.

Clear and methodical follow-up.

Volati has an annual calendar scheduling selected topics for discussion by the Board at each Board meeting. Correspondingly, Volati's management has an annual calendar with Board meetings for each business unit.



Monthly reporting.
The Board of Directors obtains monthly reports on financial performance and strategic developments from the management. Corresponding reports are also submitted by each business unit to its board and to Volati's management.

Quarterly reporting.
The Board of Directors issues quarterly reports on Volati's financial performance to the stock market.

Board meetings
Volati holds seven regular board meetings annually and extra board meetings when needed.

» of companies or operations to be made using treasury shares or to offer shares to investors in connection with the raising of capital and/or diversification of ownership. In the event that the shareholders' preferential rights are disapplied when issuing new shares, the new share issue is to be conducted at a market rate set by the Board in consultation with the company's financial advisors. The EGM also resolved to elect Christina Tillman to replace Anna-Karin Eliasson Celsing as a Board member.

The Board and the Board's work

The Board's overall task is to manage the company's affairs and to be responsible for the company's organisation on behalf of shareholders. The Board's work is led by the Chairman of the Board. The Board holds an annual statutory meeting following the AGM. In addition to this, the Board is to meet at least five times annually. At the statutory Board meeting, the Chairman of the Board is appointed, the company's signatories are appointed, and the Board's formal work plan, the terms of reference for the CEO and the Board's instructions regarding reporting to the Board (what is referred to as the "reporting instruction") are reviewed and adopted. At the company's Board meetings, the company's financial situation, acquisition-related issues, evaluation of the business units and other relevant issues pertaining to Group companies are addressed. The company's auditor attends and reports at the Board meetings at least once a year and more often when necessary. The Board forms a quorum when more than half of the members are present. At present, Volati's Board consists of five members. In 2016, 19 Board meetings were held in Volati and the participation of the Board members throughout the year is presented in the table below. During the year, Anna-Karin Celsing stepped down from the Board, due to securing external employment that could entail a conflict of interest. »

COMPOSITION OF THE BOARD

Namn	Assignment	Elected in	Independent from the company	Independent to major shareholders	Total fee SEK m	Present at meetings during 2016[2]
Karl Perlhagen	Chairman	2003	No	No	0.0	19
Patrik Wahlén[1]	Member, Chairman Investment committee	2006	No	No	0.0	19
Björn Garat	Member	2015	Yes	Yes	0.2	19
Louise Nicolin	Member	2016	Yes	Yes	0.1	13
Christina Tillman	Member	2016	Yes	Yes	0.1	9
Anna-Karin Celsing	Member	2015	Yes	Yes	0.1	10

[1] Patrik Wahlén does not receive any board fees due to his concurrent employment at Volati AB.
[2] Anna-Karin Celsing was present at all meetings until she stepped down from the position in September 2016. Christina Tillman took up her position from September 2016 and was present at all subsequent meetings. Louise Nicolin was present at the 2016 AGM and present at all subsequent meetings.

PHOTO: TOBIAS OHLS

1. Karl Perlhagen

Board member since 2003 and Chairman of the Board since 2006. Born in 1970. Until 10 October 2016, Karl Perlhagen was employed at Volati as a senior advisor. Business and Economics studies at Lund University.

Other assignments: Chairman of the Board of Fridhems Intressenter Gladan AB, Fridhem Fastighetsutveckling Stockholm AB and Fridhem Grönskogen AB, Board member of Italo Invest AB (as well as assignments in subsidiaries of Italo Invest AB) and Ullna Golf Aktiebolag.

Shareholding in the company: 34,440,000 common shares and 204,174 preference shares (via companies).

2. Björn Garat

Board member since 2015. Born in 1975. BSc in International Economics from Linköping University.

Other assignments: CFO and Deputy CEO at AB Sagax (as well as assignments in subsidiaries of AB Sagax), Board member of Manolo Holding AB and Paco Holding AB, and deputy Board member of LMG Distribution Aktiebolag.

Background: Partner and Head of Corporate Finance at Remium Nordic AB and financial analyst. CFO and Deputy CEO at AB Sagax since 2012.

Shareholding in the company: 1,820 preference shares (via pension insurance).

3. Christina Tillman

Board member since September 2016. Born in 1968.
BSc in Business and Economics from Stockholm University.
Other assignments: Chairman of the Board of House of Dagmar AB, Board member of Coop Sverige AB, Corem Property Group AB, Corem Logistik Holding AB (publ) and Tobin Properties AB, and deputy Board member of Kattvik Financial Services Aktiebolag and Stocksunds Fastighet AB.
Background: Christina Tillman's previous roles include CEO of Odd Molly and CEO of Gudrun Sjödén Design.
Shareholding in the company: 6,000 common shares.

4. Patrik Wahlén

Board member since 2006. Born in 1969. Patrik Wahlén is employed at Volati as a senior advisor and is Chairman of the Investment Committee.
Business and Economics studies at Lund University.
Other assignments: Deputy Board member of Italo Invest AB (as well as subsidiaries of Italo Invest AB) and Wahlén & Partner AB.
Background: Patrik Wahlén founded Volati in 2003 together with Karl Perlhagen. He has previously worked for Kemira Group and Ernst & Young Management Consulting AB.
Shareholding in the company: 19,391,782 common shares and 10,129 preference shares.

5. Louise Nicolin

Board member since May 2016. Born in 1973.
MSc Engineering from Uppsala University and MBA from the Stockholm School of Business.
Other assignments: Chairman of AB Better Business World Wide, Board member of VBG Group AB (publ), Enzymatica AB (publ) and Dellner Couplers Aktiebolag.
Background: Since 2000, Louise Nicolin has run Nicolin Consulting AB, focusing on business development and quality assurance. Previously worked as Business Unit Manager and Consultant Manager at PlantVision AB.
Shareholding in the company: 1,000 common shares.

» The Board has resolved to perform an annual evaluation of the Board's work, through which Board members will have the opportunity to offer their views on work forms, Board materials, their own and other members' efforts, as well as the scope of their assignment. According to the evaluation, Board work is deemed to be functioning excellently. All Board members are deemed to be contributing in a constructive manner to strategic discussions and company governance, and the discussions are open and dynamic in their nature. The dialogue between the Board and management is also deemed to be excellent.

Audit Committee.
The Board has resolved to not establish a separate audit committee, but that the Board as a whole will fulfil the tasks that such a committee would have under the Code. These obligations mainly include the following tasks:

- Monitoring the company's financial reporting and providing recommendations and proposals to ensure the reporting's reliability.
- With regard to the financial reporting, monitoring the efficiency of the company's internal control, internal audit and risk management.
- Staying informed of the audit of the annual accounts and the consolidated accounts and the Supervisory Board of Public Accountants' quality control.
- Addressing the issue of the manner in which the audit contributed to the reliability of financial reporting and the Board's specific functions.
- Auditing and monitoring the auditor's impartiality and independence and thereby noting, in particular, whether the auditor provides the company with services other than audit services.
- Assisting in the preparation of proposals for resolution at general meetings regarding the appointment of auditors.
- Preparing the Board's decisions in the matters above.

Remuneration Committee.
The Board has resolved not to establish a remuneration committee, for the reason that the Board considers it more appropriate that the Board as a whole fulfils the assignments incumbent on the remuneration committee in accordance with the Code.

In terms of remuneration matters, this entails that the Board will:

- prepare decisions in matters concerning guidelines for remuneration and other terms of employment for senior executives,
- monitor and evaluate ongoing programmes and programmes concluded during the year for the variable remuneration of senior executives, and
- monitor and evaluate the outcome of variable remuneration and manner in which the company applies the guidelines to senior executives, as adopted by the general meeting.

Investment Committee.
The Board has established an Investment Committee. The Investment Committee includes Board member and Chairman Patrik Wahlén, CEO Mårten Andersson and the company's Investment Director, Voria Fattahi. The Investment Committee's primary task is to examine

and quality-assure the decision data pertaining to acquisitions and divestments. In addition, the Committee has been delegated an investment and divestment mandate that authorises it to make decisions on the acquisition and divestment of shares or operations, of up to SEK 50m per acquisition or divestment, for the Group as a whole.

The Board appoints the members and Chairman of the Investment Committee, which is to comprise a minimum of three and maximum of five members. The Investment Committee meets as necessary, and minutes of the meeting are kept and included as material for the next Board meeting.

Nomination Committee

The 2016 AGM resolved to approve instructions for the establishment of a nomination committee. Pursuant to these instructions, the Nomination Committee is to comprise at least three members, of which one should be the Chairman of the Board. The other members are appointed by means of the Chairman of the Board offering each of the two largest shareholders – based on Euroclear Sweden AB's list of registered shareholders at the last banking day of September of the current year – the possibility of appointing a representative to be a member of the Nomination Committee.

The Chairman of the Nomination Committee should be the member representing the largest shareholder by votes unless the members agree otherwise. However, the Chairman of the Board may not be the Chairman of the Nomination Committee. At least one of the Nomination Committee's members should be independent, either in relation to the largest shareholder of the company in terms of votes, or to a group of shareholders that collaborates with respect to the company's management. Changes in the composition of the Nomination Committee may occur due to shareholders who have appointed a member to the Nomination Committee selling all or part of their shareholdings in the company.

The composition of the Nomination Committee is to be announced a minimum of six months prior to the AGM. The Nomination Committee's mandate period extends until a new nomination committee has been appointed. The Nomination Committee prepares and submits proposals to the general meeting on: the Chairman of the general meeting, Board members, Chairman of the Board, Board fees to each of the Board members and the Chairman of the Board, and other remuneration for Board assignments, fees for the company's auditor and, where applicable, proposals on the choice of auditors. In addition, the Nomination Committee prepares and submits proposals to the general meeting regarding principles for the composition of the Nomination Committee.

In connection with the issue of the interim report for the third quarter of 2016, the company announced the formation of the Nomination Committee, comprising: Carin Wahlén (Chairman) representing Patrik Wahlén, Nicklas Granath representing Norron Fonder, and Karl Perlhagen as Chairman of the Board.

Audit

An auditor is appointed annually by the AGM. The auditor is assigned to

» review, on behalf of shareholders, Volati's annual report and consolidated accounts, the Board of Directors and CEO's management, and the corporate governance report. The audit process and auditor's report are presented at the AGM. At the 2016 AGM, Öhrlings PricewaterhouseCoopers (PwC) was elected as the auditing firm until the next AGM. PwC has appointed Niklas Renström as auditor-in-charge. Auditor's fees are paid in accordance with separate agreements made in accordance with the AGM's resolutions. In 2016, the Parent Company's auditor's fees totalled SEK 0.4m, while the Group's totalled SEK 3.6m. In addition, expenses for other audit assignments totalled SEK 4.4m. Fees to auditors other than PwC totalled SEK 0.4m.

Volati's operational model.

Volati's operational model is based on the decentralised governance of its business units, which entails day-to-day decision-making at the operations level, with limited involvement by Group management. The Group's strategy and governance model is based on the vision to be the best owner of medium-sized companies, which is to be achieved by preserving the companies' independence while the Group supports and creates long-term conditions conducive to change.

This is mainly accomplished through six areas: decentralised leadership, corporate governance, strategic capital allocation, strategic HR, expertise and business tools, as well as support in connection with acquisitions. Volati has a flexible organisation that facilitates fast decision-making and a decentralised governance model that encourages a high level of entrepreneurship in the business units, creates a clear framework of responsibilities and allows for Volati's continued growth with limited central resources. Volati believes that decentralised leadership is a key success factor to a scalable business model that comprises several business units operating within a variety of industries. A distinct emphasis on local entrepreneurship engenders conditions favourable to efficient and well-founded decisions. In order to secure value creation throughout Volati, a vision and a long-term strategy are developed for each business unit. The long-term strategy is made tangible through action plans and clear financial targets that are continuously monitored. The financial target for each business unit is focused on value creation and includes aspects such as growth, EBITA or EBITDA margins, cash conversion and return on capital employed or return on working capital.

A decentralised leadership entails considerable responsibility and confidence in the business units' management teams, not only to deliver results, but as upholders of Volati's values. The fulfilment of goals is ensured by the creation of clear incentives, such as through partnership, and by enabling career opportunities for the Group's employees.

Corporate governance at Volati

To support and create conditions for value creation in a decentralised business model, Volati focuses on maintaining a high level of professional corporate governance within the Group.

Group management governs, controls and monitors the Group's operations, primarily by appointing heads of business areas, as well as managing directors and boards for several of the business units, and by continuously monitoring developments through customary Board work and the monthly reports of respective business units. The boards of the business units typically comprise one or more persons from Group management, the head of the business area and, where applicable, external board members. The chairman of a business unit's board is either Volati's CEO or the head of the business area.

The board is convened in accordance with a carefully planned meeting calendar aimed at maximising the business unit's long-term potential together with retained profitability, even in the short-term perspective. Four annual board meetings that deal with various topics are combined with monthly reports to follow up strategic and financial targets.

In addition to a well-established calendar of board meetings, Volati introduces a structured model for following up results that permeates the entire Group and each business unit. Monthly directors' reports and meetings are complemented by informal contacts between Group management and business-unit management on a daily basis, continuous risk assessment of the business unit, and annual assessments of profitability, market outlook and long-term strategy. Group management and the head of the business area jointly hold monthly status meetings with the respective business unit's managing director and CFO, to follow up on the business unit's financial development and strategic initiatives.

CEO and management group

Volati's CEO is responsible for the company's continuous management in accordance with the rules of the Swedish Companies Act, as well as the instructions to the CEO and the reporting procedures established by the Board. The CEO's responsibilities include acquisitions and divestments, human resources, financial and accounting matters, and continuous contact with the Group's stakeholders and the financial market. In addition, the CEO is to prepare delegation regulations for the Group's senior executives, and to employ, dismiss and establish the terms and conditions for such (within the scope of the guidelines adopted by the AGM).

The CEO reports to and implements the resolutions passed by the company's Board. The CEO is to ensure that the Board, in accordance with current reporting instructions, receives requisite information to make well-founded decisions. The CEO shall also ensure that the Board is presented with matters that must be addressed by the Board under applicable legislation, the Articles of Association and internal policies and guidelines. The CEO attends and presents reports at all Board meetings, except on the occasions that the CEO is under evaluation by the Board and when the Board meets exclusively with the company's auditor without the presence of members of company management.

The CEO has appointed the Group management, which has continuous responsibility for various operational aspects. Group management comprises the CEO, Volati's CFO, Head of Business Development and Investment Director. Group management meets regularly to

Group management.

1. Pär Warnström

Head of Business Development since 2013. Born in 1980.
Qualifications: BSc in Business and Economics from the Stockholm School of Economics and studies at the Royal Institute of Technology in Stockholm.
Other assignments: Member of the Board of Konstapel Stockholm AB.
Background: Pär previously worked at General Electric and Occam Associates.
Shareholding in the company: Option with the right to acquire 50,000 common shares.

2. Voria Fattahi

Investment Director since 2015. Born in 1982.
Qualifications: BSc in Business and Economics from the Stockholm School of Economics and MBA from INSEAD.
Other assignments: Board member of Vostok Emerging Finance Ltd.
Background: Voria previously worked at Investment AB Kinnevik, Apax Partners and JP Morgan.
Shareholding in the company: 140 preference shares and warrants entitling subscription for 834,914 common shares.

3. Mattias Björk, CFO

CFO since 2009. Born in 1975.
Qualifications: Master of Laws and BSc in Business and Economics from Lund University.
Other assignments: Deputy Board member of VQ Legal AB, deputy Board member of Virtual Intelligence VQ AB, deputy Board member of VQ Systems AB and deputy Board member of Ridderwold

Bygg & Design AB.
Background: Mattias previously worked at Modern Times Group MTG AB, Investment AB Kinnevik and Invik & Co AB.
Shareholding in the company: 2,166,705 common shares and 1,887 preference shares.

4. Mårten Andersson, CEO

CEO since 2014. Born in 1971.
Qualifications: BSc in Business and

PHOTO: TOBIAS OHLS

Economics from Lund University and completed the General Manager Program at Harvard Business School
Other assignments:
Background: Mårten previously served as CEO of Försäkringsbolaget Skandia and has held a number of international positions at Skandia.
Shareholding in the company: 2,511,532 common shares and 1,887 preference shares.

Senior executives:

Mårten Sundberg

Head of Trading since 2016. Born in 1958.
Qualifications: BSc in Business and Economics from Lund University.
Other assignments: Chairman of PGA Sweden National
Background: Mårten has worked as CEO of the Trading Business Area's subsidiary since 2000 and served as CEO of Lomond Industrier since 2010. Mårten Sundberg previously held a number of international positions in the French listed company SOMFY.
Shareholding in the company: Option with the right to acquire 50,000 common shares.

Nicklas Margård

Head of Consumer since 2016. Born in 1969.
Qualifications: BSc in Business and Economics from Lund University and MBA from Concordia University in Montreal, Canada.
Other assignments: Board member of Micvac AB.
Background: Nicklas has served as CEO of Besikta Bilprovning since 2014 and been a Board member of Tornum since 2005. He previously worked as CEO of John Bean Technologies AB and was responsible for JBT Foodtech's Asian operations.
Shareholding in the company: 115,000 common shares and option with the right to acquire 200,000 common shares.

» manage and monitor current projects and financial developments, and to address personnel-related and organisational matters. Group management also holds meetings on overall strategy once a year to analyse the Group's risks and follow-up on the Group's control functions.

Guidelines and principles for the remuneration of senior executives.
The 2016 AGM passed resolutions on guidelines for the remuneration of individuals who were senior executives at the date of the AGM. The guidelines will apply to employment contracts that are included following the AGM's approval of the guidelines and to changes in existing employment contracts that are signed thereafter.

The basic principle is that remuneration and other employment terms and conditions to management must be competitive in order to ensure the Volati Group's ability to attract and retain competent senior executives. The management's fixed remuneration is to be competitive and based on the individual's experience, areas of responsibility and performance. Management is not to receive any variable remuneration. Other forms of remuneration and benefits, such as pension benefits, company car and health insurance, are to be at market rates. Severance pay may total a maximum of 12 months' salary. No compensation for termination shall apply.

The Board is entitled to deviate from the above guidelines if it is justifiable by special circumstances in individual cases. Any such deviations from the guidelines are to be reported at the next AGM. Following the 2016 AGM, Volati's corporate governance was changed through the introduction of business areas and, therewith, business area managers were created and have been designated as senior executives. However, the business area manager's terms and conditions are not encompassed by the guidelines for senior executives that were set by the 2016 AGM, since their terms of remuneration existed prior to their appointments as business area managers.

Internal controls and risks
In accordance with the Swedish Companies Act, the Board is responsible for the internal control and governance of the company. To maintain and develop a well-functioning control environment, the Board has established a number of fundamental documents of significance to financial reporting. These include the Board's formal work plan, the terms of reference for the CEO and the reporting instructions. In addition, an established structure with continuous supervision is requisite to a functioning control environment. Responsibility for the day-to-day work of maintaining the control environment primarily rests with the company's CEO. The CEO regularly reports to the company's Board in accordance with current reporting instructions and the procedures presented below.

Volati proceeds from the definition of risk as "A future event that threatens the company's ability to achieve its Vision, Business Concept, Objectives and Strategy (VAMS)." Volati and the business units are to individually conduct an annual assessment of overall risks, with the aim of identifying, evaluating and managing risks that threaten the Group's vision, business concept, objectives and strategy. The risk assessment is to be performed by the management of each company, within the framework of strategic risk categories, as well as operational, compliance and financial risks.

Identified risks are analysed based on the following three criteria:

1. Impact on the business concept, vision and objectives. The rating scale has an interval from "low" to "high."
2. The probability that the risk will occur within the planning period. The rating scale has an interval from "unlikely" to "likely."
3. The efficiency of existing control activities is qualitatively evaluated, in accordance with separate instructions.

The risks are documented in a uniform format. The business unit's management annually presents an updated risk analysis to its board and the company's Group management. Based on the business units' reporting, the CEO identifies the risks impacting the Group's business concept, vision and objectives. The CEO presents an updated risk analysis to the company's Board annually. Significant changes in the risk situation or major risk exposures are reported to each board concerned. An action plan with respect to the risks of highest priority is also presented to the respective business unit's board, and the company's Group management and Board.

The company's Group management and respective business units are to establish a number of control activities that counteract the risks of greatest significance identified by the analysis, with the aim of ensuring a pertinent level of control. These control activities serve as a basis for the minimum level of control that must be established and function within the Group and each business unit.

The Group and each business unit are to maintain a list of identified risks and the control activities that must be established in order to counteract such risks, as well as a description of the follow-up on the efficiency of such control activities.

A self-assessment on minimum requirements is conducted annually and reported to the boards of each business unit. The managing director of each business unit is responsible for the self-assessment process. The CEO is to create an annual summary of the principal conclusions of the business units' self-assessments to the company's Board.

Volati has not appointed any internal audit function, as this is deemed unnecessary for maintaining internal control. Instead, the corresponding assignment will be implemented by management, the Boards and external auditors.

Process for financial reporting.
Volati has a Group-wide reporting system, Ocra, for all its business units. The business units also have separate accounting systems that are customised to their respective operations. Each business unit reports on a monthly basis via Ocra.

1 Reporting from the business units.
Volati has a fixed schedule for financial reporting, through which all the companies submit a complete monthly report package comprising earnings, balance

» sheet, cash flow, specific notes, employment matters and investments. In addition, qualitative comments are submitted from each business unit or business area. The reporting is implemented based on the relevance of each business unit or business area, with the aim of allowing for efficient follow-up and analysis. The report package adheres to laws, regulations and accounting practices. Volati works continuously to provide training to the business units and to further develop the reporting process, in order to streamline the processes and improve data for the analysis of operations in a cost-efficient manner.

2 Qualitative comments from the business units.
Each unit submits monthly qualitative comments on developments in the past month, pertaining to financial performance and specific strategic initiatives. The reports are submitted to Volati's management and to each business unit's Board. Group management and the head of the business area jointly hold monthly status meetings with the respective business unit's managing director and CFO, to follow up on the business unit's financial development and strategic initiatives.

3 Reconciliation.
When Volati has received the reports, reconciliation is performed in order to ensure that the reporting was correctly performed and implemented in a technically correct manner. Reconciliation is performed on Volati's consolidated accounts.

4 Analysis.
Volati's management analyses the reports based on the available knowledge about each business unit and, jointly with the head of the business area, holds monthly status meetings with the respective business unit's managing director and CFO, to follow up on the business unit's financial development and strategic initiatives.

5 Consolidation.
Any discovered deviations from the compilation of legal and operational monitoring or analysis and reconciliation work are rectified following a dialogue with the business unit. The consolidation process comprises the reconciliation of equity, intra-Group transactions, investments and cash flow.

6 Reporting to the Board.
Volati's management reports to the Board of Directors on a monthly basis concerning the Group's financial development, information about the Group's development, financial position, ongoing projects and some specific key metrics. The Board of Directors continuously monitors financial performance against Volati's financial targets. The Board obtains more comprehensive materials prior to each scheduled Board meeting, which, depending on theme of the Board meeting, may contain additional in-depth data about relevant issues.

7 External reporting (quarterly).
Volati publishes quarterly reports and press releases. The Annual Report is printed and sent to all major shareholders, employees, subscribers and other stakeholders, as well as to potential acquisition targets and business partners. Past financial reports are available from the company's website.

8 Auditing.
PwC is the auditor of the Parent Company and Group as a whole. Although the business units engage PwC as their local auditor, there are exceptions for some of the business units' minor subsidiaries that are based outside of Sweden. In the autumn, auditors perform a review of internal controls and management, which is presented to the business units and Volati's management. For the year-end report, an audit is performed in December and the auditors are present on location for stocktaking. Meetings are also held with Volati's accounting function to discuss assessment items and other relevant issues during the audit of the year-end report. The auditor submits significant auditors' notes to the Board of Directors. In 2016, the auditor participated in three Board meetings. The audit reporting process comprises a traffic-light system through which observations can be graded according to the level of risk, materiality and control. Each business unit implements measures to ensure that the auditors' notes are addressed. At the next auditing of internal controls and management, the auditor follows up to ensure that the measures have been taken.

Consolidated income statement.

SEK m	Note	2016	2015
Operating revenue			
Net sales	3	3,206.5	2,187.6
Operating costs			
Raw materials and supplies		-1,526.0	-933.1
Other external costs	7	-515.8	-413.0
Personnel costs	6	-771.0	-582.1
Depreciation/amortisation and impairment		-84.4	-60.2
Other operating revenue	2	3.7	18.4
Other operating costs	2	-11.9	-3.3
Capital gain on divestments of subsidiaries	4	–	0.0
EBIT		**301.0**	**214.3**
Financial income and costs			
Financial income	8	19.0	22.6
Financial costs	8	-66.3	-75.6
Profit before tax		**253.8**	**161.3**
Tax	9	-53.3	-35.4
Net profit		**200.5**	**125.9**
Net profit attributable to:			
Parent Company's owners		196.2	92.7
Non-controlling interests		4.25	33.3
Earnings per common share, SEK	10	2.07	1.37
Earnings per common share after dilution, SEK	10	2.06	1.37

Consolidated statement of comprehensive income.

SEK m	Note	2016	2015
Net profit		200.5	125.9
Other comprehensive income			
Remeasurement of net pension obligations		-0.7	–
Deferred tax pertaining to net pension obligations		0.2	–
Translation differences for the year	20	49.1	-33.7
Other comprehensive income for the year		**48.5**	**-33.7**
Total comprehensive income for the year		249.0	92.2
Total comprehensive income for the year attributable to:			
Parent Company's owners		244.0	76.9
Non-controlling interests		5.0	15.3

Consolidated statement of financial position for the 2016 and 2015 financial years

SEK m	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Intangible assets	11	1,840.3	1,688.6
Tangible fixed assets	12	191.0	180.2
Financial fixed assets	13	4.1	13.3
Other non-current marketable securities	13	3.7	7.0
Deferred tax assets	9	42.1	32.8
Total non-current assets		**2,081.2**	**1,921.9**
Current assets			
Inventories	14	386.7	327.7
Accounts receivable	20	301.7	290.2
Tax assets		10.4	13.1
Other current assets		18.1	22.1
Prepaid expenses and accrued income	15	74.4	50.3
Cash and cash equivalents	20	370.7	200.4
Total current assets		**1,162.0**	**903.8**
Total assets		**3,243.2**	**2,825.8**
EQUITY AND LIABILITIES			
Equity	1		
Share capital		10.3	5.3
Other capital contributions		1,994.8	828.1
Other reserves		34.4	-13.9
Retained earnings including net profit		200.3	150.4
Non-controlling interests		17.7	81.1
Total equity		**2,257.5**	**1,050.9**
Liabilities			
Non-current interest-bearing liabilities	16, 20	54.0	908.1
Pension provisions		2.5	1.8
Contingent liabilities	18	6.4	4.9
Deferred tax liabilities	9	123.7	111.7
Other non-current non-interest-bearing liabilities	20	80.0	66.3
Total non-current liabilities		**266.6**	**1,092.8**
Current interest-bearing liabilities	16, 20	73.0	132.6
Deferred income	17	56.3	45.9
Accounts payable		267.4	238.7
Tax liabilities		34.6	27.6
Other current liabilities		111.6	83.4
Derivatives	20	–	4.1
Accrued expenses and deferred income	19	176.3	149.9
Total current liabilities		**719.1**	**682.1**
Total liabilities		**985.7**	**1,774.9**
Total equity and liabilities		**3,243.2**	**2,825.8**

For information about the Group's pledged assets and contingent liabilities, refer to Note 22.

Consolidated cash-flow statement for the 2016 and 2015 financial years.

SEK m	Note	2016	2015
Operating activities			
Profit after financial items		253.8	161.3
Adjustments for non-cash items			
Depreciation/amortisation and impairment		84.4	60.2
Capital loss on sale of non-current assets		-0.7	-0.8
Unrealised exchange-rate differences		-12.6	8.0
Unrealised interest-rate and currency derivatives		–	-2.7
Earn-out revaluation		8.2	-8.4
Impairment of financial assets		3.0	–
Reversal of financial items		37.9	39.8
Other provisions		1.5	0.4
Total adjustments for non-cash items		**121.6**	**96.4**
Interest paid		-39.2	-45.0
Interest received		0.5	1.2
Income tax paid		-41.5	-18.5
Cash flows from operating activities before changes in working capital		**295.2**	**195.5**
Cash flows from changes in working capital			
Change in inventories		-28.8	17.9
Change in operating receivables		-1.1	-16.4
Change in operating liabilities		20.0	50.0
Cash flows from changes in working capital		**-10.0**	**51.4**
Cash flows from operating activities		**285.2**	**247.0**
Investing activities			
Investments in tangible and intangible assets	3, 11, 12	-33.4	-68.5
Divested tangible and intangible assets		1.4	1.4
Investments in subsidiaries	4	-261.4	-605.8
Investments in financial assets		-0.2	-4.5
Divested financial assets		10.0	3.4
Divested subsidiaries	5	–	14.1
Cash flow from investing activities		**-283.6**	**-660.0**

SEK m	Note	2016	2015
Financing activities			
Shareholders' contributions		24.3	12.9
New issue of preference shares		–	823.1
New issue of common shares		1,175.8	–
Warrants issue		1.0	–
Dividend paid on preference share		-64.2	-48.1
Dividend paid on common share		-24.5	–
Redemption of pension liability		–	-77.6
Borrowings		43.1	115.3
Repayment of borrowings		-996.6	-353.2
Cash flow from financing activities		**158.9**	**472.4**
Cash flow for the year		**160.5**	**59.3**
Opening cash and cash equivalents		200.4	156.2
Exchange-rate differences in cash and cash equivalents		9.8	-15.1
Closing cash and cash equivalents		**370.7**	**200.4**

Consolidated statement of changes in equity.

SEK m	Share capital	Other capital contributions	Other reserves	Retained earnings incl. net income	Non-controlling interests	Total equity
Opening balance 1 Jan 2015	5.1	–	1.8	119.1	73.5	199.4
Net profit	–	–	–	92.7	33.3	125.9
Other comprehensive income	–	–	-15.7	–	-18.0	-33.7
Total comprehensive income	–	–	-15.7	92.7	15.3	92.2
Dividends	–	–	–	-72.2	-7.9	-80.2
New issue of preference shares	0.2	828.1	–	–	–	828.3
Remeasurement of non-controlling interests	–	–	–	6.1	-58.4	-52.3
Shareholders' contributions	–	–	–	5.9	58.0	63.9
Other transactions with owners	–	–	–	-1.1	0.7	-0.5
Closing balance 31 Dec 2015	**5.3**	**828.1**	**-13.9**	**150.4**	**81.1**	**1,050.9**

SEK m	Share capital	Other capital contributions	Other reserves	Retained earnings incl. net income	Non-controlling interests	Total equity
Opening balance 1 Jan 2016	5.3	828.1	-13.9	150.4	81.1	1,050.9
Net profit	–	–	–	196.2	4.3	200.5
Other comprehensive income	–	–	48.3	-0.5	0.7	48.5
Total comprehensive income	–	–	48.3	195.7	5.0	249.0
Dividends	–	–	–	-88.6	–	-88.6
Quotient value, issued common shares	2.6	1,166.7	–	–	–	1,169.3
Non-cash issue	2.4	–	–	69.0	-71.6	-0.2
Warrants issue	–	–	–	1.0	–	1.0
Shareholders' contributions	–	–	–	19.4	4.4	23.8
Remeasurement of non-controlling interests	–	–	–	-104.7	-1.6	-106.3
Other transactions with owners	–	–	–	-41.8	0.4	-41.3
Closing balance 31 Dec 2016	**10.3**	**1,994.8**	**34.4**	**200.3**	**17.7**	**2,257.5**

Notes to the consolidated accounts.

NOTE 1. Accounting policies.

Basis for the financial statements

The consolidated accounts are prepared pursuant to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU for application within the EU. The Swedish Financial Reporting Board's recommendations, RFR 1 and RFR 2, are also applied.

No amendments to the IFRS have entailed any material changes to the consolidated accounts between the years 2015 and 2016. A number of new standards and interpretations have come into force for financial years commencing after 1 January 2017, but have not been applied in the preparation of this financial report. None of these are expected to have any material impact on the Group's financial reporting, with the exception of those listed below:

IFRS 15 Revenue from Contracts with Customers regulates the manner in which revenue is to be recognised. IFRS 15 is based on principles aimed at providing the users of financial statements with more relevant disclosures about the company's revenue. The expanded requirement entails the obligatory disclosure of information about the nature, timing and uncertainty of revenue and cash flows attributable to the company's customer contracts. Under IFRS 15, revenue is to be recognised when the customer obtains control of the sold goods or services and has the opportunity to use or obtain the benefits from the goods or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts, and the associated SIC and IFRIC. IFRS 15 came into force on 1 January 2017. Advance application is permissible. The standard has been adopted by the EU. The Group is currently evaluating the impact of the new standard and identifying areas that could be affected. At present, the Group is unable to provide a quantitative assessment of the impact of the new rules on the financial statements. The Group will conduct a detailed assessment over the forthcoming year.

IFRS 16 Leases requires all assets and liabilities attributable to leasing agreements, with a few exceptions, to be recognised in the balance sheet. This report is based on the approach that the lessee is entitled to use an asset during a specific period of time while simultaneously being liable to pay for this right. The lessor's accounting procedures will remain essentially unchanged. IFRS 16 replaces IAS 17 Leases and the associated interpretations, IFRIC 4, SIC 15 and SIC 27. The standard is applicable for financial years commencing on 1 January 2019 or later. Advance application is permissible. The standard has been adopted by the EU. The standard will mainly affect the reporting of the Group's operating leases. At the balance-sheet date, the Group's non-cancellable operating leases amounted to SEK 467.4m, see Note 21. However, the Group has yet to evaluate the extent to which these commitments will be recognised as assets and liabilities and how this will impact the Group's results and classification of cash flows. Certain commitments could be included in the exemptions for short-term and low-value leases, and certain commitments could pertain to arrangements that should not be recognised as leases under IFRS 16. For further information on the company's lease commitments, including their maturity structure, refer to Note 21.

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, and introduces new hedge accounting rules. It replaces those parts of IAS 39 that address the classification and measurement of financial instruments and introduces a new impairment model. The standard has been adopted by the EU. The standard is applicable for financial years commencing on 1 January 2018 or later.

Volati's assessment is that IFRS 9 will not have any material impact on the Group's accounts.

Consolidated accounts

Subsidiaries are companies that are under Volati AB's controlling influence.

Subsidiaries are recognised in accordance with the acquisition method. This method entails that the acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The consolidated cost is determined on the basis of an acquisition analysis performed when the acquisition takes place. The analysis determines the fair value, on the acquisition date, of acquired identifiable assets and assumed liabilities and contingent liabilities. The acquisition values of subsidiary shares and operations comprise the fair values, at the transfer date, of the assets, incurred or assumed liabilities, and issued equity instruments submitted as consideration in exchange for the acquired net assets, as well as transaction costs directly attributable to the acquisition. Acquisition-related costs are expensed as they are incurred. For business combinations where the cost exceeds the net value of acquired assets plus assumed liabilities and contingent liabilities, the difference is recognised as goodwill. When the difference is negative, this is recognised directly in profit or loss.

Acquisition and divestment of companies

For acquisitions, subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group. The revenue and expenses of companies divested during the year are included in the consolidated income statement, until the date that the controlling influence ceases.

Transactions eliminated on consolidation

Intra-Group receivables and liabilities, income and expenses, and unrealised gains or losses arising from intra-Group transactions are eliminated in their entirety.

Foreign currency

Transactions

Transactions in foreign currency are translated to the functional currency at the exchange rate on the date of the transaction.

Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate on the balance-sheet date. Translation differences arising from the translations are recognised in other comprehensive income. Changes in value due to currency translation with respect to operational assets and liabilities are recognised in profit or loss.

Non-monetary assets and liabilities that are recognised at historical cost are translated to the exchange rate of the transaction date. Non-monetary assets that are recognised at fair value are translated into the functional currency at the prevailing exchange rate on the date of the fair-value measurement. Exchange-rate fluctuations are then recognised in the same manner as other changes in value with respect to the asset or liability.

The following rates were used for the translation of the principal currencies:

	2016		2015	
	Closing rate	**Average rate**	**Closing rate**	**Average rate**
EUR	9.639	9.470	9.190	9.356
NOK	1.068	1.020	0.957	1.047
USD	9.249	8.561	8.441	8.435

Financial statements for foreign operations

Assets and liabilities in foreign operations, including goodwill and other consolidated surpluses and deficits are translated into SEK in accordance with the exchange rate prevailing at the balance-sheet date. The revenue and costs of a foreign operation are translated into SEK in accordance with the average exchange rate that constitutes an approximation of the rates at each transaction date. Translation differences arising from the translation of foreign operations are recognised in other comprehensive income and accumulated in the translation reserve recognised in equity.

Revenue recognition

Revenue recognition occurs when the material risks and advantages associated with the companies' goods are transferred to the buyer and it is probable that the financial benefits will be transferred to the company. In addition, revenue is recognised only when the revenue and the expenses that have been incurred or are expected to be incurred as a consequence of the transaction can be calculated in a reliable manner.

Revenue and costs from fixed-priced assignments are recognised in the period that the services were rendered. The revenues are calculated by establishing the degree of completion of the particular assignment, meaning the extent the overall assignment has been completed.

Interest income is recognised distributed over the duration with the application of the effective-interest method. When the value of a receivable declines, the Group reduces the recognised value to the recoverable value, which comprises the expected future cash flow, discounted by the original effective interest of the instrument, and continues to redeem the discounting effect as interest income. Interest income on impaired loans is recognised at the original effective interest rate. Dividend income is recognised when the right to receive dividends has been established.

Financial income and costs

Items such as dividends, interest, costs for securing financing, cash-handling expenses, redemption fees for credit-card processing and exchange-rate fluctuations with respect to financial assets and liabilities are recognised under net financial items. Capital gains/losses and impairment of financial assets are also recognised under net financial items. Changes in value with respect to financial assets are measured at fair value through profit or loss, including derivatives that, due to hedge accounting, are not recognised under other comprehensive income.

In addition, payments with respect to finance leases are divided between interest expenses and capital repayments. Interest expenses are recognised as financial costs.

Intangible assets

Goodwill

If the acquisition of an operation results in any positive differences between the cost and the fair value of the acquired assets, assumed liabilities and contingent liabilities, the difference constitutes goodwill.

Goodwill is measured at cost less any accumulated impairment. Goodwill is tested annually for any need for impairment. Goodwill arising from the acquisition of associated companies is included in the recognised value for participations in associated companies.

Capitalised development expenditure

Development expenditure that is directly attributable to the development and testing of identifiable and unique products, as well as business systems that are controlled by the Group, is recognised under intangible assets when the following criteria are met:

- it is technically possible to complete the product so that it can be used,
- the company's intention is complete the product and to use or sell it,
- the potential to use or sell the product exists,
- how the product will generate probable future financial benefits can be demonstrated,
- adequate technical, financial and other resources are available for completing the development and for using or selling the product, and
- the expenditure that is attributable to the product and its development can be reliably calculated.

Following initial recognition, internally created intangible assets are recognised at cost less accumulated amortisation and any accumulated impairment. Amortisation commences when the asset is usable.

Other development expenditure that does not meet these criteria is expensed as it arises.

Other intangible assets

Other intangible assets acquired by the Group are recognised at cost less impairment and, if the asset has a determinable useful life, accumulated amortisation.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the intangible assets' estimated useful life.

Intangible assets with a finite useful life are amortised as from the date the asset is available for use.

The estimated useful lives are:

	Number of years
Patents	5
Brands	10–20
Technology	3–10
Customer relationships	20
Customer databases	5
Capitalised development expenditure	3–7

Tangible fixed assets

Owned assets

Tangible fixed assets are recognised as assets in the balance sheet when it is probable that future financial benefits will accrue to the Group and the cost of the asset can be reliably calculated.

Tangible fixed assets are recognised in the Group at cost less accumulated depreciation and any impairment. Cost includes the purchase price and costs directly attributable to transporting the asset to the site and putting it in the condition intended by the acquisition. Examples of directly attributable costs included in the acquisition value are the costs for delivery and handling, installation, registration, and consultancy and legal services.

Tangible fixed assets that consist of components with varying useful lives are treated as separate components of tangible fixed assets.

The carrying amount of a tangible asset is derecognised from the balance sheet on disposal through disposal or divestment, or when no future financial benefits are expected from the use or scrapping/divestment of the asset. Gains or losses arising from the sale or disposal of an asset consist of the difference between the selling price and the asset's carrying amount less direct selling expenses. Gains and losses are recognised as other operating revenue/costs.

Leased assets

Leases are classified in the consolidated accounts as either finance or operating leases. Finance leases exist when the financial risks and benefits associated with ownership are essentially transferred to the lessee. If this is not the case, the lease is deemed to be an operating lease.

Depreciation methods

Depreciation is implemented on a straight-line basis over the estimated useful life of the asset; land values are not depreciated. The Group applies component depreciation, which entails that depreciation is based on the components' estimated useful lives.

	Number of years
Buildings	20–50
Machinery and equipment	3–10

An asset's residual value and useful life is tested annually.

Calculation of recoverable amounts

The recoverable amount is the highest of the fair value less selling expenses and value in use. For a detailed description, refer to Note 12 below.

Reversal of impairment

Impairment of goodwill is not reversed.

Impairment on other assets is reversed if a change has been made to the assumptions on which the calculation of the recoverable amount was based. An impairment is only reversed to the extent that the carrying amount of the asset after reversal does not exceed the carrying amount that the asset would have had if no impairment had been implemented, with respect to the depreciation/amortisation that should have been implemented.

Financial assets and liabilities

Financial instruments that are recognised in the balance sheet include derivatives, cash and cash equivalents, securities, other financial receivables, accounts receivable, loan receivables, accounts payable and loans payable. Accounts receivable and loan receivables are initially measured at fair value, while subsequent measurements are at amortised cost.

Financial assets are derecognised from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred essentially all risks and benefits associated with ownership. A financial liability is derecognised from the balance sheet when the contractual obligation has been fulfilled or otherwise extinguished.

Cash and cash equivalents

Cash and cash equivalents comprise cash, as well as immediately available balances at bank and corresponding financial institutions, short-term liquid investments and vendor's mortgages with a term of less than three months from the date of procurement that run no real risk of fluctuations in value.

Accounts receivable and loan receivables

Accounts receivable and loan receivables are financial assets with fixed payments or with payments that can be fixed, and which are not listed in an active market. These assets are measured at amortised cost. Amortised cost is determined based on the effective interest rate calculated at the acquisition date. Accounts receivable have short remaining terms and are thus measured as nominal amounts without discount.

This category includes accounts receivable, loan receivables and other receivables. Accounts receivable are recognised at the amount expected to be paid, less individual assessments of doubtful receivables. Impairments of accounts receivable are recognised under operating costs.

With respect to loan receivables and other receivables, if the expected holding period exceeds one year, the receivables are to be classified as non-current receivables, or otherwise as other receivables.

Securities and financial receivables

Securities and financial receivables that are intended for long-term holding are recognised at acquisition cost. Impairments are implemented if permanent depreciation is established. Short-term financial holdings are recognised at cost, which essentially corresponds to the market value. All transactions are recognised at the settlement date.

Financial liabilities/borrowings

Borrowings are initially recognised at fair value, net after transaction costs. Borrowings are subsequently recognised at amortised cost, and any differences between the amount received (net after transaction costs) and the repayment amount are recognised in profit or loss distributed over the term of the loan applying the effective-interest method.

Option to sell for non-controlling interests

Agreements signed with non-controlling interests that entitle such owners to sell shares in the company at fair value. The agreement, put option and corresponding purchase price for the shares are recognised as liabilities. When remeasuring the liability, the change in value is recognised in equity. When a sell option is initially recognised as a liability, equity is reduced by its corresponding fair value, and Volati has chosen, in the first instance, to recognise it against the equity of non-controlling interests and, if this should be insufficient, against equity attributable to the Parent Company's owners.

Derivatives

Volati utilises derivatives to cover risks pertaining to interest-rate and exchange-rate fluctuations. Exchange-hedging measures are taken for commercial exposures within the framework of each subsidiary's financial policy. Interest-rate hedging is implemented through financial interest-rate swaps, whereby Volati signs agreements to deliver a cash flow corresponding to a remaining term with fixed interest of about one year, while receiving a floating interest during the term of the financial contract.

All derivatives are recognised at fair value in the balance sheet. Changes in value arising from remeasurements may be recognised differently, depending on whether or not the derivative is classified as a hedging instrument.

If the derivative is not classified as a hedging instrument, a change in value is recognised directly in profit or loss. If the derivative is classified as a hedging instrument, a change in value is recognised in other comprehensive income.

To fulfil the requirements of hedge accounting pursuant to IAS 39, there must be a distinct connection to the hedged item. The hedge must also efficiently protect the hedged item, documentation must be created and the efficiency must be shown to be sufficiently effective through efficiency measurements. The outcome of hedges is recognised in profit or loss concurrently to the recognition of the hedged items.

If hedge accounting is interrupted prior to the derivative's maturity date, the derivative's change in value is shifted to fair value, to be recognised directly in profit or loss.

Equity

For a specification of share capital trends, refer to the Volati Share section of this Annual Report. Transaction costs that are directly attributable to new share issues are recognised in net amounts after tax in equity as a deduction from the issue proceeds.

Reserves

The translation reserve encompasses all exchange-rate differences that arise when translating the financial statements of foreign operations that have prepared their reports in a currency other than the presentation currency in the consolidated financial statements. The company and the Group present their financial statements in Swedish kronor (SEK).

Retained earnings, including net profit

The earnings of the company and its Group companies are included in retained earnings including net profit for the year.

Preference Shares

The preference shares issued in May 2015 are entitled to prioritised dividends of SEK 40 per preference share (with quarterly payments of SEK 10). Following the resolution of the General Meeting, the preference shares are redeemable at a fixed amount that is tapered from SEK 725 per share until the fifth anniversary of the issue to SEK 675 per share until the tenth anniversary of the issue and to SEK 625 per share for the period thereafter.

Inventories

Inventories are measured at the lower of cost or net realisable value.

The cost is calculated in accordance with the first-in-first-out principle, or using methods based on the weighted average, less reasonable obsolescence provisions. Proprietarily developed finished and semi-manufactured items are measured at the item's manufacturing cost plus a reasonable portion of indirect costs.

The net realisable value is the estimated selling price in operating activities, less estimated completion costs and selling expenses.

Remuneration to employees

Liabilities with respect to fees for defined-contribution plans are recognised as a cost in profit or loss as they arise.

Provisions

A provision is recognised in the balance sheet when the Group has an existing legal or informal obligation as a result of an event that has occurred, and it is probable that an outflow of financial resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the effect of when payment occurs is significant, provisions are calculated by discounting the expected future cash flow using an interest rate before tax that reflects current market assessments of the monetary value over time and, if appropriate, the risks related to the liability.

Tax

Income tax comprises current tax and deferred tax. Income taxes are recognised in profit or loss except when the underlying transactions are recognised directly in equity, whereupon the associated tax effect is recognised under equity.

Deferred tax is calculated based on the difference between the carrying amount and the tax value of assets and liabilities. Measurement is based on the tax rates and tax regulations that are determined or announced on the balance-sheet date.

Deferred tax assets relating to deductible temporary differences and loss carryforwards are only recognised to the extent that it is probable they will be utilised in the next few years. The value of the deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

Contingent liabilities

A contingent liability is recognised when there is a possible commitment originating from events that have occurred and whose occurrence is confirmed only by one or several uncertain future events or when there is a commitment that is not recognised as a liability or provision because it is not probable that an outflow of resources will be required.

Segment reporting

The Group’s operations are governed and reported on a per business-area basis. Segments are consolidated in accordance with the same principles as the Group in its entirety. Operating segments are reported in a manner that corresponds to the internal reporting submitted to the chief operating decision maker. The chief operating decision maker is the function that is responsible for the allocation of resources and assessment of the operating segments’ results. In the Group, this function has been identified as the CEO. The CEO reports the Group’s financial performance to the Board at business-area level and, accordingly, both internal and external reporting correspond. The segments’ earnings represent their contribution to the Group’s earnings. A segment’s assets include all the operational assets utilised by the segment and primarily comprise intangible assets, tangible fixed assets, inventories, external accounts receivable, other receivables, prepaid expenses and accrued income. A segment’s liabilities include all the operational and interest-bearing liabilities utilised by the segment and primarily comprise provisions, deferred tax liabilities, external accounts payable, other current liabilities, accrued expenses and deferred income. Undistributed assets and liabilities primarily include the company’s assets, liabilities and Group eliminations of intra-Group transactions.

NOTE 2. Other operating revenue and operating costs.

Other operating revenue	2016	2015
Earnings from the sale of machinery and equipment	1.2	0.5
Insurance compensation	0.2	0.0
Damage compensation	–	6.0
Earn-out revaluation	–	8.4
Exchange-rate effects	1.2	2.2
Other	1.1	1.3
	3.7	**18.4**

Other operating costs	2016	2015
Earnings from the sale of machinery and equipment	-1.2	-0.6
Exchange-rate effects	-0.5	-1.4
Charitable donations	-1.8	-0.9
Earn-out revaluation	-8.2	–
Other	-0.2	-0.4
	-11.9	**-3.3**

NOTE 3. Segment reporting.

Net sales[1]	2016			2015		
	External net sales	Internal net sales	Net sales	External net sales	Internal net sales	Net sales
Trading	1,492.0	0.7	1,492.7	647.0	1.2	648.2
Industry	782.2	–	782.2	702.2	–	702.2
Consumer	932.2	–	932.2	838.4	–	838.4
Divested operations	–	–	0.0	–	–	–
Internal eliminations	–	-0.7	-0.7	–	-1.2	-1.2
	3,206.5	**0.0**	**3,206.5**	**2,187.6**	**0.0**	**2,187.6**

Distribution of revenue, 2016[1]

Net sales	Sale of goods	Services	Equipment leasing	Other	Total
Trading	1,492.0	–	–	0.0	1,492.0
Industry	667.0	35.7	64.6	15.0	782.2
Consumer	353.3	574.2	–	4.6	932.2
	2,512.3	**609.9**	**64.6**	**19.6**	**3,206.5**

Distribution of revenue 2015[1)]

Net sales	Sale of goods	Services	Equipment leasing	Other	Total
Trading	646.5	–	–	0.5	647.0
Industry	633.5	25.0	34.6	9.1	702.2
Consumer	358.9	475.0	–	4.5	838.4
	1,638.9	**500.0**	**34.6**	**14.1**	**2,187.6**

Net sales by country[1)]	**2016**	**2015**
Sweden	2,303.2	1,601.4
Norway	402.3	221.2
Finland	178.3	140.1
Germany	120.9	76.1
Poland	41.4	51.8
Denmark	73.6	37.7
UK	29.5	18.2
Ukraine	6.8	14.0
France	27.7	13.7
Hungary	9.5	6.7
Austria	5.5	4.4
Russia	7.4	1.5
Romania	0.3	0.8
Hong Kong	0.1	–
	3,206.5	**2,187.6**

EBITDA[1)]	**2016**	**2015**
Trading	131.6	56.1
Industry	161.0	110.8
Consumer	167.7	132.5
Items affecting comparability	-33.8	8.4
Central costs	-41.1	-33.3
EBITDA	**385.4**	**274.5**

EBITA[1)]	**2016**	**2015**
Trading	121.3	49.9
Industry	135.1	86.2
Consumer	137.6	117.1
Items affecting comparability	-33.8	8.4
Central costs	-41.8	-34.2
EBITA	**318.4**	**227.3**
Amortisation attributable to acquired surplus values	-17.4	-12.9
Net financial items	-47.2	-53.0
Profit before tax	**253.8**	**161.3**
Tax	-53.3	-35.4
Net profit	**200.5**	**125.9**

EBIT[1]	2016	2015
Trading	115.9	47.8
Industry	133.8	85.0
Consumer	127.0	107.4
Items affecting comparability	-33.8	-25.9
Central costs	-42.0	–
	301.0	**214.3**

Depreciation/Amortisation[1]	2016	2015
Trading	15.7	8.3
Industry	27.2	25.7
Consumer	40.6	25.1
Parent company/Other	0.9	1.0
	84.4	**60.2**

	2016	2016	2015	2015
Assets[1]	**Total assets**	**Of which tangible and intangible assets**	**Total assets**	**Of which tangible and intangible assets**
Trading	1,597.3	739.8	1,256.3	657.1
Industry	1,064.1	616.1	707.3	386.1
Consumer	1,269.4	940.6	1,416.2	870.1
Undistributed assets	-687.7	-265.3	-554.0	-44.5
	3,243.2	**2,031.2**	**2,825.8**	**1,868.8**

Liabilities[1]	2016	2015
Trading	1,401.9	1,185.4
Industry	911.7	670.8
Consumer	1,191.9	1,139.9
Undistributed liabilities	-2,519.8	-1,221.3
	985.7	**1,774.9**

Investments[1]	2016	2015
Trading	6.7	3.6
Industry	13.3	18.8
Consumer	12.7	45.4
Parent company/Other	0.7	0.8
	33.4	**68.5**

1) The business areas include acquired entities from the acquisition date. Refer to the separate note regarding acquisitions completed during the respective periods.

NOTE 4. Corporate acquisitions.

2016

During the full-year 2016, Volati acquired four companies: Ventotech AB, Pagnol Gruppen AB, ClearCar AB and Lantbutiken AB. Moreover, Volati signed agreements to acquire label printing assets with transfer in the first quarter of 2017.

Ventotech was acquired 1 March 2016 and comprises an add-on acquisition to Corroventa's operations in the Industry Business Area which provides patents, systems and know-how regarding controlled ventilation of confined spaces, such as unheated attics, to avoid moisture damage. The acquisition allowed the strengthening of Corroventa's offering to construction and decontamination companies in the Nordic region. In 2015, Ventotech AB recorded sales of SEK 0.3m.

Pagnol Gruppen AB was acquired 16 May 2016. The acquisition is part of a long-term strategy to broaden activities in the Trading Business Area through a presence in new market segments, thereby broadening the customer base and the product offering in home and garden as well as generating greater leverage of the warehouse and logistics platform. Pagnol Gruppen AB includes Bröderna Berglund AB and Miljöcenter i Malmö AB, which are leading home and garden product suppliers. In 2015, Pagnol Gruppen AB posted sales of about SEK 100m.

ClearCar AB was acquired 8 April 2016. The acquisition of ClearCar was an add-on acquisition to Besikta Bilprovning's operations under the Consumer Business Area. The acquisition strengthened Besikta's position in compulsory inspections of motor vehicles and means increased growth and profitability. ClearCar reported sales of approximately SEK 82m in 2015.

Lantbutiken AB, acquired on 25 July 2016, is a Swedish e-commerce business with products for use in agriculture and by people living in the countryside. Lantbutiken represents an add-on acquisition for the Kellfri business unit, which is operated under the Trading Business Area, and contributes to accelerating Kellfri's transition from physical mail order to e-commerce. Lantbutiken reported sales of approximately SEK 45m for the financial year which ended 30 June 2016.

Since their acquisition, the acquired companies' sales in 2016 were SEK 112.4m, EBITDA totalled SEK 11.3m, EBITA amounted to SEK 6.4m and EBIT was SEK 5.4m. Restructuring costs attributable to the business combinations since the acquisitions of SEK 7.2m were charged to earnings. In addition, transaction costs for the acquisitions of SEK 1.5m were charged to consolidated earnings and integration costs of SEK 3.4m were charged to earnings. If the acquisitions had been consolidated as of 1 January 2016, including the restructuring and integration costs of SEK 10.6m, their contribution to the consolidated income statement for the full-year 2016 would have been: sales of SEK 190.5m; an EBITDA of SEK 2.1m; an EBITA of negative SEK 5.3m and a negative EBIT of SEK 6.2m. Goodwill corresponding to SEK 91.1m that arose in connection with the transactions is the result of several factors that cannot be individually quantified. The most important of these are the synergies that Volati expects to achieve when these add-on acquisitions are merged with existing operations. Goodwill is also attributable to the personnel in the acquired companies.

Balance sheet impact of acquisitions	**Net sales, 2016**	**EBITDA 2016**	**EBITA 2016**	**EBIT 2016**
Trading	90.9	11.5	10.9	10.9
Industry	0.4	0.4	0.4	0.4
Consumer	21.1	-0.5	-4.8	-5.8
The Volati Group	**112.4**	**11.3**	**6.4**	**5.4**

During the fourth quarter Volati acquired the minority holdings in the business unit me&i and the Trading Business Area for a cash flow totalling SEK 121.4m. In the fourth quarter, two smaller holding companies were acquired for a purchase consideration of SEK 12.1m.

Balance sheet impact of acquisitions	**31 Dec 2016**
Intangible assets	39.0
Tangible fixed assets	30.5
Deferred tax assets	17.1
Inventories	25.5
Accounts receivable	19.2
Other receivables	6.1
Cash and cash equivalents	29.8
Deferred tax liabilities	-12.9
Non-current interest-bearing liabilities	-3.4
Current interest-bearing liabilities	-19.5
Current liabilities	-46.7
	85.0
Goodwill	91.1
Acquisition value	**176.1**
Bargain purchases	-5.4
Transactions with owners	121.5
Unpaid earn-out	-0.9
Cash and cash equivalents in acquired operations on acquisition date	-29.8
Impact on consolidated cash and cash equivalents	**261.4**

2015

Acquisition of Lomond Industrier

Volati signed an agreement to acquire the shares of Lomond Industrier AB on 26 June 2015. Through its subsidiary Volati 2 AB, Volati acquired 74% of the shares, and the management of Lomond Industrier together with a previous shareholder acquired the remaining 26%. Volati's indirectly owned shareholding in Lomond Industrier thereby amounts to around 37.1%. Lomond Industrier is a leading supplier of the hardware and home improvement sector, with operations in the Nordic region. The shares were obtained on 17 August 2015. The total sum paid for all of the shares in Lomond Industrier was SEK 525m, of which Volati's share was SEK 389m. Payment was made in full upon completion of the acquisition. In addition to the purchase consideration for the shares, loan financing was also raised for Lomond Industrier to settle previous liabilities. The acquisition had a positive impact on Volati's net sales and earnings during 2015. The transaction costs totalling SEK 4.7m for the acquisition of Lomond Industrier were charged to profit or loss. In 2014, the acquired operations had net sales of SEK 1,052.1m, an EBITDA of SEK 95.6m, an EBITA of SEK 88.6m and an EBIT of SEK 84.1m. Net sales in 2015 after the acquisition date totalled SEK 427.6m, EBITDA was SEK 54.8m, EBITA was SEK 51.9m and EBIT was SEK 50.2m. If Lomond Industrier AB had been consolidated on 1 January 2015, its contribution to the consolidated income statement would be net sales of SEK 1,097.1m for the full-year 2015 and SEK 279.0m for the fourth quarter 2015, SEK 115.7 in EBITDA for the full-year 2015 and SEK 30.0m for the fourth quarter 2015, SEK 107.8m in EBITA for the full-year 2015 and SEK 27.9m for the fourth quarter 2015, and an EBIT of SEK 103.3m for the full-year 2015 and SEK 76.5m for the fourth quarter 2015.

Lomond Industrier's impact on the balance sheet	**31 Dec 2015**
Intangible assets	183.2
Tangible fixed assets	41.8
Deferred tax assets	2.6
Inventories	189.4
Financial assets	0.6
Other receivables	206.7
Cash and cash equivalents	-136.9
Pension provisions	-76.8
Deferred tax liabilities	-26.5
Non-current interest-bearing liabilities	-28.1
Current interest-bearing liabilities	-5.0
Current liabilities	-171.5
	179.5
Goodwill	345.7
Acquisition value	**525.3**

Vendor's mortgages offset against shareholder-loan receivables	-74.3
Cash and cash equivalents in acquired operations on acquisition date	136.9
Impact on consolidated cash and cash equivalents	**587.9**

Other acquisitions

In conjunction with the divestment of Sandberg & Söner, Volati AB acquired shares of Volati 2 AB corresponding to 0.4% of the shares outstanding at a purchase consideration of SEK 1.4m, which reduced non-controlling interests by SEK 0.4m and Group equity by SEK 1.0m. In April 2015, Tornum acquired the operations of Lidköpings Plåtteknik AB for a purchase consideration of SEK 12.2m, which increased the Group's goodwill by SEK 12.3m. Transaction costs of SEK 0.1m for the acquisition of Lidköpings Plåtteknik AB were charged to profit or loss. In 2014, the acquired operations had SEK 16.4m in net sales and an EBITDA of SEK 5.0m. As of the acquisition date, net sales in 2015 totalled SEK 7.0m, EBITDA was SEK 1.1m, EBITA was SEK 1.0m and EBIT was SEK 1.0m. If Lidköpings Plåtteknik AB had been consolidated on 1 January 2015, its contribution to the consolidated income statement would be net sales of SEK 10.3m for the full-year 2015 and SEK 3.4m for the fourth quarter 2015, SEK 1.5 in EBITDA for the full-year 2015 and SEK 1.0m for the fourth quarter 2015, SEK 1.3m in EBITA for the full-year 2015 and SEK 0.9m for the fourth quarter 2015, and an EBIT of SEK 1.3m for the full-year 2015 and SEK 0.9m for the fourth quarter 2015. In December, Volati Finans AB acquired a dormant company for a purchase consideration of SEK 20.3m.

Impact of other acquisitions on the balance sheet	**31 Dec 2015**
Tangible fixed assets	0.7
Deferred tax assets	9.1
Other receivables	0.9
Cash and cash equivalents	16.0
Current liabilities	-0.9
Non-controlling interests	0.4
	26.2
Bargain purchases	-5.6
Transactions with owners	1.0
Goodwill	12.3
Acquisition value	**33.9**
Cash and cash equivalents in acquired operations on acquisition date	-16.0
Impact on consolidated cash and cash equivalents	**17.9**

Impact on consolidated cash and cash equivalents	**2015**
Volati 2	1.4
Other acquisitions	4.3
Lidköpings Plåtteknik	12.2
	17.9

NOTE 5. Divestment of subsidiaries.

No subsidiaries were divested in 2016.

In early 2015, Volati divested the subsidiary group, Sandberg & Söner. The sale of Sandberg & Söner did not result in any capital gain or loss. The divestment had an impact of SEK 12.6m on cash and cash equivalents. In March 2015, the senior management and external board members of NaturaMed Pharma acquired 7.5% of the shares outstanding in NaturaMed Pharma. The sale did not entail any capital gain or loss. The divestment had a positive impact on cash and cash equivalents of SEK 1.5m. In 2014, 4% of the shares in Volati Tryck Holding AB – a holding company for Ettikettoprintcom – were sold to its CEO at that time.

	2016	2015
Intangible assets	–	9.7
Tangible fixed assets	–	14.3
Inventories	–	2.4
Operating receivables	–	7.5
Cash and cash equivalents	–	0.1
Total assets	**–**	**34.0**
Non-controlling interests	–	-1.7
Provisions	–	0.9
Non-current liabilities	–	5.8
Operating liabilities	–	8.2
Total liabilities and provisions	**–**	**13.2**

Impact on consolidated cash and cash equivalents	**2016**	**2015**
Sandbergs	–	12.6
NaturaMed Pharma	–	1.5
	–	**14.1**

NOTE 6. Employees and personnel costs.

	2016			2015		
	Men	Women	Total	Men	Women	Total
Tornum						
Tornum Sweden	41	10	51	40	10	50
Tornum Finland	2	0	2	2	0	2
Tornum Poland	10	4	14	12	3	15
Tornum Hungary	3	0	3	3	0	3
Tornum Romania	7	0	7	7	0	7
Tornum Russia	2	1	3	3	0	3
Tornum Bulgaria	1	0	1	1	0	1
Tornum Ukraine	5	0	5	4	0	4
Lidköpings Plåtteknik	8	0	8	8	0	8
Corroventa						
Corroventa Sweden	27	4	31	28	4	32
Corroventa Poland	1	0	1	1	0	1
Corroventa Germany	13	5	18	12	4	16
Corroventa UK	3	0	3	2	0	2
Corroventa Austria	2	0	2	2	0	2
Corroventa France	3	2	5	3	2	5
Corroventa Norway	1	0	1	2	0	2
Ettikettoprintcom						
Ettikettoprintcom	50	14	64	48	16	64
Ettikettoprintcom Åtvidaberg	22	4	26	22	4	26
Besikta						
Besikta	467	47	514	415	42	457
Meandi						
Meandi AB	0	2	2	0	2	2
Meandi Holding	1	17	18	1	19	20
Meandi AS	0	1	1	0	1	1
Meandi GmbH	1	2	3	0	1	1
Meandi OY	0	1	1	0	1	1
Meandi SC Ltd	0	0	0	0	1	1
NaturaMed Pharma						
NaturaMed Pharma AB	3	5	8	3	5	8
NaturaMed Pharma AS	5	17	22	5	16	21
Pharmapolar AS	1	2	3	0	0	0

	2016			2015		
	Men	Women	Total	Men	Women	Total
Lomond Industrier [1]						
Lomond Industrier AB	67	17	84	24	7	31
Thomée Gruppen AB	23	9	32	9	3	12
Bårebo Nordic AB	12	2	14	3	1	4
Habo Gruppen AB	21	9	30	7	3	10
Habo Denmark	6	1	7	2	0	2
Habo Finland OY	4	2	6	2	1	3
Habo Norge AS	12	5	17	4	2	6
Pagnol Gruppen AB [2]	1	1	2	0	0	0
Miljöcenter i Malmö AB [2]	8	4	12	0	0	0
Kellfri Sweden	33	21	54	44	13	57
Kellfri Denmark	2	0	2	3	0	3
Kellfri Finland	4	0	4	4	0	4
Kellfri Poland	4	1	5	3	1	4
Lantbutiken Sverige AB [3]	1	2	3	0	0	0
Industribeslag AS	6	1	7	3	0	3
B. Sörbö AS	13	1	14	5	0	5
Volati head office	8	4	12	5	3	8
	904	**218**	**1,122**	**742**	**166**	**908**

(1) Lomond Industrier has been consolidated from 18 August 2015 and therefore the number of employees for the period during which it has been consolidated into Volati is shown as full-time equivalents (FTEs).
(2) Pagnol Gruppen and Miljöcenter i Malmö have been consolidated from 17 May 2016 and therefore the number of employees for the period during which they have been consolidated into Volati is shown as FTEs.
(3) Lantbutiken has been consolidated from 26 July 2016 and therefore the number of employees for the period during which it has been consolidated into Volati is shown as FTEs.

	2016		2015	
Distribution of senior executives on balance-sheet date, %	**Men**	**Women**	**Men**	**Women**
Board members	60%	40%	75%	25%
Other members of senior management, including the CEO	100%	0%	100%	0%

Salaries and other remuneration	**2016**	**2015**
Board of Directors and CEO, Sweden	20.0	10.4
Board of Directors and CEO, outside Sweden	6.0	6.4
Other employees, Sweden	413.0	306.3
Other employees, outside Sweden	84.7	77.8
	523.8	**400.9**
Of which bonus payments to Board and CEO	2.8	2.7

Payroll overheads	**2016**	**2015**
Payroll overheads – statutory and by agreement	157.4	115.6
Pension costs for the boards and managing directors	5.4	3.2
Other pension costs	36.5	26.4
	199.3	**145.2**

Remuneration of Volati's Board and senior executives

Volati's Board of Directors 2016	Salaries	Board fees	Other benefits	Pension costs	Total
Karl Perlhagen, Chairman of the Board [1)]	2.0	–	0.0	0.0	2.0
Patrik Wahlén, Board member[2)]	1.6	–	0.0	0.0	1.6
Björn Garat	–	0.2	–	–	0.2
Anna-Karin Eliasson Celsing	–	0.1	–	–	0.1
Louise Nicolin	–	0.1	–	–	0.1
Christina Tillmann [3)]	–	0.1	–	–	0.1

Volati's senior executives 2016	Basic salary	Variable remuneration	Other benefits	Pension costs	Total
Mårten Andersson, CEO	1.4	–	–	0.4	1.8
Other senior executives (5 individuals)	8.9	0.7	0.2	1.4	11.1

Volati's Board of Directors 2015	Salaries	Board fees	Other benefits	Pension costs	Total
Karl Perlhagen, Chairman of the Board [1)]	1.3	–	0.1	–	1.4
Patrik Wahlén, Board member [2)]	1.4	–	0.2	–	1.6
Björn Garat	–	0.2	–	–	0.2
Anna-Karin Eliasson Celsing	–	0.2	–	–	0.2

Volati's senior executives 2015	Basic salary	Variable remuneration	Other benefits	Pension costs	Total
Mårten Andersson, CEO	1.3	–	0.1	0.3	1.7
Other senior executives (3 individuals)	3.3	–	–	0.1	3.4

1) No fees are paid for Board work. The remuneration to Karl Perlhagen pertains to his salary as an executive of the company until autumn 2016.
2) No fees are paid for Board work. The remuneration to Patrik Wahlén pertains to his salary as an executive of the company.
3) Christina Tillmann was elected to the Board in September 2016.

Remuneration to the CEO

Pension terms and conditions

The pension is a defined-contribution plan. There is no contractually agreed age of retirement. The CEO's pension plan is personal, whereby pension provisions are made as per the CEO's personal decision, but the cost of such a pension is deducted from the CEO's salary.

Terms and conditions for severance pay

A mutual notice period of six months applies. Volati AB has no agreements concerning severance pay for the CEO.

Other senior executives

Variable remuneration

Senior executives who are heads of business areas have the possibility of receiving variable remuneration that is adapted to their respective operations. The underlying parameters for their variable remuneration comprise the profitability trend and changes in the return on working capital. No variable remuneration is available to the other senior executives.

Pension terms and conditions

Three of the senior executives have personal pension plans, whereby pension provisions are made as per each executive's personal decision, but the cost of such a pension is deducted from the executive's salary. Separate pension terms are available to senior executives who are heads of business areas, whereby a provision is made each month to a defined-contribution pension based on individual plans. For 2016, the pension premiums amounted to around 30% of pensionable salary. There is no contractually agreed age of retirement.

Terms and conditions for severance pay
Only one of the senior executives has a severance pay agreement, which entitles him to six months' salary as a severance payment. No other senior executives have a severance pay agreement. For the majority of the senior executives, a notice period of six months applies. However, for certain senior executives, a notice period of 12 months applies from the company until the age of 52 and 18 months thereafter.

NOTE 7. Fees and remuneration to auditors.

Öhrlings PricewaterhouseCoopers AB	2016	2015
Audit assignments	3.6	3.4
Tax assignments	0.4	0.4
Other assignments [1]	4.0	2.3
	8.0	**6.1**

Other auditors	2016	2015
Audit assignments	0.4	0.3
Tax assignments	0.0	0.1
Other assignments	–	0.0
	0.4	**0.4**

1) Pertains to services in 2015 ahead of the preference share issue with the costs recognised directly in equity and services in 2016 for SEK 3.7m ahead of the common share issue, of which SEK 1.1m was recognised directly in equity.

NOTE 8. Financial income and costs.

Financial income	2016	2015
Interest income on bank balances	1.1	1.4
Exchange-rate gains	15.0	18.0
Changes in the value of fixed-income derivatives	3.0	2.7
Other financial income	–	0.4
	19.0	**22.6**

Financial costs	2016	2015
Interest expenses on loans	-33.5	-34.3
Interest expenses on finance leases	-2.3	-1.6
Interest expenses on derivative contracts	-3.5	-3.8
Exchange-rate losses	-10.5	-24.8
Other financial costs	-16.5	-11.2
	-66.3	**-75.6**

NOTE 9. Taxes.

	2016	2015
Current tax expense	-50.6	-33.0
Deferred tax	-2.7	-2.4
Tax expense for the year	**-53.3**	**-35.4**

Reconciliation of effective tax	**2016**	**2016**	**2015**	**2015**
Profit before tax	253.8	–	161.3	–
Tax according to applicable tax rate	-55.8	22%	-35.5	22%
Tax in accordance with other tax rates	-2.4	1%	-2.1	1%
Non-deductible costs	-4.4	2%	-1.6	1%
Non-taxable income	0.2	0%	0.8	-1%
Tax, standard interest on allocation reserve	-0.2	0%	-0.3	0%
Temporary differences	-11.2	4%	8.5	-5%
Revaluation of deficits from previous years	22.7	-9%	-1.7	1%
Income tax from previous years	0.5	0%	-1.0	1%
Other	-0.1	0%	-0.1	0%
Recognised effective tax	**-50.6**	**20%**	**-33.0**	**20%**

In 2016, tax recognised in equity was SEK 11.5m (6.1).

Deferred tax	**2016**	**2015**
Tangible and intangible assets	15.4	-4.7
Inventories	0.4	0.5
Untaxed reserves	-5.4	-4.0
Unutilised deficits from previous years	-12.9	6.1
Other temporary differences	-0.2	-0.4
Deferred tax pertaining to temporary differences	**-2.7**	**-2.4**

Deferred tax assets	**2016**	**2015**
Tangible and intangible assets	15.8	0.1
Inventories	1.8	2.1
Unutilised deficits from previous years	21.7	28.9
Other temporary differences	2.8	1.7
	42.1	**32.7**

Deferred tax liabilities	**2016**	**2015**
Tangible and intangible assets	85.3	77.9
Untaxed reserves	37.6	31.8
Other temporary differences	0.8	1.9
	123.7	**111.7**

NOTE 10. Earnings per share.

The calculation of earnings per share for 2016 was based on net profit for the year attributable to the Parent Company's shareholders. The earnings per common share were reduced by the preference shareholders' pro rata share of the dividend attributable to 2016.

Earnings per preference share were distributed based on approved dividends until the 2017 AGM, which entails dividing a portion of the earnings by the number of preference shares. The remaining portion of the net profit for the year totalling SEK 132.1m was divided by the average number of common shares.

	2016	2015
Earnings attributable to Parent Company's owners	196.2	92.7
Deduction for preference share dividend	64.2	37.4
Earnings attributable to Parent Company's owners adjusted for preference share dividend	132.1	55.2
Common shares outstanding	80,406,571	40,400,000
Avg. No. of common shares	63,753,873	40,400,000
Earnings per share	2.07	1.37
Earnings per preference share	40.00	23.33
Avg. No. of common shares after dilution	64,197,604	40,400,000
Earnings per share after dilution	2.06	1.37
Earnings per preference share after dilution	40.00	23.33
Preference shares outstanding	1,603,774	1,603,774

NOTE 11. Intangible assets.

Cost	**Goodwill**	**Patents/ Technology**	**Brands/ Other**	**Capitalised development expenditure**	**Total**
At 1 January 2015	**1,009.4**	**10.3**	**120.5**	**101.4**	**1,241.6**
Investments	–	–	0.4	45.6	46.0
In new companies on acquisition	489.8	–	100.0	0.6	590.4
In divested companies	-22.2	–	–	–	-22.2
Translation differences	-24.0	–	-3.0	–	-27.0
At 1 January 2016	**1,452.9**	**10.3**	**217.9**	**147.7**	**1,828.8**
Investments	–	–	–	13.4	13.4
In new companies on acquisition	91.1	3.2	35.8	–	130.2
Reclassifications	–	–	-0.3	0.3	0.0
Translation differences	48.0	–	3.8	0.0	51.9
At 31 December 2016	**1,592.1**	**13.5**	**257.2**	**161.4**	**2,024.2**
Accumulated amortisation					
At 1 January 2015	**-52.5**	**-8.1**	**-10.4**	**-10.2**	**-81.2**
Amortisation/impairment for the year	–	-1.0	-11.9	-11.7	-24.6
In new companies on acquisition	-49.2	–	–	–	-49.2
In divested companies	12.5	–	–	–	12.5
Translation differences	1.5	–	0.8	0.0	2.3
At 1 January 2016	**-87.7**	**-9.1**	**-21.5**	**-21.8**	**-140.1**
Amortisation/impairment for the year	–	-1.2	-15.0	-24.1	-40.3
Translation differences	-2.4	–	-1.2	0.2	-3.5
At 31 December 2016	**-90.0**	**-10.3**	**-37.8**	**-45.8**	**-183.9**
Carrying amount					
31 Dec 2015	1,365.3	1.2	196.4	125.8	1,688.6
31 Dec 2016	1,502.1	3.2	219.4	115.6	1,840.3

Distribution of the Group's goodwill and other intangible assets with an indefinite useful life	2016		2015	
	Goodwill	Other intangible assets	Goodwill	Other intangible assets
Tornum	42.0	–	42.0	–
Corroventa	84.1	–	83.3	–
Ettikettoprintcom	91.4	5.0	91.4	5.0
Besikta	298.2	–	264.8	–
me&i	199.9	18.5	193.0	18.5
NaturaMed Pharma	233.8	20.0	216.3	20.0
Trading	552.7	90.0	474.5	70.0
	1,502.1	**133.5**	**1,365.3**	**113.5**

Goodwill and other intangible assets with an indefinite useful life are allocated through impairment testing to separate subsidiary groups that are deemed to constitute cash-generating units (CGUs). The subsidiary groups correspond to the respective business unit with the exception of those business units within the Trading Business Area, which are assessed as one CGU. The goodwill value per subsidiary is tested annually against the expected recoverable amount, which is either the value in use or the fair value less selling expenses. At 31 December 2016, all of the holdings were tested against the value in use.

Value in use

Value in use is calculated as the Group's share of the present value of expected future cash flows generated by the subsidiary group.

The assessment of future cash flow is based on reasonable and verifiable assumptions that constitute Volati's best estimates of the financial relationships that will prevail, and considerable emphasis is thus placed on external factors. The assessment of future cash flows is based on the most recent budgets and projections submitted by each subsidiary group. These comprise budgets for the next year and a projection for the subsequent three-year period. Cash flows after the forecast period are estimated based on the assumption of a long-term annual growth rate of 2% after the forecast period.

Estimates of future cash flows do not include future payments attributable to future measures that the subsidiary group has yet to commit to implementing. Once the subsidiary group commits itself to implementing measures, future cash flows will include savings and other benefits expected from the measures and payments.

Estimated future cash flows do not include incoming or outgoing payments to/from financing activities. The estimated value in use is comparable with the carrying amount of the subsidiary group. Key assumptions used for the calculations include the discount rate, sales growth, EBITDA margins, development of working capital and investment needs. Various assumptions have been made, due to each subsidiary group operating as an independent unit with unique conditions. The key assumptions used for each subsidiary group are described below.

Key assumptions with respect to value in use per subsidiary group

Discount rate

A discount rate was factored into the calculation of the present value of future cash flows for each subsidiary group. Volati has chosen to calculate the present value of cash flows after tax. The discounting factor reflects market assessments of the time value of money and the specific risks associated with each subsidiary group. The discounting factor does not reflect such risks that are taken into account when calculating future cash flows. The calculation of the discount rate is based on the company's weighted average capital cost, the company's marginal interest rate on loans and other market interest rates on loans independent from Volati's capital structure. The yield requirement for loan capital is based on an interest expense for risk-free loans of 1.0%, adjusted for an interest margin of 2.5% and adjusted for a tax rate of 22.0–23.5%. The yield requirement for equity is based on risk-free interest, adjusted for a market-risk premium of 6.5%, a company-specific risk premium of 4.0–5.5%, a scaled premium of 1.3–3.0% and a beta coefficient for each subsidiary of between 0.73 and 1.48. The discount interest rates used by Volati vary from 9.9–13.1% depending on the conditions for each subsidiary group.

Tornum

The cash flow projection for Tornum is based on the company's capacity to leverage its market position in the markets where it is established in parallel with EU subsidies enabling the start-up of projects in these countries. The most crucial assumptions used in the calculation of value in use for Tornum consist of net sales growth, EBITDA margin and investment needs. Volati deems that the long-term demand for Tornum's products in the company's established markets continues to be healthy and that an underlying need exists for investment in modernisation in these markets. Based on these factors, Volati anticipates growth in net sales to surpass the GDP trend, while the EBITDA margin is expected to remain unchanged during the forecast period. If major macroeconomic events should occur and adversely impact the development of and the willingness to invest in Eastern Europe, Russia and Ukraine, the trend could be worse than projected. The assessment is that no reasonable changes in key assumptions will result in Tornum's expected value in use falling below the carrying amount.

Corroventa

Corroventa's projected cash flows are based on the company's capacity to obtain returns on the investments in the development of their product range and its capacity to leverage its geographic establishments of the past few years. The most crucial assumptions used in the calculation of Corroventa's value in use comprise net sales growth, EBITDA margin and investment needs. In addition, it is deemed that the historic frequency and scope of weather-related flooding will probably continue into future forecast periods. Based on these factors, Volati anticipates that growth in net sales will surpass the GDP trend and that the EBITDA margin will remain unchanged during the forecast period. The assessment is that no reasonable changes in key assumptions will result in Corroventa's anticipated value in use falling below the carrying amount.

Ettikettoprintcom

The projected cash flows for Ettikettoprintcom are based on the company's capacity to obtain a return on its investments in printing presses implemented in 2015, and on no material changes occurring with respect to the behaviour of the company's major customers. The most crucial assumptions used in the calculation of Ettikettoprintcom's value in use comprise net sales growth, EBITDA margin and investment needs. Based on these factors, Volati anticipates growth in net sales to slightly surpass the GDP trend, while the EBITDA margin is expected to remain unchanged during the forecast period. The assessment is that no reasonable changes in the key assumptions will result in Ettikettoprintcom's anticipated value in use falling below the carrying amount.

Besikta Bilprovning

Besikta Bilprovning's projected cash flows are based on the company maintaining its market position during the forecast period, on the pace of market establishment abating over time, and on the price level of its services not falling substantially. In addition, the assumption is that regulatory requirements will not impose any material changes on the company's operations, such as changes to the statutory intervals of inspections in Sweden. The most crucial assumptions used in the calculation of Besikta Bilprovning's value in use comprise net sales growth, EBITDA margin and investment needs pertaining to the establishment of new inspection stations. Based on these factors, Volati anticipates growth in net sales to be in line with the GDP trend, while the EBITDA margin is expected to remain unchanged during the forecast period. If material changes should occur in the regulatory conditions governing the company's operations, this could entail the company's value in use falling below Volati's consolidated value. The assessment is that no reasonable changes in the other key assumptions will result in Besikta's anticipated value in use falling below the carrying amount.

me&i
me&i's projected cash flows are based on the company's establishment in a number of European markets with an established sales organisation that supports the stability of the company's existing major markets, and that there is growth potential primarily in the UK and Germany. The key assumptions are that the company will be able to maintain its historical level of recruitment of new salespersons and that this will also be achievable in the UK and Germany. The most crucial assumptions used in the calculation of me&i's value in use comprise net sales growth, EBITDA margin and the recruitment rate of new salespersons, as well as the depletion rate of the existing sales force. Based on these factors, Volati anticipates growth in net sales to surpass the GDP trend, while the EBITDA margin is expected to weaken slightly during the forecast period. If material changes should occur to the pace of recruitment of new salespersons or the depletion of existing salespersons, this could entail a decline in the company's value in use below that of Volati's consolidated value. Should changes transpire that result in the company's EBITDA margin underperforming the forecast by two percentage points each year, which corresponds to a decline in profitability of 15%, this would lead to the existence of a potential impairment need of around SEK 14m, corresponding to about 6% of the carrying amount. Should a significant change materialise in the number of salespersons or the productivity of existing salespersons, it could result in an even larger potential impairment need.

NaturaMed Pharma
NaturaMed Pharma's projected cash flows are based on the company having an existing customer base in the Nordic countries with a historical subscription behaviour that enables NaturaMed Pharma to market its products to the relevant target groups in a cost-efficient manner and thereby retain and expand its subscription base. NaturaMed Pharma has also initiated an investment in internet marketing and started a subsidiary, PharmaPolar, which markets dietary supplements exclusively over the internet and which is expected to generate future growth. The most crucial assumptions used in the calculation of NaturaMed Pharma's value in use comprise assumptions regarding recruitment and depletion with respect to the subscription trend, and the cost efficiency of marketing. Based on these factors, Volati anticipates growth in net sales to surpass the GDP trend, while the EBITDA margin is expected to remain stable during the forecast period. If material changes, such as limitations on permissible forms of marketing, should occur to the regulatory requirements governing the company's operations, this could entail the company's value in use falling below Volati's consolidated value. The assessment is that no reasonable changes in the other key assumptions will result in NaturaMed Pharma's anticipated value in use falling below the carrying amount.

Trading
The cash flow projection for Trading is based on the company's capacity to leverage its market position in the Nordic region in parallel with

no significant decline in the underlying construction market. The most crucial assumptions used in the calculation of Trading's value in use comprise net sales growth, EBITDA margin and investment needs. Volati deems that the long-term demand for Trading's products in the company's established markets continues to be healthy and that an underlying need exists for investment in the form of new builds and renovation in these markets. Moreover, the new business units Kellfri and Miljöcenter are expected to drive growth in the markets for forestry and agriculture as well as homes and gardens. Based on these factors, Volati anticipates growth in net sales to surpass the GDP trend, while the EBITDA margin is expected to increase marginally during the forecast period. If major macroeconomic events should occur and adversely impact the development of and the willingness to invest in the Nordic region, the trend could be worse than projected. The assessment is that no reasonable changes in the key assumptions will result in Trading's anticipated value in use falling below the carrying amount.

Sensitivity analysis

The value in use of each subsidiary group is dependent on the assumptions applied when calculating discounted cash flows. Volati has simulated the value in use to test for changes in the key assumptions applied in the calculations. In tests of the carrying amount in relation to the value in use and with the assumption of an EBITDA margin two percentage points lower than that forecast for each year in the projection, the value in use for all subsidiary groups except me&i would still be higher than the carrying amount. In corresponding tests on whether growth following the expiry of the forecast period, meaning five years and forward, would be 1% annually compared with the projected 2% annual growth, the value in use of all the subsidiary groups would still be higher than the carrying amount. A simulation further indicated that with an increase of one percentage point in the discount interest rate, the value in use for all the subsidiary groups with the exception of me&i would still be higher than the carrying amount.

Impairment

No impairment was deemed necessary in 2016 or 2015, following measurement of the companies' value in use against the Group's carrying amounts for each subsidiary group.

NOTE 12. Tangible fixed assets.

Cost	Land and buildings	Equipment	Equipment with finance leases	Total
At 1 January 2015	70.2	251.7	35.2	357.1
Investments	-	22.5	28.0	50.5
In new companies on acquisition	-	75.8	18.2	94.0
Sales/Disposals	-	-2.5	-4.3	-6.8
In divested companies	-13.3	-39.7	-10.0	-63.0
Reclassifications	-	-0.5	0.5	0.0
Translation differences	-	-1.6	-0.2	-1.8
At 1 January 2016	**56.9**	**305.8**	**67.4**	**430.1**
Investments	1.0	19.1	9.4	29.4
In new companies on acquisition	0.4	13.8	20.0	34.2
Sales/Disposals	-	-13.0	-14.4	-27.4
Reclassifications	0.6	-0.6	-	0.0
Translation differences	-	2.5	0.6	3.1
At 31 December 2016	**58.9**	**327.6**	**83.1**	**469.5**
Accumulated depreciation				
At 1 January 2015	**-22.6**	**-180.4**	**-15.8**	**-218.8**
Depreciation for the year	-1.6	-22.9	-11.0	-35.5
In new companies on acquisition	-	-44.3	-7.3	-51.6
Sales/Disposals	-	1.9	4.3	6.2
In divested companies	7.9	37.5	3.3	48.7
Reclassifications	-	0.2	-0.2	0.0
Translation differences	-	1.2	-0.1	1.1
At 1 January 2016	**-16.4**	**-206.8**	**-26.8**	**-250.0**
Depreciation for the year	-1.6	-27.8	-14.8	-44.1
In new companies on acquisition	0.0	-3.4	-0.6	-4.1
Sales/Disposals	-	12.3	9.5	21.8
Reclassifications	-0.1	0.1	0.0	0.0
Translation differences	-	-1.9	-0.2	-2.1
At 31 December 2016	**-18.1**	**-227.6**	**-32.8**	**-278.5**
Carrying amount				
31 Dec 2015	40.5	99.0	40.6	180.2
31 Dec 2016	40.8	100.0	50.2	191.0

NOTE 13. Other non-current marketable securities.

Non-current marketable securities	2016	2015
Opening cost	13.3	7.5
Additional vendor's mortgage	–	6.4
Settled receivables	-6.4	-1.0
Impairment of receivables	-3.0	–
Other	0.2	0.4
	4.1	**13.3**

	2016	2015
Interest-bearing vendor's mortgages	–	6.4
Other non-current interest-bearing receivables	4.1	6.9
	4.1	**13.3**

Other non-current marketable securities	2016	2015
Opening cost	7.0	4.0
Receivables in acquired companies	0.1	0.6
Investments	0.3	4.6
Divestments	-3.6	-2.2
	3.7	**7.0**

NOTE 14. Inventories.

	2016	2015
Raw materials and supplies	28.1	9.1
Work-in-progress	0.9	23.1
Finished goods and goods for resale	319.9	277.5
Work-in-progress on behalf of another party	16.3	–
Advance payments to suppliers	21.6	18.0
	386.7	**327.7**

NOTE 15. Prepaid expenses and accrued income.

	2016	2015
Accrued supplier bonus	21.2	18.5
Accrued interest income	0.5	–
Prepaid rent	17.1	11.8
Prepaid leasing fees	2.5	0.9
Prepaid insurance fees	3.2	3.1
Other prepaid expenses	10.0	9.9
Other prepaid expenses and accrued income	19.9	6.1
	74.4	**50.3**

NOTE 16. Interest-bearing liabilities.

Non-current loans	2016	2015
Liabilities to credit institutions	–	794.8
Finance leases	32.3	24.4
Liabilities to shareholders	21.7	88.9
	54.0	**908.1**

Current loans	2016	2015
Liabilities to credit institutions	–	98.2
Overdraft facilities	55.2	21.9
Finance leases	16.2	12.5
Other interest-bearing liabilities	1.5	–
	73.0	**132.6**

Refer to Note 20 for information about contractual dates for interest-rate renegotiations. At the end of 2016, the unutilised portion of the overdraft facility was SEK 200.0m (178.1), the unutilised portion of the revolving credit facility was SEK 550.0m (0.0), and cash and cash equivalents amounted to SEK 370.7m (200.4).

NOTE 17. Deferred income.

	2016	2015
Deferred inspection revenue	22.4	18.5
Deferred projects	32.5	21.3
Other deferred income	1.4	6.1
	56.3	**45.9**

NOTE 18. Contingent liabilities.

	2016	2015
Opening balance	4.9	4.6
Guarantee reserve	2.0	0.4
Utilised reserves	-0.5	–
Translation differences	0.0	0.0
	6.4	**4.9**

NOTE 19. Accrued expenses and deferred income.

Accrued expenses	2016	2015
Accrued personnel costs	106.3	100.1
Accrued customer bonus	39.0	31.1
Accrued interest expenses	–	1.7
Other	28.4	15.5
	173.7	**148.4**

Deferred income		
Other	2.6	1.5
Total	**176.3**	**149.9**

NOTE 20. Financial risk management and financial instruments.

The Volati Group is exposed to various financial risks through its operations. Parts of Volati's operations are pursued outside of Sweden. This exposes the Group to several different types of financial risks that could result in fluctuations in net profit, cash flow or equity, due to exchange-rate fluctuations. In addition, Volati is exposed by loan financing with floating interest expenses and various duration risks from financing. The Parent Company administers financial risks attributable to loan financing. With respect to currency risks, each subsidiary group has its own procedures for when and how to manage currency exposure.

Currency risk

Currency risks primarily impact Volati through the translation of equity, the translation of earnings in foreign subsidiaries and through the earnings effect on the flow of goods between countries with different currencies.

Transaction exposure.
The Group companies' revenues and expenses comprise various currencies, which exposes the Group to risks with respect to exchange-rate fluctuations The subsidiary groups manage transaction risks based on the respective subsidiary group's circumstances, risks and controls, which are formulated and adopted separately by the respective subsidiary. Some of the subsidiary groups have an active currency hedging arrangement, whereby purchases and revenue are hedged to varying degrees by forward exchange contracts. The degree of currency hedging varies from subsidiary group to subsidiary group, primarily depending on the companies' opportunity to transfer currency exposures to customers or suppliers. At the balance-sheet date, there was only one minor currency forward hedging EUR against SEK with a duration of three months.

The table below shows the Group's net currency exposure to customers and suppliers at the balance-sheet date (customers + and suppliers -) with respect to the three largest currencies.

Net currency exposure to customers and suppliers with respect to major currencies		Currency exposure
Currency	**2016**	**2015**
USD	-16.3	-4.9
GBP	7.5	8.3
SEK	-4.7	16.0
EUR	3.6	25.8
NOK	2.4	-22.9

Translation exposure.
Volati AB reports its profit and loss and

balance sheet in SEK. The accounting of foreign companies is in other currencies. This means that when consolidating its accounts, the Group's earnings and equity are exposed when foreign currencies, primarily EUR, NOK, DKK, GBP and PLN are translated to SEK. At the balance-sheet date, a significant amount of translation exposure primarily pertained to exposure in NOK arising from the acquisition of Lomond Industrier and NaturaMed Pharma. Although Volati AB has the possibility to hedge the translation exposure by borrowing in matching currencies, at the balance-sheet date no hedged equity instruments were utilised.

The table below shows the Group's translation exposure on equity at the balance-sheet date, with respect to the three largest currencies.

Translation exposure on equity in the balance sheet with respect to major currencies		Currency exposure
Currency	**2016**	**2015**
NOK	391.3	358.2
EUR	184.3	164.2
DKK	35.0	43.4

The table below shows the impact on the Group's EBITA in the event of a 10% decline in the Swedish krona against the three largest currencies, with all of the other variables remaining constant.

Translation exposure in profit or loss pertaining to major currencies	Currency exposure	
Currency	**2016**	**2015**
NOK	-4.5	-2.6
EUR	-1.4	-0.3
DKK	-0.3	-0.2

Capital risk

The Group strives to achieve a solvency ratio that enables it to pursue activities in accordance with its strategic plans. However, the consolidated solvency ratio is not a true and fair indicator of the company's assessment of its own financial position, as it does not take into account the value-growth trend of underlying holdings when calculating equity. The capital structure is a reflection of the Group's relatively low operational risks. The indebtedness allows for the generation of solid returns for shareholders while providing sufficient equity to secure the Group's long-term capacity to continue its operations. Cash and cash equivalents that cannot be invested in accordance with the company's objectives and investment strategy are distributed to shareholders within the scope of Volati's dividend policy.

Interest-rate risk

Interest-rate risk refers to the risk that changes in market interest rates will affect Volati's net financial items. Most of the Group's loans are payable at floating interest rates or have durations of up to three months. Based on the loan volumes at the balance-sheet date, a change of one (1) percentage point in the borrowing interest rate would have an impact of SEK 1.3m on Volati's net profit after tax. Volati continuously monitors interest-rate trends and, based on these, determines the best long- and short-term interest terms for the Group.

Financing risk and liquidity risk

Financing risk is defined as the risk of not being able to meet payment obligations as a result of insufficient liquid funds or difficulties in obtaining external financing. Volati manages financing risks at a consolidated level. Volati endeavours to have accessible cash and cash equivalents or unutilised credit for managing any significant disruptions to the financing market. The available liquidity margin varies during the year and is dependent on whether significant acquisitions or divestments are implemented.

Volati's borrowing from credit institutions is mainly in SEK and is subject to floating interest rates. Volati's borrowing from credit institutions comprises two different financing frameworks, of which one portion is a revolving credit facility of SEK 550m, where each loan may have a different tenor, and one portion is an overdraft facility of SEK 200m. At the balance-sheet date, the revolving credit facility was unutilised. The revolving credit facility may be utilised until 31 December 2019. At the balance-sheet date, the overdraft facility was unutilised. The overdraft facility has a term of 12 months and is automatically extended each year for another 12 months unless otherwise notified by the bank. Loan agreements are subject to the company's financial position fulfilling certain limit values, known as covenants, such as net debt divided by earnings before depreciation and amortisation, and earnings in relation to net interest income. Volati AB has not breached any covenants in 2016. Furthermore, Volati has chosen to implement certain investments in tangible fixed assets through finance leases – refer to Note 21 concerning these lease liabilities.

Financing from other lending institutions mainly comprises subordinated SEK loans to credit institutions, with varying terms, and which are primarily subject to fixed interest rates. Financing from other lenders primarily consists of loans without predefined terms from minority shareholders, known as non-controlling interests, in Lomond Industrier and NaturaMed Pharma.

Volati has shareholder agreements with certain shareholders with non-controlling interests in Lomond Industrier, NaturaMed Pharma and me&i with respect to options to sell their company holdings. In accordance with the shareholder agreements, these shareholders are entitled, under certain conditions and on certain occasions, to sell shares to Volati at market prices. At the balance-sheet date, these sell options were valued in accordance with external measurements by valuation institutions.

Due dates

The due dates for non-interest-bearing and interest-bearing financial assets are mainly within one year.

The "Liquidity risks" table shows the due dates of Volati's financial assets and liabilities. The amounts in the table are undiscounted and include known future interest payments. Consequently, the exact amounts are not presented in the balance sheet.

Liquidity risk.

	2016			2015		
	Within one year	1–5 years	>5 years	Within one year	1–5 years	>5 years
Assets						
Cash and cash equivalents	370.7	–	–	200.4	–	–
Accounts receivable	301.7	–	–	290.2	–	–
Other shares and participations	–	–	2.1	–		5.8
Other financial assets	–	0.2	5.5	1.0	2.4	11.4
Liabilities						
Liabilities to credit institutions, non-current	–	–	–	-123.6	-850.7[1]	–
Liabilities to credit institutions, current						
Overdraft facilities	-56.3	–	–	-22.4	–	–
Liabilities to shareholders [2]	–	–	-21.7	–	–	-88.9
Earn-outs	-12.7	–	–	-6.7	-6.7	–
Other non-current non-interest-bearing liabilities [3]	–	–	-79.2	–	–	-52.9
Finance leases	-16.9	-32.8	-2.3	-12.5	-21.7	-2.7
Derivatives	–	–	–	-4.1	–	–
Other current liabilities	-32.1[5]	–	–	-32.1[4]	–	–
Accounts payable	-267.4	–	–	-238.7	–	–
Net	**287.0**	**–32.7**	**–95.5**	**51.6**	**–876.7**	**–127.3**

1) Liabilities to credit institutions, non-current: SEK 119m is due within two years (2017), SEK 117m within three years, SEK 564m within four years and SEK 50m within five years.
2) All of the existing shareholder loans have indefinite due dates. Interest on existing shareholder loans is capitalised quarterly. No capitalised interest was included in the interval exceeding five years.
3) All other non-current non-interest-bearing liabilities are debts without maturity dates.
4) Pertains to approved dividends to preference shareholders with respect to Q1 and Q2 2016. A new resolution on dividends to preference shareholders was passed at the 2016 AGM.
5) Pertains to approved dividends to preference shareholders with respect to Q1 and Q2 2017. A new resolution on dividends to preference shareholders will be taken at the 2017 AGM.

Financial instruments: carrying amount and fair value per measurement category.

		2016		2015	
	IAS 39 category*	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Other shares and participations	3	2.1	2.1	5.8	5.8
Other financial assets	1	5.7	5.7	14.5	14.5
Accounts receivable	1	301.7	301.7	290.2	290.2
Cash and cash equivalents	1	370.7	370.7	200.4	200.4
Financial liabilities					
Non-current loans, non-hedge accounting	4	–	–	908.1	908.1
Current loans, non-hedge accounting	4	–	–	132.6	132.6
Derivatives – held for sale	2	–	–	4.1	4.1
Accounts payable	4	267.4	267.4	238.7	238.7
Earn-outs	2	12.7	12.7	13.4	13.4
Other non-current non-interest-bearing liabilities	6	79.2	79.2	52.9	52.9
Other current liabilities	4	32.1	32.1	32.1	32.1

** Applicable IAS categories*
1=Loan receivables and accounts receivable
2=Financial instruments measured at fair value through profit or loss
3=Available-for-sale financial assets
4=Financial liabilities at amortised cost
5=Derivative hedge accounting
6=Put options measured at the assessed market value of the underlying asset

The fair value of non-current borrowing is based on observable data through discounted cash flows at market interest rates, while the fair value of current receivables and liabilities is deemed to correspond to their carrying amounts. Fair value is deemed to correspond to the carrying amount, since the interest charge is variable in relation to indebtedness, which is why the carrying amount represents the fair value.

Financial instruments: measured at fair value.

	2016				2015			
	Carrying amount	Listed prices	Observable data	Non-observable data	Carrying amount	Listed prices	Observable data	Non-observable data
Financial liabilities								
Derivatives	–	–	–	–	4.1	–	4.1	–
Earn-outs [1]	12.7	–	–	12.7	13.4	–	–	13.4

1) Earn-outs are usually dependent on the earnings performance of acquired operations for a specific duration and earn-out measurement is based on the company management's best assessment. Discounting to present value is implemented for larger amounts or long durations.

Derivatives outstanding at 31 December.

	2016			2015		
Instruments	Positive market value	Negative market value	Nominal amount	Positive market value	Negative market value	Nominal amount
Interest-rate swaps	–	–	–	–	4.1	150.0
Total	–	–	–	–	4.1	150.0

Accounts receivable.

	2016	2015
Accounts receivable	308.1	294.6
Provision for doubtful accounts receivable	-6.4	-4.4
	301.7	**290.2**

	2016			2015		
Maturity analysis	Nominal amount	Impairment	Carrying amount	Nominal amount	Impairment	Carrying amount
Accounts receivable not overdue	261.7	–	261.7	242.4	–	242.4
Overdue less than 3 months	29.8	-0.8	29.1	45.1	-0.4	44.7
Overdue more than 3 months	16.6	-5.7	10.9	7.1	-4.0	3.1
	308.1	**-6.4**	**301.7**	**294.6**	**-4.4**	**290.2**

Year's changes in the provision for doubtful receivables	2016	2015
Opening balance	4.4	3.1
Acquisitions and divestments	–	–
Realised losses	-0.8	-0.8
Reversed unutilised amounts	-0.6	-0.6
Provision for doubtful accounts receivable	3.4	2.7
Currency effects	0.0	0.0
Closing balance	**6.4**	**4.4**

Accounts receivable by currency	2016	2015
SEK	184.8	188.8
EUR	32.2	36.0
GBP	9.6	13.6
USD	1.2	1.0
PLN	1.4	2.7
NOK	57.7	35.9
DKK	14.6	11.9
Other currencies	6.7	4.8
	308.1	**294.6**

NOTE 21. Leasing.

The Group's leasing fees pertaining to operating leases and future fees for signed agreements total:

Operating lease fees	2016	2015
Paid during the year	96.7	65.3
Fees within one year	95.5	80.0
Between one and five years	225.3	212.8
Longer than five years	49.9	46.6
	467.4	**404.7**

The Group's finance lease obligations pertain to a number of machines, for which Group companies have signed leases with leasing terms of up to ten years.

Finance leases	2016	2015
Present value of lease contracts that expire:		
Within one year	15.4	12.5
Within more than one year but less than five years	31.9	21.7
More than five years	1.3	2.7
	48.5	**36.9**
Future minimum lease payments		
Within one year	18.0	12.7
Within more than one year but less than five years	31.8	22.9
More than five years	2.3	3.7
	52.1	**39.3**
Future lease payments and their present values		
Future minimum lease payments	52.1	39.3
Less interest charges	-3.5	-2.4
Present value of future minimum lease payments	**48.5**	**36.9**

NOTE 22. Pledged assets and contingent liabilities

Pledged assets	2016	2015
Floating charges	-	252.4
Property mortgages	-	33.8
Finance leases	50.2	40.6
Pensions	2.5	1.8
Shares in subsidiaries	-	1,909.0
	52.7	**2,237.7**

Contingent liabilities	2016	2015
Rent guarantee	32.4	30.8
Other undertakings	0.2	1.1
	32.6	**31.9**

NOTE 23. Participations in Group companies.

Subsidiary, Corp. Reg. No., registered office	Number	Percentage
Corroventa		
Volati Luftbehandling Holding AB, 559046-2239, Bankeryd, Sweden	960	96%
Volati Luftbehandling AB, 556717-4122, Bankeryd, Sweden	1,000	100%
Corroventa Avfuktning AB, 556393-4669, Bankeryd, Sweden	1,000	100%
Corroventa Entfeuchtnung GmbH, Meerbusch, Germany	-	100%
Corroventa Entfeuchtnung GmbH, Austria	-	100%
Corroventa Ltd, Southampton, United Kingdom	50,000	100%
Corroventa Finland Oy Ab, Espoo, Finland	100	100%
Corroventa AS, Norway	-	100%
Corroventa Déshumidification S.A., Paris, France	-	100%
Corroventa Osuszanie, Poland	250	100%
Ventotech AB, 556699-5485, Bankeryd, Sweden	142,513	100%
Tornum		
Volati Agri AB, 556744-8955, Vara, Sweden	960	96%
Tornum AB, 556552-1399, Vara, Sweden	1,000	100%
Oy Tornum AB, 19633318, Paippinen, Finland	100	100%
Tornum Polska Sp. Z.O.O., 7752500766, Kutno, Poland	100	100%
Tornum Kft., 01-09-880602, Debrecen, Hungary	100	100%
Tornum S.R.L., 24851384, Bucharest, Romania	100	100%
OOO Tornum, 1123444005640, Volgograd, Russia	100	100%
Tornum EOOD, 202029045, Sofia, Bulgaria	100	100%
Tornum LLC, 38908992, Kiev, Ukraine	100	100%
Lidköpings Plåtteknik AB, 556908-3305, Stockholm, Sweden	500	100%
Tornum Asia Co., Ltd., 0105559188441, Bangkok, Thailand	-	100%
Ettikettoprintcom		
Volati Tryck Holding AB, 556656-4786, Stockholm, Sweden	5,853,035	96%
Ettikettoprintcom AB, 556195-2465, Malmö, Sweden	10,000	100%
Ettikettoprintcom Åtvidaberg AB, 556533-7473, Åtvidaberg, Sweden	35,520	100%
Ettikettoprintcom Fastighets AB, 556186-7804, Åtvidaberg, Sweden	30,000	100%
Maskinservice i Svedala AB, 556551-3297, Sweden	1,000	100%
Besikta		
Volati Besiktning, 556968-9051, Stockholm, Sweden	5,000	100%
Besikta Förvaltning, 556848-9404, Stockholm, Sweden	5,000	100%
Volati Bil AB, 556873-5666, Stockholm, Sweden	1,000	100%
Besikta Bilprovning i Sverige Holding AB, 556910-0943, Malmö, Sweden	1,000,000	100%
Besikta Bilprovning i Sverige AB, 556865-1359, Malmö, Sweden	50,000	100%
ClearCar AB, 556862-8290, Malmö, Sweden	60,158	100%
me&i		
Volati A Holding AB, 559072-8456, Stockholm, Sweden	50,000	65%
Volati Förvaltning AB, 556948-5997, Stockholm, Sweden	100,000	100%
Meandi Holding AB, 556664-2509, Malmö, Sweden	1,000	100%
Meandi AB, 556853-2765, Malmö, Sweden	50,000	100%
Meandi Oy, 21313487, Helsinki, Finland	-	100%

Subsidiary, Corp. Reg. No., registered office	Number	Percentage
Meandi AS, 993453633, Ullensaker, Norway	-	100%
Meandi Deutschland GmbH, HRB 202660, Wolfenbüttel, Germany	-	100%
Meandi Deutschland Mitte GmbH, HRB 202633, Wolfenbüttel, Germany	-	100%
Meandi Deutschland Süd GmbH, HRB 202688 Wolfenbüttel, Germany	-	100%
Meandi SC Ltd, 07422566, London, United Kingdom[1)]	-	100%
NaturaMed Pharma		
Volati Life AB, 556968-9077, Stockholm, Sweden	465	93%
Volati Life Holding AS, Drammen, Norway	300	100%
NaturaMed Pharma AS, Drammen, Norway	-	100%
Volati Life Holding AB, 556970-6020, Stockholm, Sweden	500	100%
NaturaMed Pharma AB, 556596-3799, Hammarö, Sweden	1,000	100%
Pharmapolar AS, 00106007187, Drammen, Norway	100	100%
Lomond		
Volati Parts AB, 559016-1500, Stockholm, Sweden	920	92%
Lomond Industrier AB, 556805-9090, Malmö, Sweden	1,000	100%
Bårebo Nordic AB, 556251-0999, Malmö, Sweden	10,000	100%
Habo Gruppen AB, 556199-2149, Habo, Sweden	25,000	100%
Habo Danmark A/S, 10367484, Hinnerup, Denmark	-	100%
Habo Finland OY, 1524026-9, Vantaa, Finland	-	100%
Habo Norge AS, 979 746 881, Trondheim, Norway	-	100%
Industribeslag AS, 998 327 865, Trondheim, Norway	-	100%
B. Sörbö AS, 982 129 087, Stavanger, Norway	-	100%
Thomée Gruppen AB, 556014-1896, Malmö, Sweden	12,000	100%
Pagnol Gruppen AB, 556692-1382, Arlöv, Sweden	2,000	100%
Bröderna Berglund i Gällstad AB, 556626-0153, Arlöv, Sweden	1,000	100%
Miljöcenter Green Technology Hong Kong Limited, 2234277, Hong Kong	100	100%
Miljöcenter i Malmö AB, 556424-9018, Arlöv, Sweden	2,000	100%
Volati Agri Supply AB, 556795-4325, Stockholm, Sweden	1,000	100%
Kellfri Holding AB, 556302-4594, Skara, Sweden	47,500	95%
Kellfri AB, 556471-9101, Skara, Sweden	10,000	100%
OY Kellfri AB	1,000	100%
Kellfri Aps, 29404569, Fredericia, Denmark	125	100%
Kellfri Sp.z.o.o, 7752643945, Kutno, Poland	-	100%
Lantbutiken Sverige AB, 556867-7602, Malmö, Sweden	500	100%
Other		
Volati Ventures AB, 559005-1149, Stockholm, Sweden	500	100%
Volati Treasury AB, 556947-3399, Stockholm, Sweden	1,000	100%
Volati 1 AB, 556880-6235, Stockholm, Sweden	500	100%
Volati Agri Supply Holding AB, 559026-0179, Stockholm, Sweden	500	100%
Kment Förvaltning AB, 556593-9856, Stockholm, Sweden	273,817	100%
PIX Förvaltning AB, 556777-0143, Stockholm, Sweden	383,610	100%
Volati 1 Holding AB, 559026-2282, Stockholm, Sweden	500	100%
Volati 2 AB, 556809-7975, Stockholm, Sweden	1,051,854	100%
Volati 2 Holding AB, 559025-8637, Stockholm, Sweden	500	100%

Subsidiary, Corp. Reg. No., registered office	Number	Percentage
Volati 3 AB, 556947-0064, Stockholm, Sweden	1,000	100%
LHJHA Förvaltning AB, 556722-1410, Stockholm, Sweden	300,000	100%
Volati Finans AB, 556762-3334, Stockholm, Sweden	1,000	100%
Oxid Finans AB, 556683-6812, Stockholm, Sweden	1,000	100%
Fastighetsaktiebolaget Strömsmeden 1, 556750-6117, Stockholm, Sweden	1,000	100%
Riche Finance S.A, B 71358, Luxembourg	-	100%
Piplöken 3 AB, 556714-0123, Stockholm, Sweden	1,000	100%
Marum Kontorshus i Väst AB, 556181-7726, Skara, Sweden	1,000	100%
Volati Mekano AB, 556759-4188, Stockholm, Sweden	1,000	100%
Volati Angelo AB, 556151-8258, Huskvarna, Sweden	5,000	100%
Volati Ostran AB, 556036-8101, Stockholm, Sweden	25,000	100%

1) Meandi SC Limited, a company registered with Companies House in the UK with the company number 07422566, has an exemption from audit pursuant to Section 479A of the UK Companies Act 2006.

NOTE 24. Financial information regarding subsidiaries with significant non-controlling interests.

Summary from balance sheet.

	Volati 2 AB	
	2016	2015
Non-current assets	–	1,593.2
Current assets	–	939.5
Total assets	**–**	**2,532.7**
Non-current liabilities	–	175.1
Current liabilities	–	2,125.2
Provisions	–	88.1
Non-controlling interests	–	1.1
Net assets	**–**	**143.2**

Summary of earnings and comprehensive income

	Volati 2 AB	
	2016	2015
Revenue	–	1,483.5
Net profit	–	58.2
Total comprehensive income for the year	–	24.7
Total comprehensive income attributable to non-controlling interests	–	12.4
Dividends paid to non-controlling interests	–	7.5

In conjunction with the share swap completed on 16 January 2016, a legal simplification of the Group structure was carried out, resulting in the elimination of all non-controlling interests in Volati 2 AB as of 31 December 2016.

Volati has shareholder agreements with certain shareholders with non-controlling interests in Lomond Industrier, NaturaMed Pharma and me&i with respect to options to sell their company holdings. In accordance with the shareholder agreements, these shareholders are entitled, under certain conditions and on certain occasions, to sell shares to Volati at market prices. At the balance-sheet date, these sell options were valued in accordance with external measurements by valuation institutions and recognised under other non-current non-interest-bearing liabilities. The value of these sell options amounted to SEK 79.2m (52.9) at 31 December 2016. When remeasuring the liability, the change in value is recognised in equity. The year's remeasurement of the liability negatively impacted equity with SEK 106.3m (neg: 52.3).

NOTE 25. Key assumptions.

The most crucial assumptions about future estimates at the balance-sheet date pertained to:

Tests of carrying amounts for goodwill
The value of subsidiaries including goodwill is tested annually by calculating their recoverable amount, meaning the value in use of each company. The calculation of these values requires several assumptions about future conditions and estimates of parameters to be carried out, such as discount rates and future cash flows. A description of the procedure is presented in Note 11. The assessment is that no reasonable changes in any of the key assumptions will result in the anticipated recoverable amount falling below the carrying amount. Although impairment testing entails assumptions about the future, this practice is not deemed to constitute any significant risk for material adjustments to the carrying amount for goodwill during the next financial year.

At the balance-sheet date, the carrying amount for goodwill was SEK 1,502.1m in 2016 (1,365.3). In all cases, the Group's recognised goodwill was attributable to the respective Group company, since a further breakdown to a level below this is deemed to be irrelevant.

Tests of the carrying amounts of loss-carryforwards
The value of the Group's reported loss-carryforwards is based on Volati's assessed outcome with respect to opportunities for the Group to utilise the loss-carryforward.

NOTE 26. Events after the balance-sheet date.

No significant events took place after the balance-sheet date.

NOTE 27. Related parties.

The personnel costs for the Board members and senior executives who are also shareholders are presented in Note 6.

In conjunction with the share swap completed on 16 January 2016, a legal simplification of the Group structure was carried out, whereby a smaller shareholding in Urb-it AB was divested to Volati shareholders for SEK 3.6m with no effect on the results and the shares outstanding in the part-owned subsidiary Volati Ventures AB, which were owned by shareholders of Volati AB, were acquired for SEK 20,600.

In January 2016, Corroventa's CEO Per Ekdahl acquired 4.0% of the shares in Corroventa.

In October 2016, the ownership of me&i was restructured and thereafter Volati's holding in me&i increased from 60% to 65%. In conjunction with this, the CEO of me&i acquired 15% of the shares in the company from a former minority shareholder.

In conjunction with the stock-exchange listing, Volati acquired shares in the parent company of the Trading Business Area from Mats Andersson, a former minority shareholder, thereby increasing Volati's holding from 74.2% to 92.2%. In parallel with the acquisition of the shares in Trading, a loan including accrued interest of around SEK 80m from former owners of Lomond Industrier was settled. On the sale of the shares, Mats Andersson received a promissory note from Volati 2 AB, which he used to pay for the acquisition of shares in Volati AB from former holders of common shares, which he executed in parallel. Volati 2 AB subsequently settled the SEK 80m promissory note through its repayment to the holders of common shares.

During the year, two of the business units have leased premises from companies owned by Volati's Chairman. The rent for these premises amounted to SEK 5.0m (5.0) for the year. All related-party transactions were carried out at market rates.

In 2015, shareholder loans existed; refer to Note 20 for further information about the amounts and maturity structure. In 2015, Volati AB settled a shareholder loan of SEK 257.4m to individuals within Volati's management and board. At the year-end, there were no loans to these individuals.

In 2015, minority owners of me&i made shareholders' contributions of SEK 48.8m, using the receivables they previously held against the company.

There are existing loans from and to minority owners of Volati AB's subsidiaries. The loans are at market terms and conditions.

In early 2015, Sandberg & Söner was sold to a former employee of Volati at a price of SEK 19.1m.

In spring 2015, 7.5% of the shares in the holding company of NaturaMed Pharma were sold to the management and a board member of NaturaMed Pharma at a market price of SEK 1.5m. The sale was implemented without any capital gains for Volati.

NOTE 28. Alternative performance measures.

The new guidelines from the European Securities and Markets Authority (ESMA) regarding alternative performance measures entered force for the 2016 financial year. Therefore, Volati is publishing an explanation of how these performance measures should be used, definitions and comparisons between the alternative performance measures and reporting in line with IFRS.

The financial reports published by Volati specify the alternative performance measures used, which supplement the metrics defined or specified in the applicable rules for financial reporting, such as revenue, profit or loss and earnings per share. Alternative performance measures are specified when they, in their context, provide clearer or more in-depth data than those metrics defined in the applicable rules for financial reporting. The basis for alternative performance measures is that they must be used by management to assess financial performance and can thus be considered to give analysts and other stakeholders valuable information.

Volati regularly uses alternative performance measures as a complement to the key metrics that comprise generally accepted accounting policies. The alternative performance measures derive from Volati's consolidated accounts and do not comprise measures of financial performance or liquidity in accordance with IFRS and, accordingly, should not be considered as alternatives to net income, operating profit or other key metrics that are derived pursuant to IFRS or as an alternative to cash flow as a measure of consolidated liquidity.

The following table sets out definitions for Volati's key figures. The calculation of alternative performance measures is presented separately below.

Non-IFRS APMs and key metrics	Description	Reasoning
Organic growth in net sales	Calculated as net sales, adjusted for total acquired and divested net sales and exchange-rate effects, during the period compared with net sales in the year-earlier period, as if the business unit in question had been owned in the comparative period.	This metric is used by the management to monitor the underlying growth in net sales of existing operations.
Adjusted net sales	This is calculated as net sales for the last 12-month period at the relevant reporting date for the companies included in the Group as of the reporting date, as if the companies had been owned for the past 12 months.	Together with adjusted EBITA, adjusted net sales and adjusted EBITDA provide management and investors with a picture of the size of the operations included in the Group at the reporting date.
EBITDA	Earnings before interest, tax, amortisation, depreciation and impairment.	Together with EBITA, EBITDA provides an image of the profit generated by operating activities.
Adjusted EBITDA	This is calculated as EBITDA for the relevant comparative period for the companies included in the Group at the reporting date, as if the companies had been owned for the relevant comparative period and adjusted for transaction-related costs, restructuring costs, remeasurements of earn-outs, capital gains/	Together with adjusted net sales and adjusted EBITA, adjusted EBITDA provides management and investors with a picture of the size of the operations included in the Group at the reporting date.

Non-IFRS APMs and key metrics	Description	Reasoning
Adjusted EBITDA	losses on the sale of operations and other revenue and costs deemed of a non-recurring nature.	
EBITA	Earnings before interest, tax and acquisition-related amortisations and write-downs.	Together with EBITDA, EBITA provides an image of the profit generated by operating activities.
Adjusted EBITA	This is calculated as adjusted EBITDA less acquisition-related amortisations and write-downs and impairment for the relevant comparative period for the companies included in the Group at the reporting date, as if the companies had been owned for the relevant comparative period.	Together with adjusted net sales and adjusted EBITDA, adjusted EBITA provides management and investors with a picture of the size of the operations included in the Group at the reporting date.
EBITA excl. items affecting comparability	This is calculated as EBITA adjusted for remeasurements of purchase considerations, capital gains/ losses on the sale of operations and properties, and other revenue deemed of a non-recurring nature.	This is used by the management to monitor the underlying earnings growth of the Group.
EBITA excl. central costs and items affecting comparability	This is calculated as EBITA adjusted for central costs, remeasurements of purchase considerations, capital gains/ losses on the sale of operations and properties, and other revenue and costs deemed of a non-recurring nature.	This is used by the management to monitor the underlying earnings growth of the operations in the Group.

Non-IFRS APMs and key metrics	Description	Reasoning
Organic EBITA growth	Calculated as EBITA excluding central costs and items affecting comparability, adjusted for total acquired and divested EBITA and exchange-rate effects, during the period compared with EBITA excluding central costs and items affecting comparability in the year-earlier period, as if the business units in question had been owned in the comparative period.	This is used by the management to monitor the underlying EBITA growth of existing operations.
Return on equity	Net income (including share attributable to non-controlling interests) divided by the weighted average of equity (including share attributable to non-controlling interests).	Shows the return generated on the total capital invested by all shareholders in the company.
Return on adjusted equity	Net income (including share attributable to non-controlling interests) less the preference share dividend divided by the weighted average of equity for the last four quarters (including share attributable to non-controlling interests) less the preference share capital.	Shows the return generated on the common share capital invested by owners of common shares in the company.
Return on capital employed (ROCE)	Earnings before interest, tax and acquisition-related amortisations and write-downs excluding items affecting comparability for the last 12-month period in relation to average capital employed for the last 12-month period.	Shows the returns generated by the business area and the Group on capital employed without taking into consideration acquisition-related intangible assets with an indefinite useful life.

Non-IFRS APMs and key metrics	Description	Reasoning
Return on capital employed including goodwill (ROCE incl. GW)	Earnings before interest, tax and acquisition-related amortisations and write-downs excluding items affecting comparability for the last 12-month period in relation to average capital employed including goodwill and other intangible assets with indefinite useful life for the last 12-month period.	Shows the returns generated by the business area and the Group on capital employed.
Equity ratio	Equity (including share attributable to non-controlling interests) as a percentage of total assets.	Equity (including share attributable to non-controlling interests) as a percentage of total assets.
Cash conversion	Calculated as operating cash flow divided by EBITDA.	Cash conversion is used by the management to monitor how efficiently the company is managing working capital and ongoing investments.
Adjusted cash conversion	Calculated as adjusted operating cash flow divided by EBITDA.	Adjusted cash conversion is used by the management to monitor how efficiently the company is managing working capital and normalised ongoing investments.
Operating cash flow	Calculated as EBITDA less net investments in and divested tangible and intangible assets, and after adjustment for cash flows from changes in working capital.	The operating cash flow is used by the management to monitor cash flows generated by operating activities.

Non-IFRS APMs and key metrics	Description	Reasoning
Adjusted operating cash flow	Calculated as operating cash flow excluding material investments of a non-recurring nature, such as development expenditure related to Besikta Bilprovning's IT system.	The adjusted operating cash flow is used by the management to monitor normalised cash flows generated by operating activities.
Net debt/ adjusted EBITDA	Closing net debt in relation to adjusted EBITDA for the period.	The key metric can be used to assess financial risk.

The calculation of alternative performance measures is presented separately below.

	Full-year 2016	Full-year 2015
Calculation of organic growth in net sales		
Net sales	3,206.5	2,187.6
Acquired/divested net sales	-817.5	-455.3
Currency effects	11.4	-0.7
Comparative figures for preceding years	2,400.4	1,731.6
Organic growth in net sales, %	9.7	4.6
EBITA	318.4	227.3
Adjustments for items affecting comparability	33.8	-8.4
EBITA excl. items affecting comparability	**352.2**	**218.9**
Adjustment for central costs	41.8	34.2
EBITA excl. central costs and items affecting comparability	394.0	253.1
Adjusted net sales		
Net sales R12M	3,206.5	2,187.6
Acquired companies	81.6	672.6
Adjusted net sales	3,288.0	2,860.2

	Full-year 2016	Full-year 2015
Adjusted EBITDA and EBITA		
EBITDA	385.4	274.5
Acquired companies	0.2	61.3
Restructuring costs	6.9	-
Integration costs	3.4	-
Transaction costs	1.5	5.5
Listing costs, common share	9.9	-
One-off remuneration	5.4	-
Earn-out revaluation	8.2	-8.4
Adjusted EBITDA	420.9	332.9
Depreciation/amortisation	-67.0	-47.2
Acquired companies depreciation	-1.5	-5.0
Adjusted EBITA	352.4	280.7
Calculation of organic growth in EBITA		
EBITA	318.4	227.3
Adjustments for items affecting comparability	33.8	-8.4
Adjustment for central costs	41.8	34.2
EBITA excl. central costs and items affecting comparability	394.0	253.1
Total acquired/divested EBITA	-70.6	-57.7
Currency effects	0.8	-0.9
Comparative figures for preceding years	324.3	194.5
Organic growth in EBITA, %	28.1	-20.1
Earnings per common share before dilution		
Net profit attributable to Parent Company's owners	196.2	92.7
Deduction for preference share dividend	64.2	37.4
Net profit attributable to Parent Company's owners, adjusted for preference share dividend	132.1	55.2
Avg. No. of common shares	63,753,873	40,400,000
Earnings per common share, SEK	2.07	1.37
Earnings per common share after dilution		
Net profit attributable to Parent Company's owners, adjusted for preference dividend	132.1	55.2
Avg. No. of common shares after dilution	64,197,604	40,400,000
Earnings per common share after dilution, SEK	2.06	1.37

	Full-year 2016	Full-year 2015
Equity per common share		
Closing equity including share attributable to non-controlling interests	2,257.5	1,050.9
Preference share capital	828.1	828.1
Closing equity including share attributable to non-controlling interests after adjustment of preference share capital	1,429.4	222.8
No. of common shares at the end of the period	80,406,571	40,400,000
Equity per common share, SEK	17.78	5.51

Calculation of return on equity		
(A) Net profit, R12M, including non-controlling interests	200.5	125.9
Adjustment for preference share dividends, including accrued but as yet unpaid dividends	-64.2	-37.4
(B) Net profit, adjusted	136.3	88.5
(C) Average total equity	1,371.8	829.0
(D) Average adjusted equity	543.7	207.5
(A/C) Return on total equity, %	14.6	15.2
(B/D) Return on adjusted equity, %	25.1	42.6

Calculation of equity ratio		
Equity including share attributable to non-controlling interests	2,257.5	1,050.9
Total assets	3,243.2	2,825.8
Equity ratio, %	69.6	37.2

Calculation of operating cash flow and cash conversion		
(A) EBITDA	385.4	274.5
Change in working capital	-10.0	51.4
Net investments in tangible and intangible fixed assets	-32.0	-67.2
(B) Operating cash flow	343.5	258.8
Adjustment for net investments relating to Besikta Bilprovning's IT system	6.9	31.1
(C) Adjusted operating cash flow	350.4	289.9
(B/A) Cash conversion, %	89.1	94.3
(C/A) Adjusted cash conversion, %	90.9	105.6

	Full-year 2016	Full-year 2015
Calculation of net debt		
Net debt		
Cash and cash equivalents	-370.7	-200.4
Pension provisions	2.5	1.8
Non-current interest-bearing liabilities	54.0	908.1
Current interest-bearing liabilities	73.0	132.6
Unrealised derivative contracts	0.0	4.1
Pension assets	-1.5	-1.1
Adjustment for shareholder loans	-21.7	-88.9
Net debt	-264.5	756.2
Adjusted EBITDA	420.9	332.9
Net debt/adjusted EBITDA, ratio	-0.6	2.3

ROCE %, 2016	Trading	Industry	Consumer	Central costs	Volati Group
1) EBITA R12	121.3	135.1	137.6	-41.8	352.2
Capital employed at 31 December 2016					
Intangible assets	695.0	540.3	890.2		1,840.3
Adjustment for goodwill, patent/technology, brands	-693.3	-512.2	-805.0		-1,724.7
Tangible fixed assets	44.8	75.8	50.4		191.0
Inventories	269.3	91.6	25.8		386.7
Accounts receivable	185.5	81.0	35.4		301.7
Other current assets	1.2	11.2	3.0		18.1
Prepaid expenses and accrued income	30.8	22.5	18.8		74.4
Adjustment for non-working-capital-related current assets	–	–	–		-0.9
Deferred income	-0.5	-33.3	-22.4		-56.3
Accounts payable	-150.2	-43.9	-51.2		-267.4
Accrued expenses and deferred income	-64.0	-40.6	-54.4		-176.3
Other current liabilities	-23.9	-10.8	-31.5		-111.6
Adjustment for non-working-capital-related current liabilities	–	–	1.8		12.8
Adjusted for preference dividend	–	–	–		32.1
Adjusted for accrued issue costs	–	–	–		18.0
Capital employed at 31 December 2016	294.6	181.7	61.0	0.7	538.0
Adjustment for LTM average capital employed	0.3	-10.9	9.2		38.8
2) LTM average capital employed	295.0	170.8	70.2		576.8
ROCE 1)/2), %	41.1	79.1	196.1		61.1
3) LTM average capital employed incl. goodwill and other intangible assets with an indefinite useful life	941.6	393.3	814.3		2,154.9
ROCE incl. goodwill 1)/3), %	12.9	34.4	16.9		16.3

ROCE %, 2015	Trading	Industry	Consumer	Central costs	Volati Group
1) EBITA R12	49.9	86.2	117.1	-34.2	218.9
Capital employed at 31 December 2015					
Intangible assets	596.0	302.5	837.7		1,688.6
Adjustment for goodwill, patent/technology, brands	-593.5	-271.5	-745.4		-1,562.8
Tangible fixed assets	61.0	83.6	32.4		180.2
Inventories	227.6	77.7	22.4		327.7
Accounts receivable	158.3	92.1	39.8		290.2
Other current assets	2.4	15.4	2.9		22.1
Prepaid expenses and accrued income	27.3	8.8	13.1		50.3
Adjustment for non-working-capital-related current assets					
Deferred income	-0.3	-27.0	-18.5		-45.9
Accounts payable	-130.5	-54.6	-51.2		-238.7
Accrued expenses and deferred income	-57.7	-34.2	-51.5		-149.9
Other current liabilities	-18.7	-10.7	-20.9		-83.4
Adjustment for non-working-capital-related current liabilities	–	–	–		1.679
Adjusted for preference dividend	–	–	–		32.1
Capital employed at 31 December 2015	271.9	182.0	60.8	-2.5	512.3
Adjustment for LTM average capital employed	-90.7	-14.1	-16.7		-122.7
2) LTM average capital employed	181.3	167.9	44.1		389.7
ROCE 1)/2), %	27.5	51.3	265.1		56.2
3) LTM average capital employed incl. goodwill and other intangible assets with an indefinite useful life	459.1	389.7	814.3		1,609.6
ROCE incl. goodwill 1)/3), %	10.9	22.1	14.4		13.6

NOTE 29. Information about the Parent Company.

Volati AB (publ) is a Swedish limited-liability company with its registered office in Stockholm. The postal and street address of the head office is Engelbrektsplan 1, SE-114 34 Stockholm, Sweden.

The consolidated accounts for 2016 encompass the Parent Company and its subsidiaries, collectively known as the Group.

Parent Company income statement

SEK m	Note	2016	2015
Operating revenue			
Net sales		10.8	12.3
Operating costs			
Other external costs	6	-26.3	-18.3
Personnel costs	5	-24.4	-1.6
Other operating costs		-3.7	-2.7
Depreciation of tangible fixed assets		0.0	0.0
EBIT		**-43.7**	**-10.4**
Earnings from financial investments			
Earnings from participations in Group companies	2	40.0	7.5
Interest income and similar items	3	54.8	48.5
Interest expenses and similar items	4	-7.5	-8.8
Earnings after financial items		**43.6**	**36.8**
Year-end appropriations	9	44.2	-4.1
Tax	7	-11.6	-6.1
Net profit		**76.2**	**26.6**

Parent Company statement of comprehensive income

SEK m	Note	2016	2015
Net profit and total comprehensive income for the year		76.2	26.6

Parent Company statement of financial position

SEK m	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Financial fixed assets			
Tangible fixed assets	8	0.3	0.2
Other non-current assets		1.3	1.3
Participations in Group companies	10	780.4	387.1
Total non-current assets		**782.1**	**388.7**
Current assets			
Receivables from Group companies		3,297.4	873.7
Prepaid expenses and accrued income		1.3	1.1
Other receivables		2.5	0.5
Cash and cash equivalents		339.9	29.7
Total current assets		**3,641.1**	**905.1**
Total assets		**4,423.1**	**1,293.7**
EQUITY AND LIABILITIES			
Equity	11		
Restricted equity			
Share capital		10.3	5.3
Unrestricted equity			
Share premium reserve		2,435.8	821.8
Retained earnings		323.9	385.3
Net profit		76.2	26.6
Total equity		**2,846.2**	**1,238.9**
Untaxed reserves			
Allocation reserves		12.5	12.4
Liabilities			
Current liabilities			
Liabilities to Group companies		1,435.2	4.1
Accounts payable		22.1	2.6
Tax liabilities		0.0	0.0
Other current interest-bearing liabilities		58.7	-
Other current liabilities		0.8	0.0
Accrued expenses and deferred income		47.6	35.6
Total current liabilities		**1,564.4**	**42.4**
Total equity and liabilities		**4,423.1**	**1,293.7**

Parent Company cash-flow statement

SEK m	2016	2015
Operating activities		
Profit after financial items	43.6	36.8
Adjustments for non-cash items, etc.		
Depreciation/amortisation	0.0	0.0
Reversal of financial items	-89.0	-47.1
Total adjustments for non-cash items	-88.9	-47.0
Interest paid	-5.7	-10.4
Interest received	6.2	
Tax paid	0.0	-3.3
Cash flows from operating activities before changes in working capital	**-44.8**	**-23.9**
Cash flows from changes in working capital		
Change in operating receivables	-1.3	0.1
Change in operating liabilities	13.1	0.7
Cash flows from changes in working capital	**11.8**	**0.8**
Cash flows from operating activities	-33.0	-23.1
Investing activities		
Investments in tangible fixed assets	-0.1	0.0
Investments in subsidiaries	-4.4	-0.1
Investments in financial assets	-	-0.2
Cash flow from investing activities	**-4.5**	**-0.2**
Financing activities		
New issue of preference shares	-	823.1
New issue of common shares	1,175.8	-
Warrants issue	1.0	
Dividends paid	-88.0	-39.5
Dividends received	100.0	7.5
Change in intra-Group transactions	-899.8	-529.0
Borrowings	58.7	-
Repayment of shareholder loans	-	-257.4
Cash flow from financing activities	**347.7**	**4.6**
Cash flow for the year	**310.1**	**-18.7**
Opening cash and cash equivalents	29.8	48.5
Closing cash and cash equivalents	339.9	29.8

Parent Company statement of changes in equity

SEK m	Share capital	Share premium reserve	Retained earnings	Net profit	Total equity
Closing balance 31 Dec 2014	**5.1**	**-6.3**	**145.2**	**311.7**	**455.7**
Other appropriations of profits	-	-	311.7	-311.7	-
Dividends	-	-	-71.6	-	-71.6
New issue of preference shares less transaction costs	0.2	828.1	-	-	828.3
Comprehensive income for the year	-	-	-	26.6	26.6
Closing balance 31 Dec 2015	**5.3**	**821.8**	**385.3**	**26.6**	**1,238.9**
Other appropriations of profits	-	-	26.6	-26.6	-
Dividend paid on common share	-	-	-23.8	-	-23.8
Dividend paid on preference share	-	-	-64.2	-	-64.2
Warrants issue	-	1.0	-	-	1.0
Quotient value, issued common shares	2.6	1,166.7	-	-	1,169.3
Non-cash issue	2.4	446.3	-	-	448.7
Comprehensive income for the year	-	-	-	76.2	76.2
Closing balance 31 Dec 2016	**10.3**	**2,435.8**	**323.9**	**76.2**	**2,846.2**

Notes to the Parent Company's accounts.

NOTE 1. Accounting policies.

The Parent Company has prepared its annual report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and statements from the Swedish Financial Reporting Board's Emerging Issues Task Force. RFR 2 entails that in the annual report for the legal entity, the Parent Company must apply all EU-adopted IFRS standards and statements as far as possible within the framework of the Swedish Annual Accounts Act and with regard to the relation between accounting and taxation. The recommendation describes the exceptions that may be made from and additions that may be made to IFRS. Differences between the Group's and the Parent Company's accounting policies are described below.

The following accounting policies for the Parent Company have been applied consistently in all periods that are presented in the Parent Company's financial statements.

Revenue recognition
Dividends to Parent Company shareholders are recognised as revenue.

Tangible fixed assets
The Parent Company recognises tangible fixed assets at cost less accumulated depreciation and any impairment.

Depreciation methods
Depreciation takes place in a straight line over the estimated useful life of the asset.

	Number of years
Equipment	3–10

An asset's residual value and useful life is tested annually.

Group contributions
The Parent Company recognises paid and received Group contributions as year-end appropriations in the income statement.

Tax
Deferred tax assets pertaining to loss carry-forwards or other future fiscal deductions are recognised to the extent that the loss is likely to be offset against future profits.

Participations in Group companies
The Parent Company only recognises impairment of the carrying amount for a participations in a subsidiary when the value of the subsidiary is less than the value in use in accordance with Note 13 in the notes to the consolidated accounts.

NOTE 2. Earnings from participations in Group companies.

	2016	**2015**
Dividends from subsidiaries	100.0	7.5
Impairment of participations in subsidiaries	-60.0	-
	40.0	**7.5**

NOTE 3. Interest income and similar items.

	2016	2015
Interest income from Group companies	54.7	48.3
Exchange-rate gains	0.1	0.2
Interest income on bank balances	0.0	0.0
	54.8	**48.5**

NOTE 4. Interest expenses and similar items.

	2016	2015
Interest expenses to Group companies	-5.5	-0.1
Interest expenses on shareholder loans	–	-8.6
Interest expenses on derivative contracts	-0.1	–
Interest expenses on loans	-0.1	–
Other interest expenses	0.0	0.0
Other financial costs	-1.8	0.0
	-7.5	**-8.8**

NOTE 5. Employees and personnel costs.

The average number of employees at the Parent Company was 12 (1) of which eight (0) were men. Since the start of 2016, all senior executives at Volati are employed by the Parent Company.

	2016	2015
Salaries and other remuneration		
The Board and CEO	5.3	0.3
Other employees	11.3	0.5
	16.6	**0.8**
Payroll overheads		
Payroll overheads – statutory and by agreement	5.3	0.2
Pension costs for the Board and CEO (incl. employer's contributions)	0.5	-
Other pension costs	0.9	0.0
	6.7	**0.2**

NOTE 6. Fees and remuneration to auditors.

Öhrlings Pricewaterhouse Coopers AB	2016	2015
Audit assignment	0.4	0.4
Tax consultancy	0.2	0.0
Other services [1]	3.8	2.0
	4.4	**2.5**

1) Other services pertain to services ahead of the issue of preference shares, the costs for which were recognised directly in equity.
Audit assignments include examination of the Annual Report and financial statements, as well as the administration of the Board of Directors and the CEO, other work assignments that are the responsibility of the company's auditors, and guidance and assistance occasioned by observations in conjunction with such reviews or the completion of such other duties. Everything else is other assignments.

NOTE 7. Taxes.

	2016	2015
Current tax expense	-11.6	-6.1
Deferred tax	-	-
Tax expense for the year	**-11.6**	**-6.1**

Reconciliation of effective tax	2016	2015
Profit before tax	87.8	32.7
Tax according to applicable tax rate	-19.3	-7.2
Non-taxable income	22.0	1.7
Non-deductible costs	-14.2	-0.6
Temporary differences	-	-
Tax from previous years	-	-
Other	0.0	0.0
Recognised effective tax	**-11.6**	**-6.1**

NOTE 8. Tangible fixed assets.

Equipment	2016	2015
Accumulated cost		
Opening cost	**0.4**	**0.4**
Investments	0.1	0.0
Disposals		0.0
Closing accumulated cost	**0.5**	**0.4**
Accumulated depreciation according to plan		
Opening balance, depreciation	**-0.1**	**-0.1**
Depreciation for the year		0.0
Disposals		–
Closing accumulated depreciation	**-0.1**	**-0.1**
Closing residual value according to plan	0.4	0.2

NOTE 9. Year-end appropriations.

	2016	2015
Group contributions paid	-48.1	-4.1
Group contributions received	92.4	-
Change in allocation reserve	-0.1	-
Change in accelerated depreciation	0.0	0.0
	44.2	**-4.1**

NOTE 10. Participations in Group companies.

Accumulated cost, SEK thousand	2016	2015
At 1 January	387.1	387.1
Invested	453.3	0.1
Impairment	-60.0	-
Divested	-	-
	780.4	**387.1**

			Carrying amount, SEK thousand	
Subsidiary, Corp. Reg. No., registered office	**Number**	**Percentage**	**2016**	**2015**
Volati Treasury AB, 556847-3399, Stockholm, Sweden	1,000	100%	780.4	387.1
Volati Ventures AB, 559005-1149, Stockholm, Sweden	500	100%	0.1	–
			780.4	**387.1**

NOTE 11. Equity.

Share capital.
Volati has two share classes, common shares and preference shares, which have been listed on Nasdaq Stockholm since 30 November 2016. The number of common shares outstanding was 80,406,571 and the number of preference shares outstanding was 1,603,774 at the end of the year. In addition, Volati has issued 4,174,570 warrants to one senior executive, which carry entitlement to subscription for 834,914 common shares. Each common share entitles the holder to one (1) vote. Each preference share entitles the holder to one-tenth (1/10) of a vote.

Dividend.
In 2016, Volati AB distributed SEK 23.8m to holders of common shares and SEK 64.2m to holders of preference shares.

Retained earnings.
Retained earnings comprise unrestricted equity from previous years. Together with net profit for the year, this comprises total unrestricted equity, in other words, the total funds available for distribution to shareholders.

Proposed appropriation of profit
Refer to the appropriation of earnings in the administration report in this Annual Report for the Board's proposed appropriation of earnings.

NOTE 12. Pledged assets and contingent liabilities.

Pledged assets	2016	2015
Shares in subsidiaries	–	–
Contingent liabilities	**2016**	**2015**
Rent guarantee	32.2	13.4
Guarantee commitments on behalf of subsidiaries*	–	–
	32.2	**13.4**

* Volati AB has provided a parent company guarantee covering the commitments of subsidiaries to Nordea Bank. See Note 22 for the Group for more details regarding the Group's external commitments.

NOTE 13. Related parties.

The Parent Company has close relationships with its subsidiaries and owners; refer to Note 28 for the Group. During the year, Group contributions and dividends were received from several subsidiaries. Personnel costs to the owners are detailed in Note 7 for the Group.

The Board of Directors and the CEO hereby certify that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and provide a fair representation of the Group's position and performance. The Annual Report has been prepared in accordance with the generally accepted accounting practices in Sweden and accurately reflects the Parent Company's financial position and performance. The Administration Report for the Group and the Parent Company provides a true and fair view of trends in the Group's and Parent Company's operations, financial position and performance, and describes the significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

Stockholm, 21 March 2017

Karl Perlhagen Chairman of the Board	Patrik Wahlén Board member	Christina Tillman Board member
Louise Nicolin Board member	Björn Garat Board member	Mårten Andersson CEO

Our audit report was submitted on 29 March 2017

Öhrlings PricewaterhouseCoopers AB

Niklas Renström
Auditor in Charge

Auditor's report.

To the meeting of shareholders in Volati AB (publ), corporate identity number 556555-4317.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Volati AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 82-171 in this document with the exception of the Corporate Governance Report on pages 92-107.

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

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content in the supplementary report presented to the Board of Directors of the parent company in accordance with Regulation (EU) No 537/2014 (the "Statutory Audit Regulation").

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

Our audit activities

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

The group is comprised of a number of operating companies with registered offices in Sweden and other countries. The majority of the companies are subject to statutory audits and PwC executed the audit of all of the Nordic subsidiaries. Our group audit includes all significant companies within the Nordic region which implies that we audit the majority of the group's assets, and liabilities and net sales, as well as its net results.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

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

Key audit matter

Impairment testing of intangible fixed assets including goodwill, brands including other acquisition-related intangible fixed assets and capitalised development expenses

Intangible fixed assets comprise a significant item in Volati AB, MSEK 1,840 (2015: MSEK 1,688) which is equivalent to approximately 56% of total assets. Of these, approximately MSEK 1,503 is comprised of goodwill and other intangible fixed assets referring to brands, patents and capitalised development expenses.

How our audit has addressed the key audit matter

In executing our audit, we have obtained copies of company management's cash flow forecasts and the estimations and judgements providing the basis of these forecasts. We have examined and assessed the reasonability of the assumptions regarding the annual growth rate, sales volumes and the discount rate, which company management has presented to us. As a stage in our audit of company management's estimations and judgements, we compare previous periods' estimations and judgements against actual outcome to, in this manner, assess management's capacity to undertake realistic estimations. We also determined if the cash flow forecast agrees with the business plan adopted by the Board of Directors.

This testing evidenced that the recovery value is in excess of the reported value and that there is no impairment requirement as regards goodwill and other intangible assets. However, the management's implemented sensitivity analyses regarding significant assumptions indicate that there exists a limited impairment requirement within one of the sub-groups. Refer to Note 11 for further information.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-81. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: *www.revisorsinspektionen.se/rn/showdocument/documents/rev dok/revisors_ansvar.pdf.* This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

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

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil 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.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: *www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf.* This description is part of the auditor´s report.

Stockholm, 29 March 2017
Öhrlings PricewaterhouseCoopers AB

Niklas Renström
Authorised Public Accountant

VOLATI'S 2016 YEARBOOK

PRODUCTION: Volati/Appelberg
PRINTING: Göteborgstryckeriet 2017
PAPER: Edixion Offset 120g

VOLATI AB
CEO: Mårten Andersson
Engelbrektsplan 1
SE-114 34 Stockholm, Sweden
+46 (0)8-21 68 40
info@volati.se
www.volati.se

BESIKTA BILPROVNING
CEO: Nicklas Margård
Källvattengatan 7
SE-212 23 Malmö, Sweden
+46 (0)77-440 08 00
kundtjanst@besikta.se
www.besikta.se

BÅREBO NORDIC
CEO: Roger Carlsson
Hemsögatan 14
SE-212 24 Malmö, Sweden
+46 (0)40-38 60 50
info@barebonordic.com
www.barebonordic.com

CORROVENTA AVFUKTNING
CEO: Per Ekdahl
Mekanikervägen 3
SE-564 35 Bankeryd, Sweden
+46 (0)36-37 12 00
mail@corroventa.se
www.corroventa.se

ETTIKETTOPRINTCOM
CEO: Rikard Ahlin
Box 9033
SE-200 39 Malmö, Sweden
+46 (0)40-55 27 00
info@ettikettoprintcom.se
www.ettikettoprintcom.se

HABO GRUPPEN
CEO: Carl-Axel Svensson
Box 203
SE-566 24 Habo, Sweden
+46 (0)36-484 00
info@habo.com
www.se.habo.com

KELLFRI
CEO: Philip Schwarz
Munkatorpsgatan 6
SE-532 37 Skara, Sweden
+46 (0)511-242 50
info@kellfri.se
www.kellfri.se

me&i
CEO: Johan Nordström
Skeppsbron 3
SE-211 20 Malmö, Sweden
+46 (0)40-12 74 50
info@meandi.se
www.meandi.se

MILJÖCENTER
CEO: Veronica Kajrup
Kvalitetsvägen 1
SE-232 91 Arlöv, Sweden
+46 (0)40-668 08 50
info@miljocenter.com
www.miljocenter.com

NATURAMED PHARMA
CEO: Bodil Arnesen
Postboks 1513
3007 Drammen, Norway
+47 32 21 60 00
post@naturamed-pharma.se
www.naturamed-pharma.se

THOMÉE
CEO: Roger Andersson
Box 50304
SE-202 13 Malmö
+46 (0)40-38 60 00
info@thomee.se
www.thomee.se

TORNUM
CEO: Per Larsson
Skaragatan 13
SE-535 30 Kvänum, Sweden
+46 (0)512-291 00
info@tornum.com
www.tornum.com

SØRBØ INDUSTRIBESLAG
CEO: Jon Berg
Postboks 5718 Sluppen
7437 Trondheim, Norway
+47 72 89 19 50
firmapost@industribeslag.no
www.industribeslag.no