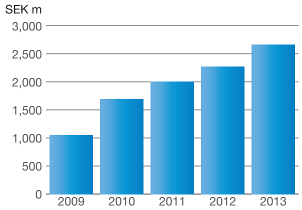
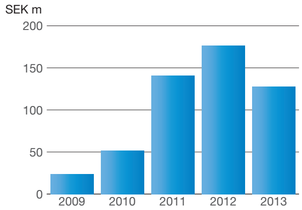
# Annual Report 2013

Nederman


## Net sales
**SEK 2,659 million**




## Operating profit (EBIT)
**SEK 128 million**

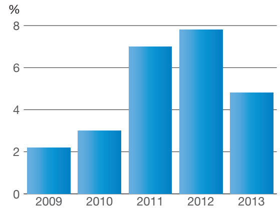



# AMERICAS

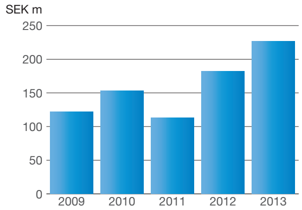
Net sales SEK 958 million
Operating profit* SEK 139 million
Average number of employees 510

Read more about the Americas market region on pages 20-23.

## Operating margin (EBIT)
**4.8%**




## Operating cash flow
**SEK 227 million**

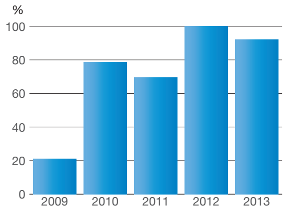



# EMEA

Net sales SEK 1,410 million
Operating profit* SEK 73 million
Average number of employees 1,086

Read more about the EMEA market region on pages 24-27.

## Net debt/equity ratio
**92.1%**




## Nederman's offer

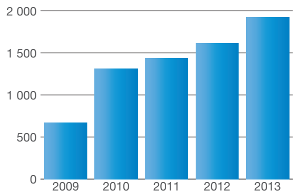
Read about our business offer on page 12

# APAC

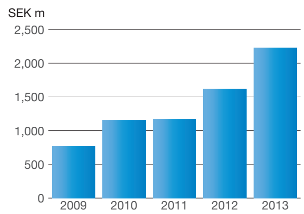
Net sales SEK 292 million
Operating profit* SEK 14 million
Average number of employees 328

Read more about the APAC market region on pages 28-31.

## Average number of employees, **1,924**




## Stock market valuation
**SEK 2,226 million**




## 1 Quarter

- Order signed in Australia worth SEK 30 million
- Decision to restructure production in Europe
- Acquisition of Industriventilation A/S in Denmark

## 2 Quarter

- AGM of Nederman Holding AB
- Expansion of assembly plant in Thailand

## 3 Quarter

- Order signed in China worth SEK 50 million
- Order signed in North America worth SEK 55 million
- Restructuring of production in Europe completed as planned

## 4 Quarter

- Order signed in USA worth SEK 93 million
- Order signed in Ukraine worth SEK 25 million
- Order signed in China worth SEK 30 million

* Excluding restructuring/integration costs, acquisition costs and capital gains from sale of subsidiary.

As a leading environmental technology company, taking care of the environment is a natural part of Nederman's operations. Accordingly, the Company has chosen to print its Annual Report on FSC and Nordic Eco-labeled paper. FSC stands Forest Stewardship Council, which is an independent international organization that promotes social responsibility through environmentally compatible and economically sustainable use of the world's forests.

FSC www.fsc.org MIX From responsible sources FSC® C074394

MILJÖMÄRKT 341 417

# Year in brief

**Net sales SEK 2,659.2 million (2,272.6)**
A decrease of 5.1% when adjusted for currency effects and acquisitions/divestments

**Operating profit SEK 170.2 million (197.2)**
(excluding acquisition and restructuring costs)
The adjusted operating margin was 6.4% (8.5)

**Operating profit SEK 127.5 million (176.5)**

**Operating margin 4.8% (7.8)**

**Net profit SEK 69.7 million (117.8)**

**Earnings per share before dilution SEK 5.95 (10.06) and after dilution SEK 5.93 (10.06)**

**The board proposes a dividend of SEK 4.00 (4.00) per share**

| Operating key figures* | 2013 | 2012 |
|---|---|---|
| Net sales, SEK m | 2,659.2 | 2,272.6 |
| EBITDA, SEK m | 219.4 | 236.7 |
| EBITDA-margin, % | 8.3 | 10.4 |
| Operating profit, SEK m | 170.2 | 192.7 |
| Operating margin, % | 6.4 | 8.5 |
| Operating cash flow, SEK m | 226.7 | 181.9 |
| Return on operating capital, % | 14.2 | 17.9 |
| Net debt/EBITDA, multiple** | 2.6 | 2.3 |
| Interest cover ratio | 5.8 | 8.2 |

| Financial key figures*** | 2013 | 2012 |
|---|---|---|
| Operating profit, SEK m | 127.5 | 176.5 |
| Operating margin, % | 4.8 | 7.8 |
| Profit/loss before tax, SEK m | 99.7 | 153.7 |
| Net profit/loss, SEK m | 69.7 | 117.8 |
| Earnings per share, SEK | 5.95 | 10.06 |
| Return on shareholders' equity, % | 11.4 | 20.6 |
| Net debt, SEK m | 570.9 | 601.3 |
| Net debt/equity ratio, % | 92.1 | 100.0 |

* Excluding restructuring/integration costs, acquisition costs and capital gain on disposal of subsidiaries.
** Includes EFT pro forma January-September 2012
*** Includes restructuring/integration costs, acquisition costs and capital gain on disposal of subsidiaries.

CONTENTS



## Help for the reader

- In the text, figures in brackets are results for 2012 unless otherwise stated.
- SEK, the Swedish krona, is the currency used throughout.
- In some places 'million' is abbreviated to 'm'.
- All amounts in tables are SEK million unless otherwise stated.
- The term 'operating profit' is used for 'operating profit before financial items and tax'.
- The term 'EBITDA' is used for 'operating profit before financial items, tax and depreciation of tangible and intangible assets'.

## Distribution policy

The printed version of the Nederman annual report is distributed to shareholders who request it. The annual report is available on the Group's website: www.nederman.com

The Annual General Meeting will take place on 23 April 2014.
For more detailed information, see page 87.

# Nederman – a leading environmental technology company that puts the customer first

## We filter, clean and recycle

Nederman is a world-leading environmental technology company. We filter, clean and recycle to create eco-efficient production in demanding industrial surroundings. Metal fabrication, fibre-based production, process industry operations and the auto industry aftermarket are some of the businesses where Nederman's products make a clear difference – all over the world – every day – all year round.

## We offer our customers eco-efficiency

For us at Nederman, eco-efficiency is a very practical concept – it means creating both ecological and economic efficiency. Economic efficiency means improving the efficiency of production, boosting productivity and minimising environmental fees. Ecological efficiency is about improving the environment and occupational safety for our customers through more efficient use of materials, lower energy consumption and reduced emissions. It's also about strengthening our customer's brand and creating safer, more attractive workplaces.

## We are always on the move

Over the past ten years Nederman has developed from being a company with a relatively small product range into a comprehensive environmental technology business. We aim to continually develop Nederman by adding new skills and solutions, expanding our geographic presence and – above all – helping our customers to develop their business both economically and ecologically.

**Our values**

Profitable customer focus

Respect for the environment and each other

Courage and initiative

# A stronger Nederman despite a challenging year

It was a challenging and tough year with continued uncertainty. There was a lot of turbulence between the quarters, but we used the year to make Nederman more efficient, strengthening our market positions and developing our business offer.

In recent years we have made large acquisitions and I am very satisfied with the way we have completed the integration of Environmental Filtration Technologies (EFT) and how that contributed to strengthening our profitability. We drew the benefit of our experience from the purchase of Dantherm and when I summarise that acquisition I can state that it has been a success. We have met or exceeded all the goals we set.

Through the acquisition and integration of these two businesses we have taken important steps in the development of Nederman and further strengthened our position as a global leader in industrial air filtration. Today we have the capability to offer on a global scale eco-efficient production through filtration, cleaning and recycling of industrial environments.

## CHALLENGING MARKET

Financial uncertainty during the year affected all markets and even though we saw signs of stability in Europe the difficult market climate remained. In Asia the uncertain financial situation has caused customers to delay their decision making whereas in the Americas there has been a much more positive development during the year.

In the US many businesses are relocating their production back home. One example is the textile industry, where the benefits of manufacturing abroad have grown fewer in recent years. The core of our offer – efficient production, a better environment and safer workplaces – tunes in with this trend. Relocating production back in the US will lead to greater demand for our services and to win this business it is important to have a local presence with a strong position. We now offer just that and at the end of the year in tough competition we won one of our biggest orders ever, worth around SEK 93 million, from textile company Gildan Yarns LLC. This is an important order that strengthens our position in the American textile industry that is increasingly moving its production resources back to the American homeland. In the same quarter we won a prestigious order from Johnson Control Inc at a lead recycling plant. Our American organization showed during the year that it has the capability to win orders for complete systems with a high competence content.

During the year we took important steps forward to strengthen our position with domestic Chinese companies and we won several local orders. China differs significantly as a market from Europe and America and during the year we worked intensively to adapt our offer to specific Chinese requirements. The orders we received from one of China's biggest automakers and from one of the world's largest aluminium smelters show that we have the capability to meet the specific requirements of Chinese industry. We will continue to expand our business in China and Asia in coming years.

## GROW OUTSIDE EUROPE

The European market is not growing as strongly as other markets. Our long-term goal has therefore been to increase our market share on these other markets outside Europe. We will continue these efforts with undiminished force and I note that the Americas today account for one third of our net sales while markets outside Europe account for around a half.

Today we have the competence and the capability to win many different types of customer assignments and we have a complete offer for customers, from individual products to system solutions and aftermarket services.

Service is an integrated part of our customer offer and increased service makes us less sensitive to business cycle swings. It is therefore an improvement area for growth and profitability. When we combine it with our increased geographic spread we become less sensitive to economic turbulence and it creates new opportunities for us going forward.

## IMPROVED EARNINGS CAPABILITY

We work continually to improve our business and during the year in Europe we specialised our production structure further and made it even more efficient. We also expanded our assembly plant in Brazil significantly to be closer to the local market, reduce lead times and cut costs in several product groups.

The change in the production structure in Europe and the other cost control measures started to produce results at the end of 2013 and will make a positive contribution in 2014.

## A STRONGER NEDERMAN

Overall I can confirm that we made good use of our time in 2013. Even though uncertainty remains ahead of 2014 we now have a more complete offer, greater geographic spread and more effective production structure. We do business in the environmental technology sector, which is gaining greater focus and significance both in the business world and among legislators across the world. China, for example, has made environmental technology a prioritised "pillar" industry.

With its long experience and strong business offer in environmental technology, Nederman has good prospects for further growth. I would like to thank Nederman's work force, customers and owners for helping us achieve this position.

**Sven Kristensson**
President and CEO

**See an interview with Sven Kristensson**
Scan the code with your mobile phone or tablet or go to Nederman's website.

# Well-positioned for the future

Nederman contributes to sustainable social development by providing products and systems that create good working spaces while reducing environmental impacts from industrial processes. With a unique knowledge base in applications, products and systems, our mission is to contribute to efficient production, environmental benefits and safer workspaces. Our vision is to have world-leading competence in solutions for eco-efficient production. Nederman today is a world leader in industrial air filtration.

### CLEAR FINANCIAL GOALS

The Nederman Group is managed with clear financial goals to achieve sustainable sales growth and good profitability:

- Annual sales growth of 8-10 per cent over a business cycle.
- EBIT margin of at least 10 per cent over a business cycle.
- A dividend policy of 30-50 per cent of net profit being paid to shareholders, with consideration for the capital structure and acquisition plans.

### FOUR PRIORITISED AREAS

To achieve its financial goals, Nederman gives priority to four areas:

- Expanding activities with new customer and market segments
- Developing the position in the chain of value by improving the efficiency of distribution and increasing the portion of the aftermarket within total sales.
- Expanding geographically, firstly in growth markets such as China, India and Brazil, but also in other markets that have favourable industrial development.
- Developing new products, solutions and complete concepts.

### OUTCOMES

Over the past five years sales growth on average has been 18%, which is much higher than our target of 8-10%. In the same period the EBIT margin has risen from 2.2% to 4.8%. On average the dividend paid to shareholders over the past five years has been 47% of net profit.

### STRATEGY FOR PROFITABLE GROWTH

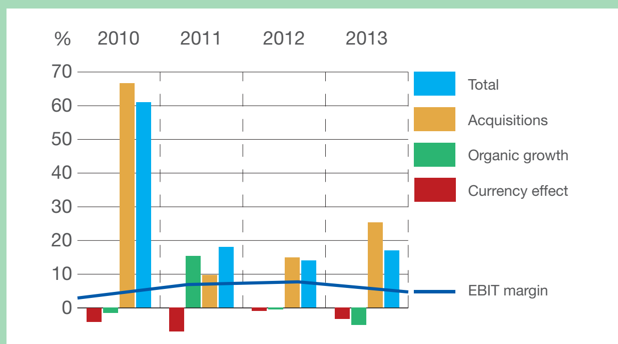
Introducing new customer and market segments

Developing the offer, optimising sales channels and increasing the portion of service

Expanding geographically with focus on growth markets

Developing new products and offers

### SALES GROWTH AND PROFIT MARGIN DEVELOPMENT



## GROWTH THROUGH NEW CUSTOMER AND MARKET SEGMENTS

2003

### Extraction at source

In 2003 Nederman's business was focused on fume extraction at source.


Sales SEK 735 million

+

2010

### Industrial processes

Industrial processes entered the product mix through the acquisition of Dantherm Filtration.

Sales SEK 1,694 million

+

2013

### Filter technology

The acquisition of Environment Filtration Technologies broadened the business to include filter technology.

Sales SEK 2,659 million

# Products and solutions that contribute to higher production efficiency, reduced environmental impact and a better working environment.

Nederman works within a broad area in environmental technology. The Group is world leading in filtration, cleaning and recycling in demanding industrial environments with strong positions mainly in Europe and North America, and a presence on several growth markets.

Nederman meets customers' requirements for solutions in industrial air filtration by offering the broadest range of equipment on the market. Solutions are based on technology that captures, transports and filters contaminated air and waste products. In addition there are complementary solutions for handling consumable fluids, recycling of consumable materials, waste products and energy recycling, plus hose and cable reels, etc. Solutions are designed to increase production efficiency, reduce the external environmental impact from industrial production and create a clean and safe working environment. Solutions can be adapted with great flexibility for specific processes and work assignments in a wide range of industries, with the Nederman offer covering everything from engineering design to installation, commissioning and service. Nederman's business is focused on three main areas:

- **Extraction and filtration** that protect people and the environment from dangerous air pollution.
- **Cleaning** that produces a clean and healthy working environment and secures good quality in production.
- **Recycling** where waste and spills in production are turned into valuable resources.

## MARKETS AND COMPETITORS

The global market is estimated to be worth around EUR 4 billion and it is growing around 1% faster than global GNP growth. The key concentration of Nederman's sales is in Europe and North America, but the Group is developing positions in Eastern Europe, Asia, the Pacific region and Brazil. Competitors generally have a narrower product range and more limited geographic coverage. Within specific application and product areas competition comes from national or local businesses.

## REASONS FOR SUCCESS

The Group's market success is mainly due to the following factors:

- Having the market's broadest range for industrial air filtration with solutions for both the inner and outer environment.
- The offer covers individual products as well as complete solutions for entire product lines.
- Competence across the entire chain from product development to service and the aftermarket.
- Strong market presence through own companies in many countries and a well-developed distribution network

## MARKET SEGMENTS

Nederman is focused on four prioritised market segments:

**Metal fabrication**
- Manual and robotic welding
- Thermal cutting, blasting and others
- Machining

**Fibre-based industries and general industries**
- Primary wood
- Secondary wood
- Composites
- Food
- Pharmaceutical
- Waste management
- Minerals
- Agriculture
- Textiles
- Chemicals
- Others

**Process industries and energy**
- Foundry
- Smelters
- Incineration
- Crematories
- Asphalt
- Energy

**Automotive aftermarket**
- Vehicle repair shops
- Emergency stations

# Strong brands build good customer relations

For 70 years customers have been relying on Nederman's ability to supply innovative and high quality products and solutions. Nederman is a well-known brand and continued brand building is important to support our sales, profitability and ability to distinguish ourselves from our competitors. We are continually developing our market position and our brand so that it feels modern, relevant and in line with our business goals.

**Nederman brands**

Main brand: Nederman

Subsidiary brands: PNEUMAFIL Nederman; MIKROPUL Nederman

**Complementary brands**

Supporting brands: LCI (Part of Nederman Group)

Independent brands: NORDFAB Ducting; MENARDI-FILTEX

# Global trends driving demand

Knowledge about the importance of the internal and external environment is growing globally resulting in stricter legislation and controls. Strong forces linked to efficient production, the environment and health are driving demand for Nederman's products and solutions.

**FOCUS ON EFFICIENCY AND QUALITY IN PRODUCTION**

Tougher requirements for efficiency and disruption-free production provide incentives for investments that achieve productivity and quality benefits.

**STRICTER LEGISLATION**

More and more countries are introducing tougher laws and controls concerning the workplace. New and prospective EU member states are adapting to EU demands while emerging industrial nations are also tightening up their laws.

**STRONG INCENTIVES FOR RECYCLING**

Rising raw material and energy costs are creating incentives for businesses to invest in solutions that recycle waste products and energy.

**AWARENESS ABOUT RESPONSIBILITY FOR HEALTH AND THE ENVIRONMENT**

As awareness of climate change and other environmental problems increases there is growing interest in investments that protect the environment and reduce energy consumption. As companies become more international this also leads to a spread of technology and customer requirements.

**FOCUS ON SUSTAINABLE BUSINESS**

Sustainability has become more important for brands and is contributing to greater focus on the environment and health.

**DEMANDS FOR SAFE AND GOOD WORKING ENVIRONMENT**

Competition for labour is getting tougher, which means that a good working environment is becoming a more important factor in recruitment and in retaining staff.

# Our broad competence meets customer demands

We are specialists in solving problems concerning filtration, cleaning and recycling in demanding industrial situations. Our solutions help to reduce the environmental impact of industrial production, secure a clean and safe working environment while boosting production efficiency.

Nederman's offer includes individual products, engineering design, installation, commissioning and service. Many of our solutions have been pioneering in metal fabrication, vehicle workshops, plastics and composites handling, the chemicals, food and wood processing industries, and many other segments.

When supplying a complete solution Nederman takes full responsibility for the entire process from construction to commissioning and then continual service and maintenance of the finished installation based on the following model:

Feasibility study → Planning and system design → Installation, commissioning and training → Service and aftermarket

Some examples of Nederman's products:

Universal extraction nozzle for extracting and cleaning car exhaust fumes in connection with car servicing.

Nederman FilterBox is one of the market's most versatile and user-friendly mobile filters for particles and fumes.

Cartridge filters are developed for continual operation in industrial process filtration and particle separation.

Customer-adapted applications and filters for large-scale filtration of fumes.

# Products and solutions.
## We filter, clean and recycle.

Nederman has products and solutions that are developed to improve the efficiency of production, reduce ecological impact and improve the working environment in many industrial areas, such as processing of metals, wood and composites, the process and energy industries and the auto aftermarket.

**METAL FABRICATION**

Contaminated air that includes welding fumes and oil mist is a common problem in metal fabrication. The particles that are released can endanger the health of employees, contaminate surfaces and damage electronic components used in production. There are also strong economic incentives for recycling waste such as cutting fluids, blasting media and metal chips. Tougher legislation concerning the working environment is also driving demand for good solutions.

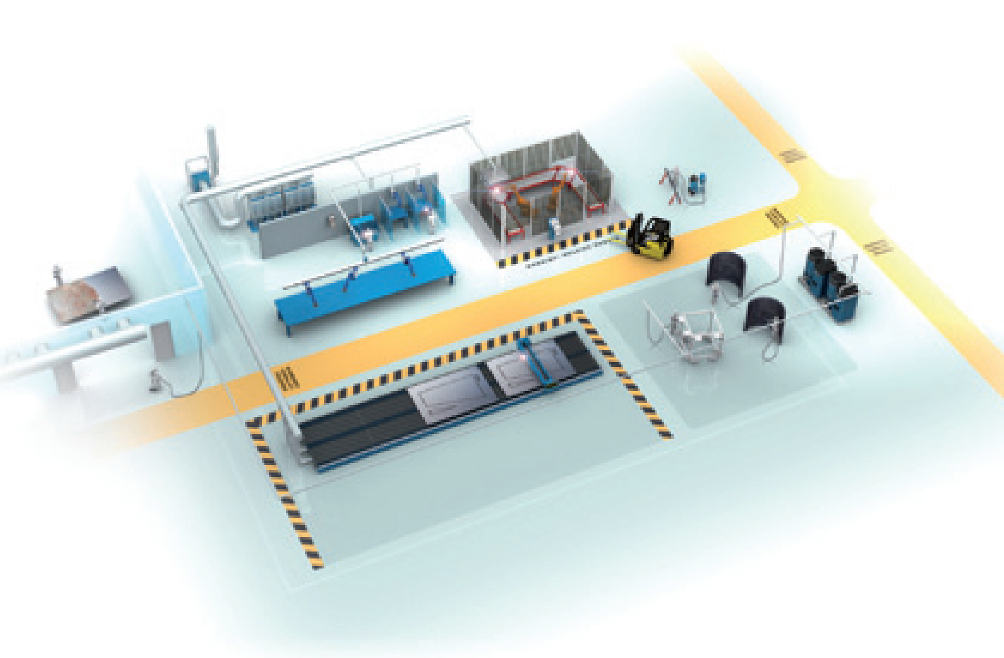
Nederman's products solve metal fabrication challenges by capturing welding fumes, oil mist and other particles directly at source and then separating cutting fluids, blasting media and metal chips for recycling. Our range is comprehensive, with everything from mobile filters to complete solutions for entire production lines and plants. There are solutions for welding robots and machines in automated production processes.

**FIBRE-BASED INDUSTRIES**

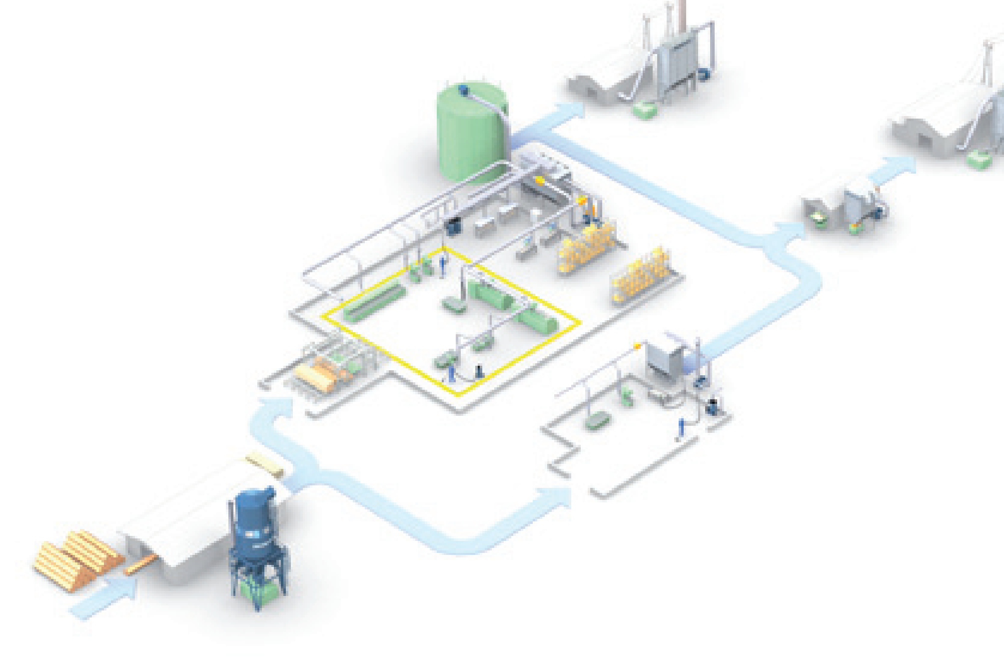
The handling of materials that generate dust is a major problem in many industries. The wood processing and composite processing industries are good examples, alongside the pharmaceutical and food industries where there are strict demands for hygiene and safety. Process dust that forms in the handling of materials such as wood and composites can cause health problems when inhaled, while they may also damage product quality. Some types of dust also cause fire and explosion risks.

Nederman's products and solutions are often needed for safe and efficient operations by customers. The offer includes products that not only secure a safe working and production environment but also handle waste

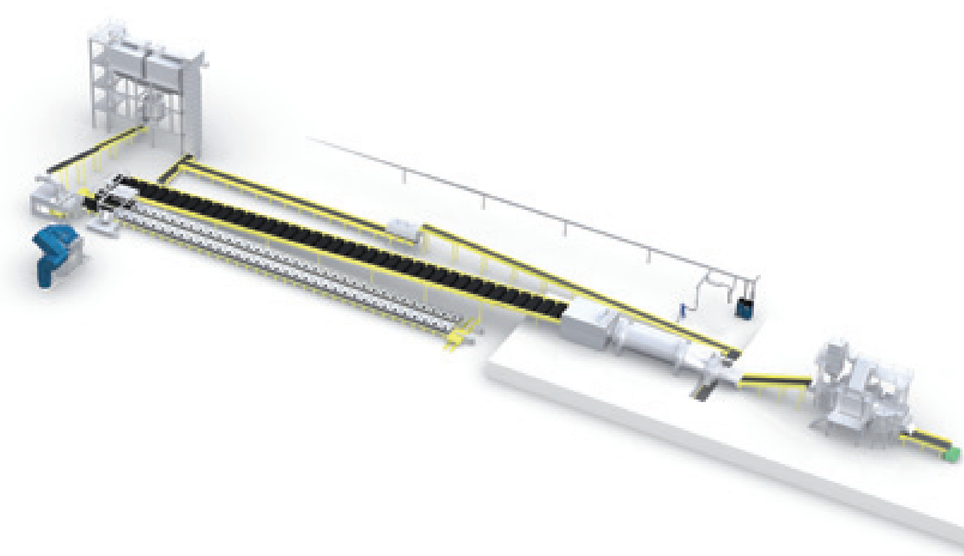
METAL FABRICATION



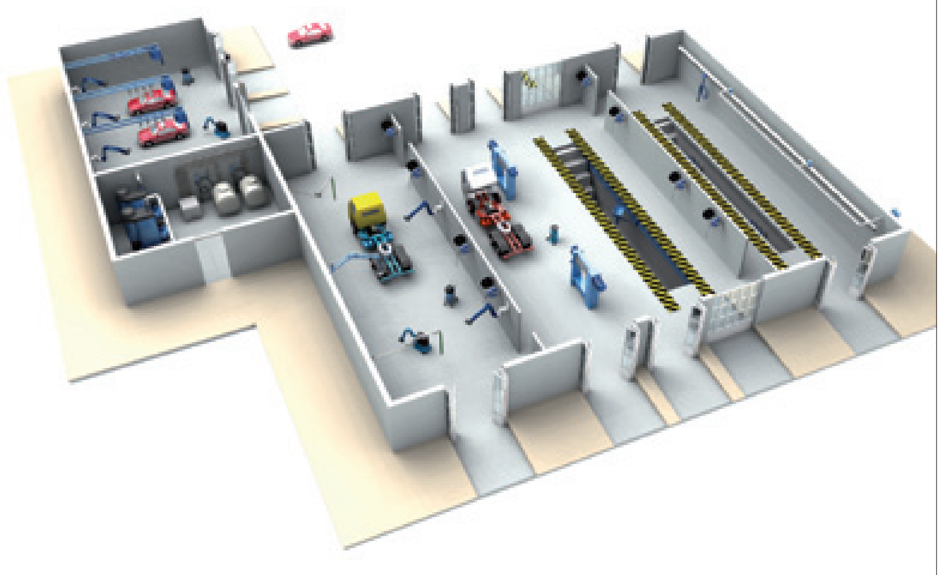
FIBRE-BASED INDUSTRIES



**PROCESS INDUSTRY AND ENERGY**



**AUTO INDUSTRY AFTERMARKET**



products for various forms of recycling. In larger plants, Nederman's equipment is often fully integrated in the customer's process to contribute to greater energy efficiency. In smaller plants and processing operations there are tool-specific applications for capturing particles at source.

**PROCESS INDUSTRY AND ENERGY**

A global expansion of the process industry and incineration plants is taking place to meet growing demand for metals and energy. These production plants produce hot gases that contain harmful particles.

Nederman has developed a complete system for foundries, smelting plants and other types of incineration plant. The Group also supplies solutions for recycling of resources in waste management plants. Nederman's solutions mainly comprise filter systems that meet high demands for performance and also minimize energy consumption and maintenance costs. In many instances the Group takes complete responsibility for solutions, which means design, installation and commissioning as well as continual servicing.

**AUTO INDUSTRY AFTERMARKET**

Nederman supplies solutions that safeguard a good working environment in vehicle repair shops, MOT centres and emergency service stations. The company is a world leader in systems for handling exhaust fumes and also supplies a wide range of solutions for large and small vehicle repair shops. Solutions safeguard a clean and safe working environment and make repair shops more efficient with better ergonomic conditions. The systems take care of exhaust fumes directly from the exhaust pipe. There are solutions for easier handling of hoses and cables. Other products take care of particles and smoke that are produced through grinding, welding and painting.

Scan the code with your mobile phone or tablet or go to Nederman's website, "www.nederman.com/solutions" to read more about our systems and solutions.

# Service.
## We safeguard operations for our customers.

Service is an integrated part of Nederman's offer to customers and a focus area for growth. Performing more service for customers makes Nederman less sensitive to turbulence in the business cycle.

By offering qualified service with high availability Nederman helps customers to secure continuous operation without expensive downtime in production.

**GROWING IN IMPORTANCE**
The Group works with its own service organization that is based in Europe, where there has been a strong base of service operations for some time. This organization is expanding fast now on growth markets in Eastern Europe and Asia. In North America, Environmental Filtration Technologies (EFT), which was acquired in 2012, has a well-developed service and aftermarket organization. The importance of service as a key competitive tool has increased in recent years as the Group increasingly works with larger installations and as the base of installed Nederman products and systems expands across all markets.

**COMPREHENSIVE SERVICE CONCEPT**
To further strengthen the service offer a fully comprehensive service concept was developed in 2012. This concept means that Nederman provides qualified and efficient service for all products and installations on all markets, thus ensuring that Nederman takes complete responsibility for systems installed by customers. Implementation of the new concept started in the EMEA region in 2012 and was rolled out on other markets in 2013. Nederman has also developed an online training service for the company's technicians to ensure a consistently high level of competence throughout the Group. Practical targets have been established for marketing of the service concept, which has resulted in good progress made in sales of service during the year and the signing of a large number of new service contracts.


Nederman
www.nederman.se
Nederman
Service & Parts

# Strong global position

Nederman has a strong global presence in both sales and production. Sales are managed through the Group's own sales offices and distributors in over 30 countries. The main focus for sales is in Europe and North America, but Nederman is also active in a number of growth markets. Production is performed in 12 countries on five continents.

### THREE TYPES OF SALES

Nederman has three principal business offers for the market: products, solutions and service

- **Sales of products** and components are mainly directed through indirect channels such as distributors, OEMs and various types of engineering companies.
- **Solutions and systems** are marketed by Nederman directly to end-customers in the form of customised solutions for entire production lines or plants. This also means that the Group has responsibility for engineering design, delivery, installation and commissioning.
- **Service** covers all maintenance of completed installations with spare parts, service, consumable materials and upgrades.

### SALES ORGANIZATION

The group has its own sales companies in 25 countries, and distributors in more than 30 other countries. The company aims to maintain a good balance between direct sales and sales via distributors in order to reach customers with varying demands as effectively as possible. A strong local presence is of great importance to Nederman to meet changes in market requirements and deliver comprehensive solutions. Sales through distributors meanwhile give Nederman a high market coverage for individual products and smaller systems.

During recent years the company's own sales organization was developed to strengthen performance on new and existing markets. A regional structure has been established for sales and technical support on developing markets and within specific business segments.

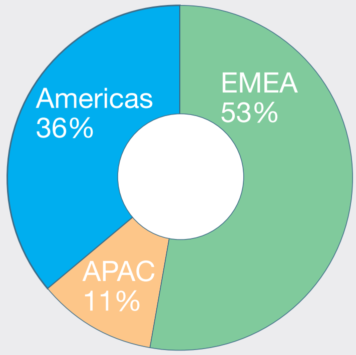
### SERVICE

By offering advanced service with high availability, Nederman helps its customers to secure continuous, optimized production. This applies with special significance as the Group increasingly supplies complete solutions to large plants that are often production-critical for customers. The demand for good service is also increasing as the installed base of Nederman equipment is expanding on all markets. To serve this base, Nederman has an established service organization in many countries. This organization is being expanded to meet demand from Asia and Eastern Europe, among other growth markets.

### PRODUCTION

During the year the Group operated production units and assembly plants in 12 countries. There are seven units in Europe, of which two are in Sweden and one each in Denmark, Poland, France and Germany. There are also units in Australia, the US, Brazil and Canada. There are two plants in Asia, one in China and one in Thailand.

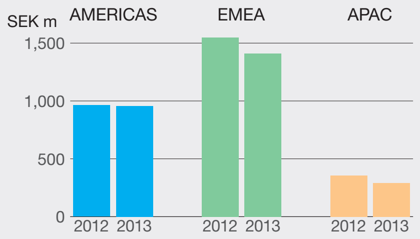
**Sales per region**




**Manufacturing and assembly centres**

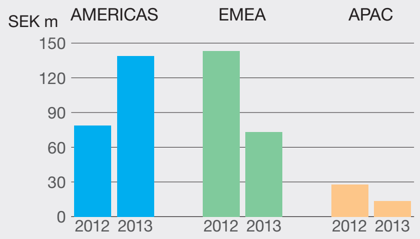
| Country | City | Activity |
|---|---|---|
| Australia | Melbourne | Assembly & distribution |
| Brazil | Sao Paulo | Assembly & distribution |
| Denmark | Assens | Production |
| France | Poncharra | Production |
| Canada | Mississauga | Assembly & distribution |
| China | Suzhou | Production |
| | Qingpu | Assembly & distribution |
| Poland | Marki | Production |
| UK | Leeds | Production |
| Sweden | Helsingborg | Assembly & distribution |
| | Töredal | Production |
| Thailand | Bangkok | Production |
| Germany | Friesenheim | Assembly |
| USA | Charlotte | Assembly |
| | Reno | Distribution |
| | Thomasville | Production |
| | Trenton | Production |

### Sales per region*

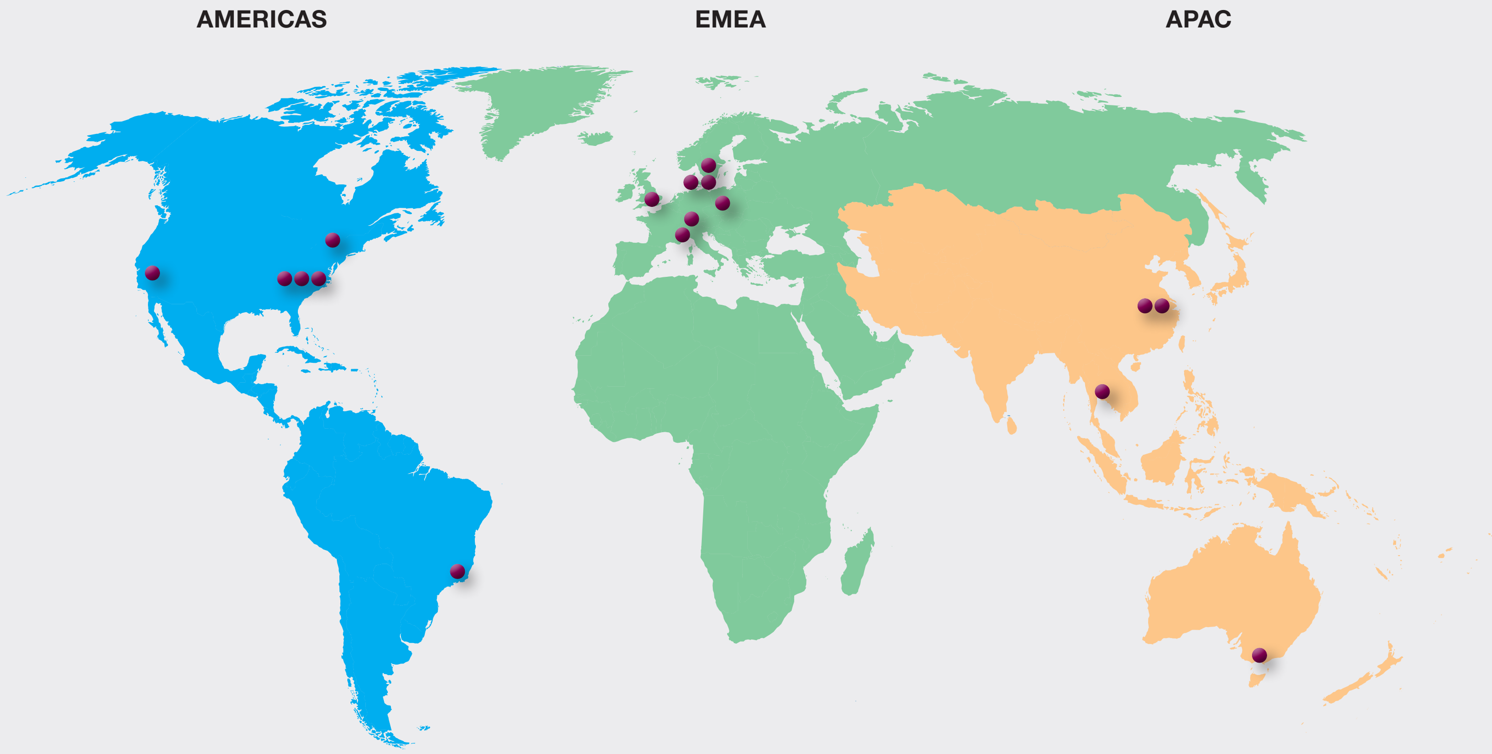



* Includes EFT pro forma for January-September 2012

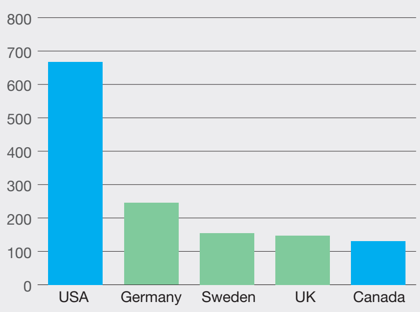
### Operating profit per region*



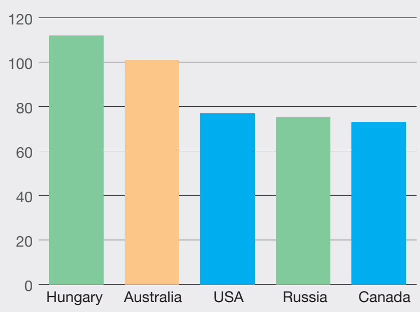

* Includes EFT pro forma for January-September 2012




### Largest markets, 2013, SEK million




### Highest growth in 2013, %



# AMERICAS

A clean production environment is vital for product quality and the surface finish. The tiniest particles can have huge consequences. Smooth, dust-free surfaces are of the utmost importance in achieving maximum adhesion when joining components made of composites. That’s why leading producers of aircraft, boats and wind turbines in the US and the rest of the world buy equipment from Nederman to guarantee the best results.

Americas

# Strong end to the year

In the Americas market region, which comprises the nations in North and South America, Nederman is represented with its own sales companies in the US, Canada, Brazil and Mexico. The US is the region's biggest market and following the acquisition of Environmental Filtration Technologies (EFT) in 2012 the US became the largest single market for the Nederman Group. The region saw positive growth in 2013 with sales growth of 3.5 when adjusted for currency effects.

**YEAR IN REVIEW**

The Americas market region reported stable progress in invoicing in 2013. Net sales amounted to SEK 957.9 million (962.7*), which represents growth of 3.5% when adjusted for currency effects. Earnings developed positively, too, with operating profit (excluding restructuring and acquisition costs) up by 76% at SEK 138.9 million (78.9*). The strong earnings trend boosted the profitability of the market area and the operating margin was 14.5% (8.2*).

In the first two quarters of the year, incoming orders were significantly lower than the previous year. This was because of highly challenging comparable figures for the acquired EFT business. EFT focuses on large solutions, which can mean large variations in incoming orders and invoicing between quarters. Incoming orders, which were initially weak, strengthened considerably in Q3 and Q4 when compared with the previous year and adjusted for currency effects they rose by 24.9% and 45.5% respectively to reach SEK 1,005.1 million (1,009.3*) for the full year.

**STRONG CONCLUSION IN THE US**

The US, which is the strongest and most important market in the region, progressed well in 2013 with increased demand from the timber industry among others. Nederman's traditional project offer showed stable development during the year. Although project sales of customer-adapted solutions reported weaker incoming orders in the first half of the year, there was a strong rally in the final two quarters with large orders being booked worth a total of around SEK 150 million.

The acquisition of EFT in 2012 means that Nederman has now strengthened its position on the American market in a decisive way and created a stable platform for continued growth.

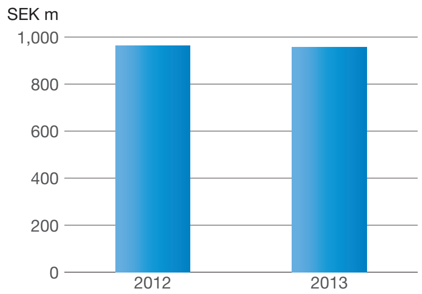
**MAJOR OPPORTUNITIES IN BRAZIL**

Brazil is a highly interesting market for Nederman. Many large international companies have their own production facilities in the country, making it a large and stable market for Nederman's products and solutions. There is also a clear and growing interest for environmental technology. Brazilian laws maintain a high international level and there is an increasing level of conformance.

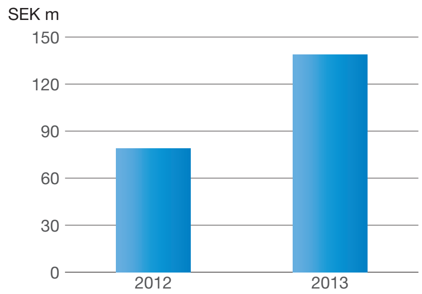
**SLOWER DEVELOPMENT IN CANADA**

The third country in this region where Nederman has its own sales company is Canada. Growth in Canada was weaker than in the US and Brazil, but the year ended strongly.

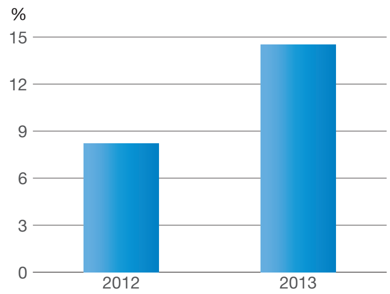
Net sales*
**SEK 957.9 million**




Operating profit**
**SEK 138.9 million**




Operating margin**
**14.5%**




* Includes EFT pro forma January-September 2012
** Includes EFT pro forma January-September 2012. Excludes restructuring/integration costs, acquisition costs and capital gain on disposal of subsidiaries.

# Nederman's strong presence in the region means it is well positioned to exploit the big opportunities that will arise.

**DRIVING FORCES**

A number of driving forces indicate that Nederman Americas will experience positive long-term development. Providing a good working environment in various process industries is increasingly important in being able to recruit staff and comply with legislation. In many countries now there are strict requirement about emissions to air, which boosts demand for Nederman's products and solutions.

Nederman markets products and solutions that make the production environment cleaner and thus operation more stable with minimum disruptions to activities. The economic arguments for Nederman's solutions are thus gaining extra force. In the Americas there is growth in the car and construction industries, which means increased demand for the Group's products and solutions.

Another trend that is growing in significance is that American companies are relocating production back home that was previously based in Asia. For example, at the end of the year Nederman won a significant order worth SEK 93 million within the textile industry. There is a general recovery in the US economy and this spurt of growth will further boost demand for Nederman's solutions.

**ORGANIZATION**

In the Americas region Nederman has its own sales companies in the US, Canada, Mexico and Brazil. In the other countries in the region product sales and service are handled by local distributors. In 2013 a separate organization was established with responsibility for project sales of large customer-adapted solutions and systems. The new organization has responsibility for the entire region, has a high level of competence and significant resources that this type of selling requires.

Mexico has potential that has not been fully tapped and the management team for the Americas region is assessing new opportunities for developing business in this market.

Nederman had a total of 510 employees on average in its Americas organization in 2013.

**OPERATIONS**

Nederman has production and assembly plants in Canada, the US and Brazil. Production of system solutions is carried out at two US plants: Thomasville in North Carolina and Trenton in South Carolina. Assembly of the traditional Nederman range takes place at Mississauga, Canada. In Brazil there is a Nederman assembly plant in Sao Paulo.
The advantages of local assembly and purchasing are obvious. Total costs are lower, lead times shorter and flexibility greater. In Brazil, high import duties make local production necessary for competing successfully on the market. During the year Nederman increased the number of products assembled locally in Brazil and it is planned to continue this development in 2014.

| Two-year summary | 2013 | 2012 |
|---|---|---|
| Incoming orders* | 1,005.1 | 1,009.3 |
| External net sales* | 957.9 | 962.7 |
| Depreciation* | -9.0 | -9.1 |
| Operating profit** | 138.9 | 78.9 |
| Operating margin, %** | 14.5 | 8.2 |
| Average no. of employees, 31 Dec. | 510 | 256 |

* Includes EFT pro forma January-September 2012
** Includes EFT pro forma January-September 2012. Excludes restructuring/integration costs, acquisition costs and capital gain on disposal of subsidiaries.

Per Lind
SVP & Head of Division Americas

**How do you view development in 2013?**
"2013 was a good year for Division Americas. Sales of Nederman's traditional product range developed well during the year and project sales had a fantastic ending to the year after a weak start. Overall development in the US and not least in Brazil was satisfactory. Business activities in Canada had a slightly slower development, although the final quarter was good."

**What were the year's highlights?**
"Among the highlights, of course, were the large project orders we won at the end of the year. I would also mention the new, regional organization for project sales that we established during the year. This will be very important going forward. On top of that there was the development in Brazil, which was very positive in 2013."

**How does the future in the Americas look?**
"The large project orders mean that we enter 2014 with great energy. If we have a little longer perspective there are several linked trends that will push demand for high quality environmental technology in the region, such as growing industrial production and increased environmental awareness. Nederman is well positioned to exploit these trends."

In October, Nederman Americas received a large order from Johnson Control Inc. for a complete solution for filtration of lead dust at two plants in North America. The total order value was SEK 55 million. Johnson Control Inc. is a global industrial corporation with 168,000 employees. The plants that Nederman will equip with its leading environmental technology recycle lead from used batteries.

The recycling industry is an interesting and expanding market for Nederman. This large order shows that Nederman's unique technology can help establish eco-efficient production with emission levels well below permitted values.

The plant is under construction and the picture shows a similar solution.

# EMEA

In metal fabrication, high capacity machines with fast cutting speeds produce large quantities of metal chips and require large flows of cooling fluids. These operations also generate oil mist that may affect the sensitive electronics controlling the equipment. Nederman's systems ensure efficient handling and recycling of metal chips and cutting fluids while filtering oil mist. This means reduced costs and fewer disruptions to production for the auto industry, for example, in Europe and the rest of the world.

EMEA

# Weak demand on challenging market

The EMEA market region comprises countries in Europe, the Middle East and Africa. Sales are concentrated in Western Europe where Nederman has a strong presence and leading market positions. The Group also sees good prospects for increasing sales in countries such as Russia, Turkey and Ukraine. In many countries the market conditions in 2013 proved to be challenging. Net sales for the year reached SEK 1,409.5 million (1,548.0*).

**YEAR IN REVIEW**

The EMEA market region reported weak invoicing development in 2013. Net sales for the year reached SEK 1,409.5 million (1,548.0*), a decrease of 7.8% when adjusted for currency differences.

Due to weak invoicing operating profit (excluding restructuring and acquisition costs) fell to SEK 73.3 million (143.2*). Profitability declined too as the operating margin fell to 5.2% (9.3*).

Incoming orders amounted to SEK 1,449.4 million (1,509.0*).

**WEAK DEVELOPMENT IN WESTERN EUROPE**

Western Europe, EMEA's most important market, was affected by the challenging market situation with weak demand. In Germany, the single most important market, incoming orders were lower than the previous year. The UK market had a positive Q1 but got weaker in the remainder of the year. Both the Nordic and Benelux markets made weak progress.

In southern Europe, which for some time has been affected by low demand and great caution about large orders, there were more positive signs with a large order received in the Spanish market in Q2.

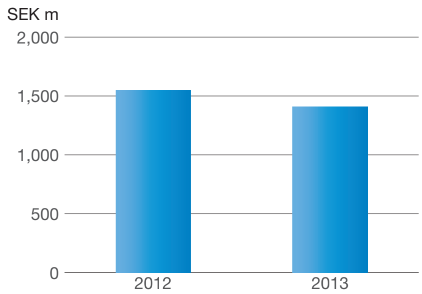
**POSITIVE IN EASTERN EUROPE**

Countries in Eastern Europe, where Nederman's market penetration is much lower than in Western Europe, reported positive development in 2013. In the first six months the Polish market progressed strongly, partly thanks to a major order in Q2, but the situation was weaker towards the end of the year. Good progress was made in Kazakhstan, Russia, Czech Republic and Turkey during the year. Nederman considers that growth in these countries will be significant going forward.

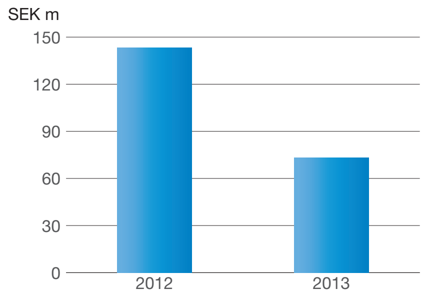
**OTHER EMEA COUNTRIES**

Nederman does not have significant sales in the other countries in the EMEA region, although the Group has started assessing how it can best exploit the opportunities that are emerging in the wake of the industrial development in sub-Saharan Africa and the Middle East.

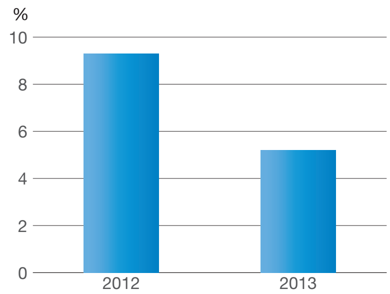
Net sales*
**SEK 1,409.5 million**




Operating profit**
**SEK 73.3 million**




Operating margin**
**5.2%**




* Includes EFT pro forma January-September 2012
** Includes EFT pro forma January-September 2012. Excludes restructuring/integration costs, acquisition costs and capital gain on disposal of subsidiaries.

# Markets in Western Europe remain a challenge, but there are good opportunities for development in Eastern Europe.

**DRIVING FORCES**
A number of driving forces have a long-term impact on Nederman's activities in the EMEA region. On more mature markets sales are driven by strict legislation concerning both the working environment and the external environment. Equally, the way that companies act on environmental issues has become more important for their image and their brands. Legal demands are very important for new and prospective EU member states that must adapt to the community's requirements.

As globalisation increases competition there are also distinct economic arguments for Nederman's products and systems. By investing in Nederman's products companies can secure higher operational reliability and a better working environment. Rising costs for raw materials and energy make it profitable to invest in solutions that handle waste products in an effective way and make it possible to recycle energy from production activities.

**ORGANIZATION**
Nederman EMEA is represented by its own sales companies in most Western European countries and in several countries in Eastern Europe, including Poland and Russia. In countries where the Group does not have its own representation, sales are made through distributors. In 2013 the business acquired from Environmental Filtration Technologies in Germany and France was integrated with Nederman's operational structure and is now being marketed under the MikroPul-Nederman and Menardi-Filtex brands.

In April 2013 Industriventilation A/S of Denmark was acquired to create a platform for sales of the NORDFAB ducting system in Europe. The NORDFAB brand has previously been sold successfully in the Americas region.

Nederman had a total of 1,086 employees on average in the EMEA organization in 2013.

**OPERATIONS**
Nederman has production facilities in the following centres in Europe: Assens, Denmark, (production); Poncharra, France (production); Marki Poland (production); Leeds, UK (production); Helsingborg, Sweden (assembly and distribution); Töredal, Sweden (production); Friesenheim, Germany (assembly).

In order to optimise the production structure in Europe a decision was made in Q1 2013 to transfer production of components at the site in Denmark to the unit in Poland and assembly to the German plant. This production transfer stared in Q2 and the project was completed in Q3.

| Two-year summary | 2013 | 2012 |
|---|---|---|
| Incoming orders* | 1,449.4 | 1,509.0 |
| External net sales* | 1,409.5 | 1,548.0 |
| Depreciation* | -24.3 | -23.6 |
| Operating profit** | 73.3 | 143.2 |
| Operating margin, %** | 5.2 | 9.3 |
| Average no. of employees, 31 Dec. | 1,086 | 1,037 |

* Includes EFT pro forma January-September 2012
** Includes EFT pro forma January-September 2012. Excludes restructuring/integration costs, acquisition costs and capital gain on disposal of subsidiaries.

**Hans Dahlén**
**SVP & Head of Division EMEA**

**How do you view development in 2013?**
"2013 was a challenging year for EMEA with generally weak demand on many Western European markets. But there were some bright spots, including development in Eastern Europe where we saw good growth during the year, mainly in Poland, Russia, Czech Republic and Ukraine. Turkey also had positive development during the year. We will continue to build on our presence in Eastern Europe."

**How do you view the future for EMEA?**
"In general I expect to see weak development for Western Europe, which is an important area for us, but I expect higher growth in Eastern Europe where there is still a big need for investment. In our other regions, Africa and the Middle East, we are currently assessing what the opportunities are. We will continue to invest to improve the efficiency of our business, but we will keep a very sharp focus on profitability. Despite the tough market in 2013 we managed to keep profit margins at a good level. We will continue on those lines. The volume development we want to achieve will not come at the cost of lower profitability."


In November Nederman received a large order from Kremenchuk, a large steel works in Ukraine. The order covers a complete solution for filtering of fume dust from the company's steel ovens and includes filters, cabinets, installation and training. The order was worth a total of SEK 25 million.

This order shows that Nederman's customers value the company's ability to create an eco-efficient production environment that has both economic and ecological benefits.

The Kremenchuk plant is under construction and this picture shows a similar plant.

# APAC

Nederman's extensive range of products and solutions meets strict demands in the process industry concerning the environment and efficiency. In Asia and the rest of the world we provide products and complete process solutions for smelting plants and other process operations that guarantee optimum particle separation with the lowest possible air volumes. This is essential to ensure that customers' investment and operation costs are kept to a minimum.

APAC

# Strong conclusion to the year in China

The APAC market region comprises countries in Asia and the Pacific, with the largest markets in Australia and China. Nederman has its own sales companies in Australia, India, Indonesia, China, Malaysia and Thailand. In the long term the region is considered to offer good growth opportunities for Nederman, even if development in 2013 was temporarily slowed due to economic uncertainty. Net sales reached SEK 291.8 million (355.2*).

**YEAR IN REVIEW**

The economic uncertainty and financial problems that affected the APAC market region for most of 2013 caused a lot of caution among Nederman's customers and led to extended decision making. As a result the invoicing volume declined for the region as a whole with net sales reaching SEK 291.8 million (355.2*), which corresponded to growth of minus 13.1% when adjusted for currency effects. Profitability development in APAC is strongly related to volume development. Weak volume development in the year therefore caused the decline in earnings. Operating profit was SEK 13.6 million (27.9*).

Incoming orders were much higher in Q1 2013 than in the previous year. There was a significant difference in Q2, partly because of much higher comparable figures from 2012 when a number of large orders were recorded. The third quarter was around the same level as the previous year and Q4 was poor. Total incoming orders amounted to SEK 300.9 million (372.4*).

**STRONG FINAL QUARTER IN CHINA**

China is an important market with great potential and the Group considers that the new Chinese leadership's clearly expressed ambition to tackle the country's environmental problems will mean good business opportunities for Nederman. China has developed strongly in recent years, but in the first half of 2013 there was significant uncertainty among Nederman's customers, which led to delays in system orders. During the autumn this development turned round and Nederman signed a number of larger orders. Product sales recorded weak but positive development during most of the year.

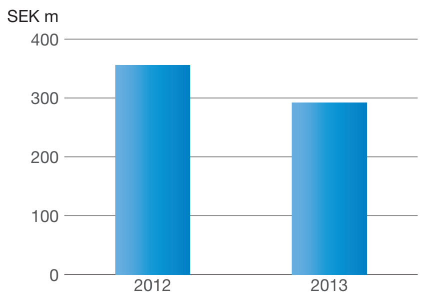
**UNCERTAINTY IN AUSTRALIA**

The Australian market was strongly affected by the uncertainty in the country's raw materials industry, with lengthy decision making processes and delays in investing among the key customers for Nederman in this segment. Sales of large systems and installations declined due to the uncertain situation, while product sales saw a slight improvement during the year.

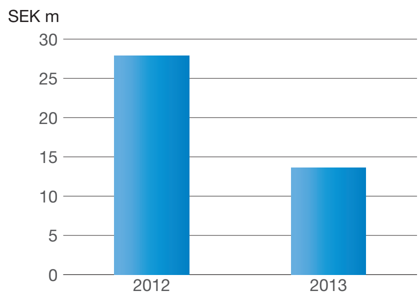
**REST OF ASIA**

The year began with very good growth for incoming orders from countries in South East Asia, but by the mid point of the year, economic uncertainty had begun to affect this region, which meant great challenges to Nederman's efforts within system sales. The weakening of the Indian rupee meant that demand for imports fell considerably. Despite the concerns at the end of 2013 Nederman continues to have a positive view of its long-term prospects in South East Asia.

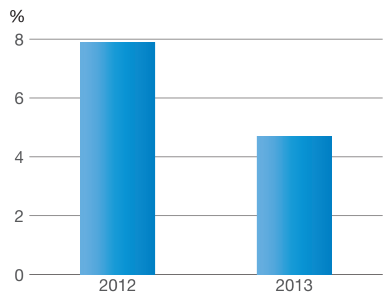
Net sales*
**SEK 291.8 million**




Operating profit**
**SEK 13.6 million**




Operating margin**
**4.7%**




* Inklusive EFT pro forma januari – september 2012.

** Inklusive EFT pro forma januari – september 2012. Exklusive omstrukturerings-/integrationskostnader, förvärvskostnader och realisationsresultat vid avyttring av dotterbolag.

# APAC is a region with great potential, increasing environmental awareness and growing regulatory requirements.

**DRIVING FORCES**

There is significant potential in the APAC region for high and sustainable growth. Much of the production infrastructure in the region lacks environmental technology solutions or is using poor equipment. In other words, there is a large need for high quality environmental technology.

The economic argument therefore for Nederman's products is very strong. By investing in Nederman's systems and products, considerable advantages can be achieved in the form of operational reliability and efficient recycling of waste products and energy. Working environment issues are becoming increasingly important as general living standards rise while the regulatory demands for eco-adapted production are getting stricter in China and other countries. This growing understanding of environmental problems and the need to invest in high quality solutions is improving Nederman's dialogue with its customers in the APAC region.

The acquisition of Environmental Filtration Technologies (EFT) has established a bridgehead in the extensive mining industry, a market that offers a large market that is mostly new to Nederman.

**ORGANIZATION**

Nederman has its own sales companies in Australia, India, Indonesia, China, Malaysia and Thailand. In other countries sales are managed by distributors. In China the head office is in Shanghai, but there are also several regional offices. Indonesia, Malaysia, Thailand and Vietnam form a sub-region within APAC. During the year in India the organization there was reorganised to adapt costs to weak demand.

Sales of service are at a relatively low level but they are expected to rise as the number of sold products and systems rises. Today it's primarily Australia and China that have an extensive service business.

In Australia the newly acquired EFT/MikroPul unit was integrated with Nederman's existing sales company during the year.

In 2013, Nederman had an average of 328 employees in its APAC organization.

**OPERATIONS**

Nederman has a strong production structure within APAC with plants in Melbourne, Australia (assembly and distribution); Suzhou, China (production); Qingpu, China (assembly and distribution), and Bangkok, Thailand (production). The plant in Thailand was taken into operation in April 2013 and provides much better possibilities for both optimising and expanding production to match growth in South East Asia, the main market for this plant. The plants in China serve the Chinese market as well as other Asian markets.

By having local production and distribution, Nederman can keep down total costs, reduce lead times and increase flexibility.

| Two-year summary | 2013 | 2012 |
|---|---|---|
| Incoming orders* | 300.9 | 372.4 |
| External net sales* | 291.8 | 355.2 |
| Depreciation* | -5.4 | -6.1 |
| Operating profit** | 13.6 | 27.9 |
| Operating margin, %** | 4.7 | 7.9 |
| Average no. of employees, 31 Dec. | 328 | 320 |

* Includes EFT pro forma January-September 2012

** Includes EFT pro forma January-September 2012. Excludes restructuring/integration costs, acquisition costs and capital gain on disposal of subsidiaries.

Torbjörn Bäck
SVP & Head of Division APAC

**How do you view development in 2013?**

"Uncertainty about the economic development affected large parts of APAC in 2013, which led to customers being very cautious. It was primarily our system sales that were affected as product sales developed in a stable fashion during the year with a slightly positive trend. Towards the end of the year we saw a distinct recovery in system sales on the Chinese market."

**What were the year's highlights?**

"The big orders in China indicate that our market position is strong. I would also mention South East Asia where we have established a strong platform for growth through the vibrant market presence our sales offices provide as well as by having production flexibility from the new plant in Thailand. In Australia we successfully integrated EFT/MikroPul with the existing Nederman sales company."

**What is the future for APAC?**

"APAC is a market with fantastic potential. We now have strong infrastructure in place and the assignment in 2014 will be to again build volumes in sales. Alongside these efforts we will have a sharp focus on increased efficiency in the organization with lower costs in delivery so that we can thereby boost profitability."

In November 2013 Nederman signed a contract with one of China's biggest automakers. The contract was worth SEK 30 million and covers a turnkey filter system at a new foundry.

The system will be supplied from Nederman's plant in Suzhou, China. The agreement is a sign that Nederman is competitive in China and that the company's philosophy concerning eco-efficient production is appreciated by Chinese customers.

The foundry is currently under construction so the picture shows a similar solution.

# Nederman and sustainability

**NEDERMAN'S CODE OF CONDUCT**

Nederman's code of conduct, which is the basis for the Group's sustainability efforts, is based on international principles and rules, including the UN's Global Compact. To support daily work, the code summarizes Nederman's central values in the following three points:

- Everyone has a responsibility to report incidents where laws or rules are not observed.
- Everyone must conduct business in accordance with Nederman's values and policies, and in line with local laws and regulations.
- Nederman forbids all forms of bribery and corruption.

Nederman supports the fundamental rights of all employees to equality in treatment, salary and working hours. There are adequate procedures for protecting the health and safety of employees.

Nederman has a code of conduct for suppliers to ensure that they follow all applicable laws, that corruption is not permitted, that the fundamental rights of all employees to equality in treatment, salary and working hours are respected, that child labour is forbidden, and that there are adequate procedures for protecting the health and safety of employees.

**NEDERMAN'S ENVIRONMENTAL WORK**

Nederman has a global environment and quality management system that monitors the environment and quality work with the ambition of spreading knowledge, exchanging experience and performing internal audits to achieve continuous improvement of the business. Most of the Group's production units have been certified with ISO 14001:2004 for environment management and ISO 9001:2008 for quality management.

**Optimisation of transport.** Nederman has production and assembly units in 12 countries on five continents and works intensively to optimize all material and product flows. The company strives to increase the proportion of

Nederman's products and solutions contribute to a good and safe working environment in many different industries, including the pharmaceutical industry and other laboratory environments.

# Nederman's efforts to achieve sustainability are naturally integrated in the company's philosophy and aim to strengthen both our own and our customers' business.

local production, assembly and purchasing of components and materials in order to reduce transport volumes and thus cut costs while limiting the impact on the environment.

The company had two main goals in 2013: to reduce energy consumption by 6% compared with consumption and net sales in 2012, and to reduce carbon emissions from air transport by 15%.

**Reduced energy consumption.** To reduce Nederman's total energy consumption measures are continually implemented to optimize production, for example by ensuring that all instruments and machines do not leak. This brings significant energy savings. All light fittings are being replaced with LED lamps, a measure that reduces energy consumption by a factor of five. Another saving is to re-use all waste generated in production.

## NEDERMAN'S SIGNIFICANCE FOR CUSTOMERS' ENVIRONMENTAL WORK

The core of Nederman's offer is sustainability with a focus on clean air. Businesses in a wide range of industries get help in achieving more eco-efficient production thanks to Nederman's broad range of solutions that limit the impact on the environment from industrial production, create clean and safe working environments and increase production efficiency. To further improve the environmental effects of the Group's products, Nederman develops products that are as energy efficient as possible and control instruments to optimize operations. Today the Group is a leader in this field.

## NEDERMAN'S EMPLOYEES

To achieve sustainable and profitable growth, Nederman's staff must have the right competence and share the same values. The Group's Human Resources team has responsibility for recruiting and developing staff and managers who can make a positive contribution to Nederman's growth and development. Three key factors have been identified for the successful development of human resources:

- Utilisation of talent and planned succession in key management posts.
- Performance management dialogue.
- Proactive efforts to strengthen employee commitment.

A top priority for the HR team is the development of sales competence within the Group.

## IMPLEMENTATION OF NEDERMAN'S VALUES

During 2013 work continued on implementing the Group's core values. The HR department started introducing the Group's new code of conduct. The integration of Environmental Filtration Technologies, acquired in 2012, into Nederman's culture and structures continued during the year.

## PERFORMANCE MANAGEMENT

Performance Management is a global tool to help achieve Nederman's goal of profitable growth. This process breaks down Nederman's core values, overall goals and strategies to the situation and targets of each individual. It is then established that each employee knows what to focus on and that they have the right competence. The dialogue around Performance Management is implemented for each individual employee together with managers. The aim is to achieve continuous feedback, with at least one formal appraisal each year so that the employee knows how she or he is developing.

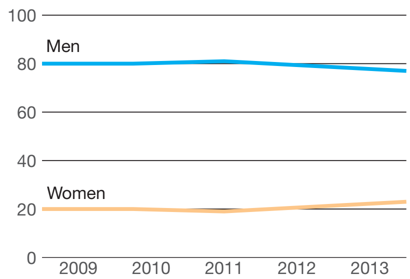
## NEDERMAN TRAINING CENTER

The Nederman Training Center (NTC) is a platform for coordination and supply of competence development. The base for this activity is a digital training portal where various training courses are mixed in different teaching environments such as traditional classroom methods and online courses. NTC courses started in the spring of 2012 and by the end of 2013 over 1,500 employees and distributors had undergone some form of learning at the portal. In 2013 the centre, among other efforts, developed training for sales staff and online courses for both employees and distributors, as well as carrying out training of service company managers with good results. Further training courses will be developed in 2014.

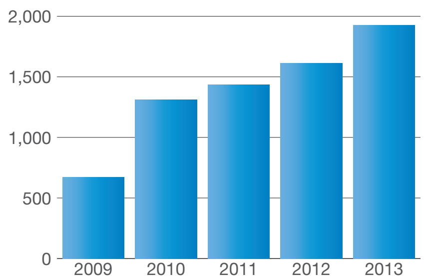
## THE NUMBER OF EMPLOYEES

Nederman had 1,923 employees (1,937) at year-end. The average number of employees during the year was 1,924 (1,613), of whom 23% were women and 77% men. Geographically, Nederman has most employees in Europe (Nordic region 20%, rest of Europe 36%, North America 25%, rest of the world 18%), but the aim is to increase numbers in Asia, South America and other regions.

### Gender distribution, %




### Average number of employees




Scan the code with your mobile or tablet or go to Nederman's website "www.nederman.com" to read more about sustainability at Nederman.

# Positive growth in value for Nederman shares

Nederman's ambition is to continuously provide the financial market, shareholders and other stakeholders with accurate, consistent and relevant information in order to increase understanding of the company and meet the rules for listed companies. The Nederman share has, since 16 May 2007, been listed on NASDAQ OMX Stockholm under the NMAN ticker. A brief history of the company and the share is presented in the box on the next page. The parent company's shareholders' equity at year-end was SEK 571.0 million (484.5). The capitalization value was SEK 2,225.9 million (1,616.7).

## COMMUNICATION WITH THE MARKET

Nederman's representatives meet regularly with analysts, creditors and shareholders to provide a continuous picture of developments during the fiscal year. Printed interim reports, financial statements and annual report are distributed to shareholders who so wish. These reports, together with the company's press releases are also available on the website in English and Swedish.

## OWNERSHIP

The number of shareholders at year-end was 2,398 (2,494). Each share in Nederman gives entitlement to one vote. The share of Swedish ownership was 89.8 per cent (88.9). The ten largest shareholders accounted for 81.0% (80.1) of the total shares. The largest individual shareholder is Investment AB Latour. The table on the next page shows Nederman ownership at December 31, 2013.

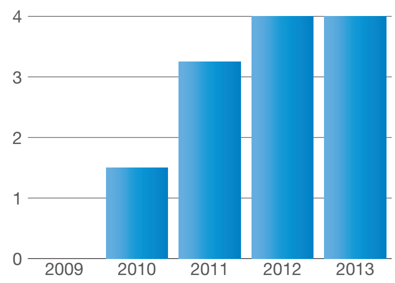
## DIVIDEND AND DIVIDEND POLICY

Nederman's dividend policy is to pay a dividend amounting to 30-50 per cent of the net profit after tax, taking into account the capital structure and acquisition plans. For fiscal year 2013, the Board of Directors and CEO are proposing a dividend of SEK 4.00 per share (4.00).

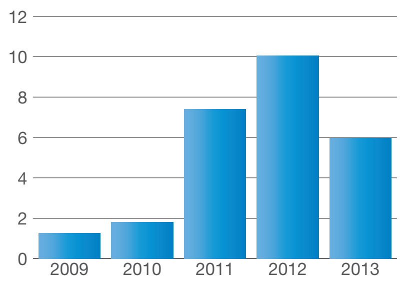
## ANALYSTS WHO FOLLOW NEDERMAN

- Marcela Kozak, Handelsbanken
  mazi02@handelsbanken.se
  00 46 70-603 5118
- Olof Larshammar, SEB
  olof.larshammar@seb.se
  00 46 8 522 297 94
- Henrik Alveskog, Redeye
  henrik.alveskog@redeye.se
  00 46 70-798 0757

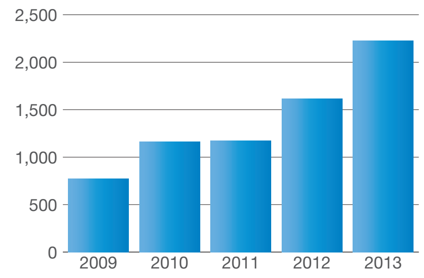
## DIVIDEND PER SHARE, SEK



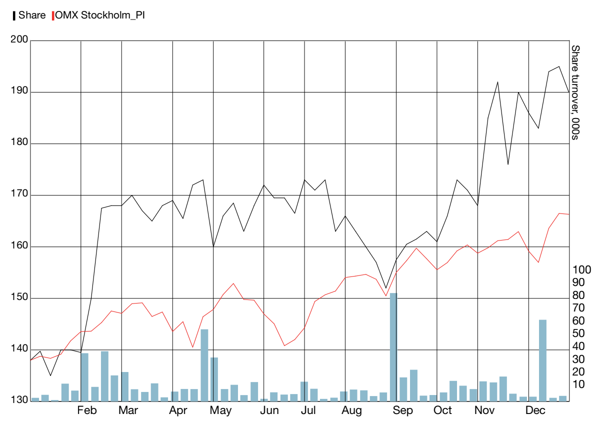

## EARNINGS PER SHARE, SEK




## MARKET VALUE, SEK MILLION

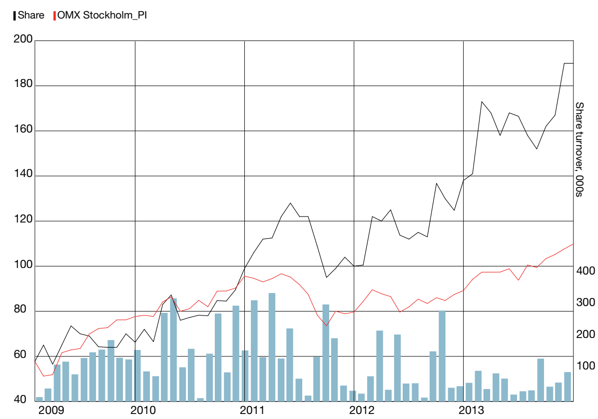



## SHARE PRICE AND TRADING VOLUME, 2013




NASDAQ OMX Stockholm

## SHARE PRICE AND TRADING VOLUME, 2009-2013




NASDAQ OMX Stockholm

| Share data | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Earnings per share after tax | 5.95 | 10.06 | 7.41 | 1.80 | 1.25 |
| Share price, 31 Dec. | 190 | 138 | 100 | 99 | 66 |
| Cash flow | 41.3 | 83.0 | -77.4 | 154.7 | 1.8 |
| Proposed dividend per share | 4.00 | 4.00 | 3.25 | 1.50 | 0.00 |
| Dividend growth, % | – | 23.1 | 116.7 | – | – |
| Direct yield, % | 2.11 | 2.90 | 3.25 | 1.52 | 0.00 |
| P/E ratio | 31.9 | 13.7 | 13.5 | 55.0 | 53.2 |
| Portion of profit as dividend, % | 67 | 40 | 44 | 83 | 0 |
| Shareholders' equity | 619.8 | 601.2 | 556.8 | 498.1 | 514.7 |
| Average no. of shares | 11,715,340 | 11,715,340 | 11,715,340 | 11,715,340 | 11,715,340 |
| No. of shares, 31 Dec. | 11,715,340 | 11,715,340 | 11,715,340 | 11,715,340 | 11,715,340 |
| Proposed dividend as percentage of equity | 7.6 | 7.8 | 6.8 | 3.5 | 0.0 |

| Largest shareholders in Nederman | Holding | Votes, % |
|---|---|---|
| Investmentaktiebolaget Latour | 3,512,829 | 29.98 |
| Lannebo fonder | 1,430,994 | 12.21 |
| Ernström Kapitalpartner AB | 1,175,000 | 10.03 |
| CBLDN-IF Skadeforsakring AB | 1,160,400 | 9.90 |
| Swedbank Robur | 662,384 | 5.65 |
| Nordea Investment Funds | 511,196 | 4.36 |
| Fondita Nordic Micro Cap SR | 400,000 | 3.41 |
| NTC UN Joint Staff | 339,605 | 2.90 |
| Fjärde AP-Fonden | 174,305 | 1.49 |
| State Street Bank & Trust Com., Boston | 130,000 | 1.11 |
| Övriga ägare | 2,218,627 | 18.96 |
| **Summa** | **11,715,340** | **100.00** |

| History | |
|---|---|
| 1944 | Company founded by Phillip Nederman. |
| 1983 | Listing on the Stockholm Stock Exchange. |
| 1985 | Active becomes the new majority owner. The company is delisted. |
| 1991 | Nederman sold to Esab. |
| 1994 | Charter acquires Esab and becomes the new majority owner. |
| 1999 | Venture capital company EQT acquires Nederman. |
| 2007 | Listing on the OMX Stockholm Small Cap list. |
| 2010 | Nederman acquires Dantherm Filtration from Dantherm A/S. |
| 2012 | Nederman acquires Environmental Filtration Technologies. |
| 2013 | Nederman qualifies for OMX Stockholm Mid Cap. |

| Owners per category, % | |
|---|---|
| Financial organizations | 64.4 |
| Social insurance funds | 1.8 |
| Non profits | 0.3 |
| Other Swedish legal entities | 11.5 |
| EU categorized legal entities | 3.6 |
| Private Swedish individuals | 8.2 |
| Foreign owners | 10.2 |
| **Total** | **100.0** |

| Owners per country, % | |
|---|---|
| Sweden | 89.8 |
| Finland | 5.1 |
| UK | 2.7 |
| US | 1.8 |
| France | 0.3 |
| Other | 0.3 |
| **Total** | **100.0** |

**Press releases**

| Date | Heading |
|---|---|
| 18 January 2013 | Nederman receives order worth over SEK 30 million from Bradken® in Queensland, Australia. |
| 23 January 2013 | Nederman announces plans for optimizing the production structure in Europe. |
| 2 February 2013 | Financial Statement 2012. |
| 15 March 2013 | Nederman acquires Industriventilation A/S in Denmark and optimizes manufacturing structure. |
| 28 March 2013 | Notice of Annual General Meeting for Nederman Holding AB (publ). |
| 29 April 2013 | Interim report January–March 2013. |
| 30 April 2013 | Annual General Meeting of Nederman Holding AB. |
| 17 July 2013 | Interim report January–June 2013. |
| 22 August 2013 | Nederman signs agreements worth around SEK 50 million with the Zhongwang Aluminium Group, China. |
| 16 October 2013 | Nederman receives order worth SEK 55 million. |
| 17 October 2013 | Interim report January–September 2013. |
| 11 November 2013 | Nederman signs an agreement worth around SEK 30 million with one of China's largest automotive companies. |
| 15 November 2013 | Nederman receives order from Kremenchuk Steel Works Stockholding Company in Ukraine worth SEK 25 million. |
| 8 January 2014 | Nederman receives order at end of 2013 from Gildan Yarns LLC in the US worth SEK 93 million. |

Q1 2013 report | Q2 2013 report | Q3 2013 report | Q4 2013 report | 2011 annual report | 2012 annual report | 2013 annual report

Scan the code with your mobile phone or tablet or go to Nederman's website, "www.nederman.com", to read other annual reports and interim reports.

# Financial information in summary

| FINANCIAL KEY FIGURES, SEK m | 2013 | 2012* | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Net sales | 2,659.2 | 2,272.6 | 2,000.9 | 1,694.1 | 1,052.0 |
| Operating profit before depreciation (EBITDA) | 176.7 | 220.5 | 182.6 | 89.5 | 41.4 |
| Operating profit (EBIT) | 127.5 | 176.5 | 140.5 | 51.3 | 23.3 |
| Profit before taxes | 99.7 | 153.7 | 107.8 | 26.9 | 17.2 |
| **Net profit** | 69.7 | 117.8 | 86.8 | 21.1 | 14.6 |
| **Assets, equity and liabilities** | | | | | |
| Fixed assets | 998.4 | 998.0 | 740.1 | 761.5 | 493.2 |
| Current assets | 909.7 | 923.4 | 764.3 | 663.6 | 349.4 |
| Cash and cash equivalents | 270.0 | 224.6 | 149.1 | 228.0 | 90.9 |
| Equity | 619.8 | 601.2 | 556.8 | 498.1 | 514.7 |
| Interest bearing liabilities | 840.9 | 825.9 | 535.8 | 620.2 | 198.9 |
| Non-interest bearing liabilities | 717.4 | 718.9 | 560.9 | 534.8 | 219.9 |
| **Total assets** | 2,178.1 | 2,146.0 | 1,653.5 | 1,653.1 | 933.5 |
| **Profitability** | | | | | |
| EBIT margin, % | 4.8 | 7.8 | 7.0 | 3.0 | 2.2 |
| Return on shareholders' equity, % | 11.4 | 20.6 | 16.5 | 4.2 | 2.8 |
| Capital turnover rate, multiple | 2.2 | 2.1 | 2.2 | 2.2 | 1.6 |
| **Capital structure** | | | | | |
| Net debt | 570.9 | 601.3 | 386.7 | 392.2 | 108.0 |
| Net debt/equity ratio, % | 92.1 | 100.0 | 69.5 | 78.7 | 21.0 |
| Equity/assets ratio, % | 28.5 | 28.0 | 33.7 | 30.1 | 55.1 |
| Operating capital | 1,190.7 | 1,202.5 | 943.5 | 890.3 | 622.7 |

## OPERATING KEY FIGURES

Excluding acquisition and restructuring costs, capital gain on disposal of subsidiaries.

| | 2013 | 2012* | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| **Results and profitability** | | | | | |
| EBITDA | 219.4 | 236.7 | 209.1 | 144.9 | 51.4 |
| EBITDA margin, % | 8.3 | 10.4 | 10.5 | 8.6 | 4.9 |
| Operating profit | 170.2 | 192.7 | 167.0 | 106.7 | 33.3 |
| Operating margin, % | 6.4 | 8.5 | 8.3 | 6.3 | 3.2 |
| Return on operating capital, % | 14.2 | 17.9 | 18.2 | 14.1 | 5.1 |
| Net debt/EBITDA, multiple ** | 2.6 | 2.3 | 1.8 | 2.7 | 2.1 |
| EBITDA/net financial items, multiple | 7.9 | 10.4 | 6.4 | 5.9 | 8.4 |
| **Operating cash flow** | | | | | |
| Operating profit (EBIT) | 170.2 | 192.7 | 167.0 | 106.7 | 33.3 |
| Items not affecting cash flow | 35.0 | 48.0 | 45.5 | 20.1 | 10.6 |
| Cash flow from changes in working capital | 50.1 | -24.7 | -78.9 | 40.5 | 98.3 |
| Capital expenditures, net | -28.6 | -34.1 | -20.8 | -14.2 | -20.5 |
| **Operating cash flow** | 226.7 | 181.9 | 112.8 | 153.1 | 121.7 |
| Operating cash flow / EBIT, % | 133.2 | 94.4 | 67.5 | 143.5 | 365.5 |
| Operating cash flow per share, SEK | 19.4 | 15.5 | 9.6 | 13.1 | 10.4 |
| **Share data** | | | | | |
| Number of shares at year end | 11,715,340 | 11,715,340 | 11,715,340 | 11,715,340 | 11,715,340 |
| Average number of ordinary shares during the year, before dilution | 11,715,340 | 11,715,340 | 11,715,340 | 11,715,340 | 11,715,340 |
| Average number of ordinary shares during the year, after dilution | 11,746,765 | 11,715,340 | 11,715,340 | 11,715,340 | 11,715,340 |
| Shareholders' equity per share before dilution, SEK | 52.90 | 51.32 | 47.53 | 42.52 | 43.93 |
| Shareholders' equity per share after dilution, SEK | 52.76 | 51.32 | 47.53 | 42.52 | 43.93 |
| Earnings per share before dilution, SEK | 5.95 | 10.06 | 7.41 | 1.80 | 1.25 |
| Earnings per share after dilution, SEK | 5.93 | 10.06 | 7.41 | 1.80 | 1.25 |
| Proposed dividend per share | 4.00 | 4.00 | 3.25 | 1.50 | 0.00 |
| **Employees** | | | | | |
| Average number of employees | 1,924 | 1,613 | 1,434 | 1,309 | 672 |

* Comparable figures for 2012 have been restated in accordance with the changes in IAS 19R. Figures for 2009-2011 have not been adjusted.
** Includes EFT pro forma January-September 2012

# Directors' report

The Board and CEO of Nederman Holding AB (publ) Reg. No. 556576-4205, hereby submit their annual report for the 2013 financial year.

## BUSINESS

Nederman is a world-leading supplier of products and systems in environmental technology, focusing on air filtration and recycling. The company's products contribute to reducing the environmental impact from industrial manufacturing, creating clean and safe working environments and increasing production efficiency.

The business offer to customers ranges from feasibility studies and project planning to installation, commissioning and service. Manufacturing is certified in accordance with ISO 9001 and ISO 14001. Units for production and assembly are located in Australia, Brazil, Canada, China, Denmark, France, Germany, Poland, Sweden, Thailand, UK and USA.

Nederman's products, solutions and service are marketed by its own subsidiaries in 25 countries and by agents and distributors in a further 30 countries. The Group had 1,923 employees at the end of 2013.

## GROUP STRUCTURE

Nederman Holding AB (publ) is the parent company of the Group with directly or indirectly wholly-owned subsidiaries as stated in note 19.

Operationally, the Group works in three geographic segments: EMEA (Europe, Middle East and Africa), Americas (North and South America) and APAC (Asia and Pacific region).

The operations organization has responsibility for manufacturing, distribution, product maintenance, product development, logistics, purchasing and quality systems. Production, assembly and distribution are performed in 12 countries. In 2013 Nederman rationalized its production structure in Europe by closing Nederman Manufacturing A/S, a manufacturing company in Denmark, and transferring production to the Group's sites in Germany and Poland. This transfer meant redundancies for 32 employees. Non-recurring costs of SEK 14m were registered in Q1 2013 and annual savings are estimated to be up to SEK 16m, with full effect from 2014.

Business Development & Marketing is responsible for marketing and communication, strategic product planning, internal training and strategic business development.

Finance & IT and Human Resources are two Group-wide departments that support operations and take responsibility for global coordination of their departments' assignments.

## STOCK MARKET LISTING

In 2013 the company's shares were listed under the "NMAN" ticker on the NASDAQ OMX Stockholm Small Cap list. As of 31 December 2013, there were 2,398 shareholders.

After NASDAQ OMX Stockholm carried out an annual review of listed companies, Nederman's shares were transferred from the Small Cap to the Mid Cap segment as of 2 January 2014. The Mid Cap segment includes companies that have a market value between EUR 150m and EUR one billion.

## ACQUISITIONS AND DISPOSALS DURING THE YEAR

On 5 April 2013 Nederman completed the acquisition of Industriventilation A/S, a Danish company that makes duct systems for industrial applications such as pneumatic transport of fumes and particles. The acquisition strengthened Nederman's existing business in this field.

## ORDERS AND SALES

Group total. Incoming orders amounted to SEK 2,755.4m (2,230.0), which adjusted for currency effects and acquisitions is an increase of 0.4 per cent. Net sales amounted to SEK 2,659.2m (2,272.6), which adjusted for currency effects and acquisitions is a decrease of 5.1 per cent.

**Americas.** Incoming orders for the full year amounted to SEK 1,005.1m (1,009.3 including EFT pro forma January-September 2012). This was an increase of 3.5 per cent compared with the previous year when adjusted for currency effects. Net sales for the full year amounted to SEK 957.9m (962.7 including EFT pro forma January-September 2012). This was an increase of 3.5 per cent compared with the previous year when adjusted for currency effects.

**EMEA.** Incoming orders for the full year amounted to SEK 1,449.4m (1,509.0 including EFT pro forma January-September 2012). This was a decrease of 2.7 per cent compared with the previous year when adjusted for currency effects. Net sales for the full year amounted to SEK 1,409.5m (1,548.0 including EFT pro forma January-September 2012). This was a decrease of 7.8 per cent compared with the previous year when adjusted for currency effects.

**APAC.** Incoming orders for the full year amounted to SEK 300.9m (372.4 including EFT pro forma January-September 2012). This was a decrease of 15.6 per cent compared with the previous year when adjusted for currency effects. Net sales for the full year amounted to SEK 291.8m (355.2 including EFT pro forma January-September 2012). This was a decrease of 13.1 per cent compared with the previous year when adjusted for currency effects.

## EARNINGS

The consolidated operating profit for 2013 was SEK 127.5m (176.5). Adjusted for acquisition and restructuring costs, the operating profit was SEK 170.2m (192.7), giving an operating margin of 6.4 per cent (8.5). SEK 41m in restructuring costs and acquisition costs of SEK 1.7m have affected the operating profit. The profit before tax was SEK 99.7 m (153.7). The net profit was SEK 69.7m (117.8), giving earnings per share of SEK 5.95 (10.06).

## AMERICAS OPERATING SEGMENT

In the Americas operating segment, which comprises countries in North and South America, Nederman is represented by its own sales companies in the US, Canada, Brazil and Mexico. The US is the largest market in this region and following the acquisition of Environmental Filtration Technologies (EFT) in 2012, the US is also the largest single market for the Nederman Group. The region reported positive development in 2013 with an increase of 3.5 per cent in net sales compared with the previous year when adjusted for currency effects.

Net sales for the full year amounted to SEK 957.9m (962.7 including EFT pro forma January-September 2012).

**Continued development.** The large project orders received at the end of 2013 mean that Nederman Americas starts 2014 with a good orders stock. Over the longer term there are several trends combining that will drive demand for high quality environmental technology in this region, such as rising industrial production and increased environmental awareness. Nederman is well positioned to benefit from this development. For further information, see pages 20-23.

**EMEA OPERATING SEGMENT**
The EMEA market region comprises countries in Europe, the Middle East and Africa. Sales are concentrated in Western Europe where Nederman has a strong presence and leading market positions. The Group also sees good prospects for increasing sales in countries such as Russia, Turkey and Ukraine. In many countries the market conditions in 2013 proved to be challenging. Net sales for the year reached SEK 1,409.5m (1,548.0 including EFT pro forma January-September 2012).

**Continued development.** Nederman expects demand in Western Europe will continue to be weak, while in Eastern Europe, where investment requirements are significant, demand will be much higher. The Group is currently assessing its possibilities in the other markets in this region, in the Middle East and Africa. In 2014 the major focus will be on profitability. For further information, see pages 24-27.

**APAC OPERATING SEGMENT**
The APAC market region comprises countries in Asia and the Pacific, with the largest markets in Australia and China. Nederman has its own sales companies in Australia, India, Indonesia, China, Malaysia and Thailand. In the long term the region is considered to offer good growth opportunities for Nederman, even if development in 2013 was temporarily slowed due to economic uncertainty. Net sales reached SEK 291.8m (355.2 including EFT pro forma January-September 2012).

**Continued development.** APAC is a market with great potential. Nederman has strong infrastructure in place and the focus in 2014 will be to build volumes in sales. Alongside efforts to boost sales Nederman will have a sharp focus on increased efficiency in the organization. For further information, see pages 28-31.

**PRODUCT DEVELOPMENT**
The Group's expenses for development of the existing product range and new products amounted to SEK 21.6m (19.6). In the balance sheet, SEK 3.3m (4.6) was capitalized.

**INVESTMENTS AND DEPRECIATION**
The Group's capital expenditures in intangible assets for the year amounted to SEK 7.5m (11.1). Depreciation of intangible assets for the year was SEK 18.6m (14.8). The Group's investments in tangible assets for the year amounted to SEK 32.6m (27.3). Depreciation of tangible assets for the year was SEK 30.6m (29.2).

**CASH FLOW**
The Group's operating cash flow was SEK 226.7m (181.9), corresponding to 133.2 per cent (94.4) of the operating profit, after adjustments for acquisition and restructuring costs. Strong cash flow was due to good profitability in 2013 while development of operating capital was favourable and the level of net investment was lower than normal in 2013. Cash flow for the year was SEK 41.3m (83.0).

**LIQUIDITY AND FINANCIAL POSITION**
As of 31 December 2013, the Group's liquid funds were SEK 270.0m (224.6). Unutilized credit was SEK 87.3m (79.2). In addition there is a loan facility for a further SEK 215.5m within the framework of Nederman's loan arrangements with Skandinaviska Enskilda Banken. The net debt was SEK 570.9m (601.3). Shareholders' equity was SEK 619.8m (601.2), which meant an equity/assets ratio of 28.5 per cent (28.0) and a debt/equity ratio of 92.1 per cent (100.0).

**EMPLOYEES**
The average number of employees during the year was 1,924 (1,613). Other data on personnel is presented in note 7 and on pages 32-33 of this annual report.

**THE PARENT COMPANY**
The activities of the parent company comprise Group functions. The parent company shall own and manage shares in the subsidiaries and manage financing for the Group.

**THE SHARES**
There are 11,715,340 shares in the company, all of which are the same class and offer the same voting entitlement. There are no restrictions on transfer rights for shares in the articles of association or through other agreement.

**OWNERSHIP**
On 31 December 2013, Investment AB Latour owned 29.98 per cent of the company's shares, making it the largest shareholder. Lannebo Fonder owned 12.21 per cent and Ernström Kapitalpartner AB had 10.03 per cent. No other shareholders have a holding higher than 10 per cent.

**RISKS AND UNCERTAINTIES**
The company is exposed to both operational and financial risks.

**Competition.** Nederman does business on a competitive market that is fragmented in global terms. Competitors are made up of a large number of smaller local and regional companies and a limited number of global businesses. In this context Nederman currently has a relatively strong position, but it cannot be ruled out that changes in this competitive structure would put greater pressure on the company's price levels and its market shares. This might mean that Nederman would have to reduce its prices or increase its marketing efforts, which could have negative effects on the company's earnings and financial position.

**Market risks.** The company's products are mainly used in the manufacturing industry, although some are also used in the public sector. The market for products and complete projects normally follows a cyclical pattern, while aftermarket sales compensate for the cyclical effects. There are variations between quarters, but they are not considered significant. Naturally, the market is affected by the general economic situation, which in turn is affected by interest rate levels, inflation, political decisions and other factors.

**Production sites and distribution centres.** Nederman has a number of production sites and distribution centres around the world that are vital for supplying the company's products. If any of them were to be destroyed or damaged this would lead to more or less serious disruptions to distribution of the company's products. To counter these risks the company implements a programme of proactive measures to identify and manage risk areas. The company has also signed insurance policies to protect against damage to property and operational stoppages, which cover the amounts that the company considers to be sufficient to cover losses.

**Product liability.** Nederman has high ambitions regarding the development of products with consistent high quality and good safety. However, it cannot be ruled out that Nederman might sell products that do not mach specifications, which could lead to demands for compensation. The company has therefore signed a global product liability insurance that is considered sufficient to cover possible demands for compensation and damages.

**Financial risks.** The Nederman Group is exposed to a number of risks mainly arising due to purchasing and selling products in foreign currencies. Currency risks and interest rates affect the Group's results and cash flow. The Nederman Group is also exposed to refinancing and liquidity risks, credit risks and counterparty risks. The company's finance policy is set by the board and contains guidelines for handling financial risks in the Group. The purpose of the finance policy is to set up guidelines for managing financial risk and exposure of different kinds. The Group's central finance department is responsible for identifying and effectively limiting the Group's financial risks. For more information, see note 24.

**Environment.** As a world leader in industrial air filtration and resource handling, Nederman plays an important role in the development of a sustainable and efficient industrial production – both externally for customers and internally within the Group's own operations. Internal environmental activity focuses on the following areas:

- *Products and solutions.* All new products are developed with demands for minimum impact during production, distribution, use and recycling. This is ensured via a development process that is adapted for sustainable product development – from the first concept to the completed product.

- *Energy savings and waste handling during production.* Key indicators for the environment include goals for energy savings and increased reuse or recycling of waste in production. This work is continually taking place at the Group's production units.

- *Reducing carbon emissions from transport.* Nederman works continuously to reduce carbon emissions from intercontinental transport by using a higher amount of sea transport, optimised volumes and routing. This work will continue in 2014 with a focus on air transport and higher environmental demands for transport by road.

The subsidiary, AB Ph. Nederman & Co receives a permit under the Swedish environmental protection law. This permit applies for a production area of a maximum 7,000 square metres. The permit is valid until further notice. According to the law the current business has a duty to report activities relating to the work space. The current business is assembly only, so there are no emissions to air or water. The company has had ISO 14001 certification for many years.

**Development of suppliers.** In 2012 Nederman established a performance code for its suppliers. Self-assessments combined with a sharper focus on supplier audits will address environmental responsibility and social responsibility among the supplier base.

## REMUNERATION TO THE BOARD AND SENIOR EXECUTIVES

The 2013 AGM adopted a policy regarding remuneration and employment terms for 2013. The proposal for the 2014 AGM is that the policy remains unchanged. The following key principles are applied: a fixed salary is paid for full-time work. In addition a variable bonus may be earned that is linked to the company's tied-up capital and earnings. This variable bonus can be a maximum of 30-50% of annual salary depending on the individual's position within the company.

The CEO's pension plan is premium-based and the annual premium corresponds to 35 per cent of annual salary. Pension payments for other senior executives follow the ITP collective agreement, except for two executives for whom pension payments amount to 8 times the basic index amount per year for one executive and a maximum of 30% of basic salary for the other. The CEO must give six months' notice of his intention to resign. If dismissed by the company, the CEO has the right to receive an amount corresponding to 18-24 months' salary (the final six months are dependent on new employment). For other executives, notification is 12 months for the company and six months for the individual. There are no agreements between Board members or senior executives and Nederman or any of its subsidiaries concerning benefits after the end of their employment.

The 2013 AGM decided to introduce a share saving scheme in 2013. A further decision was therefore taken to buy back shares.

## WORK OF THE BOARD

After the Annual General Meeting, the Board of Directors is the highest decision-making body in the company. The overall assignment of the Board is to take decisions regarding the business direction of the company, its resources, capital structure, organization and the management of urgent matters. Other general assignments include continuous assessment of the company's economic situation and approving business plans.

The Board decides on matters such as strategy, acquisitions, larger investments, company divestments, publication of the annual report and interim reports, appointment of the CEO, etc.

The Board follows written procedures adopted once a year at the first Board meeting convened after the AGM. The procedures state how assignments shall be divided between Board members, how often the Board shall meet and to what extent deputies shall participate in the work of the Board and attend meetings. The procedures also state Board members' commitments, decision-making powers and the division of responsibility between the Board and the CEO, etc. The Board meets according to an annual timetable. Extra meetings may be called to address events of unusual importance. In addition to regular meetings, the chairman and CEO maintain a continuous dialogue concerning the management of the company.

The division of activities between the Board and the CEO is regulated by the working procedures of the Board and in the instructions to the CEO. The CEO is responsible for implementation of the business plan and the daily activities of the company. This means that the CEO has the right to make decisions on matters that fall within the framework of the ongoing management of the company. The CEO shall also take action without prior approval from the Board, with consideration to the scope and type of company activity, which is of unusual urgency or of great significance and which cannot await a decision by the Board without seriously compromising the company's business. The instructions to the CEO also regulate the CEO's responsibility for reporting to the Board.

In the most recent business year the Board made decisions concerning several matters of strategic importance. In 2013, special focus was placed on completing the integration of Environmental Filtration Technologies, further adapting of the Group's capacity and costs levels to the current business climate, the Group's strategy for continued expansion, the financial framework and objectives. In 2013, the Board held seven minuted meetings. To date, one minuted meeting has been held in 2014.

Nederman's Board comprises seven ordinary members elected by the 2013 AGM, including the CEO and one employee representative chosen by the trade unions. The CFO is not a member of the Board but regular makes presentations at Board meetings. The chairman of the Board does not take part in the operational management of the company.

**COMMITTEES**

In accordance with the nominations committee's instructions, established at the 2012 AGM, a nominations committee has been appointed comprising Göran Espelund (chairman), Jan Svensson and Fabian Hielte. New instructions for the nominations committee will be adopted by the AGM held on 23 April 2014. Matters concerning salary and benefits for the CEO and senior executives are handled and decided by the remunerations committee. This committee comprises Jan Svensson and Eric Hielte. The chairman is Jan Svensson. The company's auditor reports to the Board on the findings, and the Board therefore does not have an audit committee. The principles for remuneration to the company's auditor are decided by the AGM. Nederman produces a corporate governance report separate from the directors' report. The corporate governance report is on page 42.

**OUTLOOK**

Negative news concerning the development of the business cycle is mixed with some positive indicators. However, restraint in decision making concerning investments by customers will continue to affect Nederman. The Group considers that the Americas region, boosted by continued economic growth, will perform well in coming quarters. For EMEA and APAC demand is being affected by continued uncertainty. The Group's long-term view of the underlying need for investment in environmental technology remains positive.

**EVENTS AFTER THE CLOSING DATE**

There were no significant events after the end of the reporting period.

# Proposed appropriation of profits

| The Board of directors and CEO propose that the profits in Nederman Holding AB be appropriated as follows: | |
|---|---|
| Share premium reserve | 5,866,700 |
| Profits brought forward | 139,190,690 |
| Profit for the year | 132,304,446 |
| **Total, SEK** | **277,361,836** |

| Allocated as follows: | |
|---|---|
| a dividend of SEK 4.00 per share to shareholders | 46,861,360 |
| transferred to the share premium reserve | 5,866,700 |
| transferred to profits brought forward | 224,633,776 |
| **Total SEK** | **277,361,836** |

The board proposes that the dividend for 2013 be SEK 4.00 per share, the same dividend as in 2012, a total of SEK 46.9m. The dividend will be finally adopted at the Annual General Meeting on 23 April 2014.

The consolidated accounts and the annual report have been drawn up in accordance with international accounting standards as prescribed in Regulation (EC) no. 1606/2002 of the European Parliament and of the Council dated 19 July 2002 concerning the application of international accounting standards and good accounting practice in Sweden, and they give a fair picture of the Group's and parent company's position and results. The Directors' report for the Group and parent company provides a fair overview of the Group's and parent company's activities, position and results and they describe the main risks and uncertainties facing the parent company and Group companies. The annual report and consolidated accounts will be subject to adoption by the Annual General Meeting to be held on 23 April 2014.

Helsingborg, 12 February 2014

**Jan Svensson**
Chairman

**Fabian Hielte**
Board member

**Ylva Hammargren**
Board member

**Gunnar Gremlin**
Board member

**Per Borgvall**
Board member

**Susanne Pahlén Åklundh**
Board member

**Sven Kristensson**
CEO

**Jonas Svensson**
Employee representative

Our audit was issued on 12 March 2014

KPMG AB

**Dan Kjellqvist**
Authorised public accountant

# Corporate governance report

Nederman Holding AB (publ) is a Swedish public limited company with its registered office in Helsingborg, Sweden. Nederman was listed on the NASDAQ OMX Stockholm, Small Cap list in 2007.

Governance of the Nederman Group is performed through shareholders via the Annual General Meeting, the board of directors, the Chief Executive Officer and Nederman's executive management team in accordance with, amongst others, the Swedish Companies Act, Swedish Code of Corporate Governance, other rules and regulations, the Articles of Association, and the rules of procedure for the board of directors. Considering Nederman's group structure, the composition of the board of directors in operating subsidiaries, often with representatives from the executive management team, constitutes yet another share of governance for the Group.

**SHAREHOLDERS**

At the end of 2013 the company had 2,398 shareholders. Investment AB Latour was the largest shareholder with 29.98 per cent of the shares, Lannebo Microcap owned 12.21 per cent and Ernström Kapitalpartner AB owned 10.03 per cent. The ten largest shareholders had a total holding corresponding to 81.04 per cent of the shares. Foreign investors held 10.2 per cent of the shares. For further information about the share and shareholders, see page 34.

**ANNUAL GENERAL MEETINGS**

The Annual General Meeting (AGM) is the highest decision-making body in which shareholders can exercise their influence by voting on key issues, such as adoption of income statements and balance sheets, allocation of the Company's profit, discharge from liability of board members and the Chief Executive Officer, election of board members, Chairman of the Board and auditors, as well as remuneration to the board of directors and auditors. The AGM was held in Helsingborg on 29 April 2013. At the meeting 48 shareholders were in attendance, representing 70.7 per cent of shares and votes.

- The AGM adopted the income statement and balance sheet for the parent company as well as the consolidated statements of comprehensive income and financial position, decided that the profit be dealt with in accordance with the proposed appropriation of profits, and that the dividend to be paid for the 2012 financial year be SEK 4.00 per share. The AGM discharged the board of directors and CEO from liability for the financial year.
- The AGM resolved, in accordance with the proposal in the notification to attend the AGM, to elect seven board members, that remuneration to the board should amount to maximum SEK 1,600,000, of which SEK 400,000 to the Chairman of the board SEK 200,000 to other regular members, with exception to the CEO, that Jan Svensson, Gunnar Gremlin, Per Borgvall, Sven Kristensson and Ylva Hammargren should be re-elected as board members, that Fabian Hielte and Susanne Pahlén Åklundh be newly elected as board members, and that Jan Svensson should be re-elected Chairman of the board.

**NOMINATIONS COMMITTEE**

The 2013 AGM adopted instructions for the nomination committee concerning its composition and assignments. According to the instructions, the nominations committee will consist of one representative from each of the three largest shareholders and the Chairman of the board. If any of the three largest shareholders decline from their right to appoint a representative to the committee, then the right will pass to the next largest shareholder. The nominations committee's tasks will be to prepare proposals, before the next AGM, for electing the Chairman of the board and other board members, election of the Chairman of the meeting, remuneration issues and related issues, and where applicable, election of auditors.

In accordance with the Annual General Meeting's instructions, Göran Espelund (chairman), Lannebo Fonder, Jan Svensson, Investment AB Latour, and Sophia Pettersson, Ernström & C:o AB, have been appointed members of the nominations committee before the 2014 Annual General Meeting.

**BOARD OF DIRECTORS**

The board of directors is the second highest decision-making body after the Annual General Meeting. The overall assignment of the board is to decide on the Company's business direction, its resources and capital structure, as well as its organisation and management. The board's general obligations also include continuously evaluating the Company's financial situation and approving the Company's business plan. In its general undertaking, the board addresses issues such as the Company's strategy, acquisitions, major investments, divestments, issuing annual reports and interim reports, as well as appointing the Chief Executive Officer, etc.

The board of directors follows written procedures that are adopted annually at the first board meeting. The rules of procedure indicate how the work shall be allocated, where appropriate, among the board members, how often the board meets, and to what extent the deputies shall take part in the board and are called to meetings. In addition, the rules of procedure regulate the board's obligations, quorum, division of responsibilities between the board and the CEO, etc. The board meets according to an annual schedule that is decided in advance. In addition to these meetings, additional meetings may be arranged to deal with events of unusual importance. In addition to meetings, the Chairman of the board and the Chief Executive Officer conduct an ongoing dialogue with respect to managing the Company.

Once a year the board evaluates the Management team in a systematic fashion. In this context, the Management team includes certain non-senior managers, i.e. broader group of employees than what in other parts of this annual report have been defined as senior executives.

In the most recent business year, the Board made decisions concerning several matters of strategic importance. In 2013 special focus was placed on completing the integration of Environmental Filtration Technologies, continued adaption of the Group's capacity and cost levels to the current business climate, the strategy and continued expansion of the Group and the financial framework and objectives. In 2013 the Board held seven minuted meetings. To date, one minuted meeting has been held in 2014. The 2013 AGM resolved that SEK 400,000 would be paid as directors' fees to the Chairman of the board and SEK 200,000 to each regular member. No board remuneration is paid to the CEO.

The AGM elects board members annually for the time until the next AGM is held. The board of directors shall consist of at least three and no more than eight ordinary members and may be supplemented with a maximum of three deputies. In addition to this there may be employee representatives.

The main shareholders and board members carry out an annual, detailed, evaluation of the board. The evaluation regards among other things the board's composition, board members and the board's work and routines.

Nederman's board of directors consists of seven members elected by the 2013 AGM and one employee representative. The Chief Executive Officer is a member of the board. The Chief Financial Officer is not a member of the board of directors but participates at meetings by presenting information. The Chairman of the board does not participate in the operating management of the Company.

**Attendance at Board meetings**

| | |
|---|---|
| Jan Svensson | 7 of 7 possible |
| Gunnar Gremlin | 7 of 7 possible |
| Fabian Hielte | 3 of 4 possible |
| Per Borgvall | 5 of 7 possible |
| Lotta Stalin | 2 of 3 possible |
| Ylva Hammargren | 6 of 7 possible |
| Sven Kristiansson | 7 of 7 possible |
| Jonas Svensson | 7 of 7 possible |
| Susanne Pahlén Åklundh | 3 of 4 possible |

## CHIEF EXECUTIVE OFFICER

The distribution of work between the board of directors and the Chief Executive Officer is regulated in the rules of procedure for the board of directors and in the guidelines for the Chief Executive Officer. The Chief Executive Officer is responsible for implementing the business plan as well as day-to-day management of the Company's affairs and the daily operations of the Company. This means that the Chief Executive Officer makes decisions on those issues that can be considered to fall under the day-to-day management of the Company.

The Chief Executive Officer may also take action without the authorisation of the board, in matters which, considering the scope and nature of the Company's business, are unusual or of great importance, and awaiting a decision from the Board would cause substantial trouble for the Company's business. Instructions to the Chief Executive Officer also regulate responsibilities for reporting to the board of directors. The board receives a monthly written report containing information following up the Company's sales, orders statistics, operating results and working capital's developments. Moreover, the material contains comments from the Chief Executive Officer and the Chief Financial Officer e.g. brief comments on the different markets. During months when the board meets the monthly report is more extensive and also includes statements of the financial position and cash flow statement, among other things.

Every year the senior executives formulate a strategy proposal, which is discussed and adopted at the board meeting held about halfway through the year. Work on the business plan (including the budget for the coming year) is usually carried out “bottom-up” and based on the strategy adopted by the board of directors. The Chief Executive Officer and the Chief Financial Officer present the business plan proposal to the board of directors. After the board discussions of the business plan, it is usually adopted at the last meeting during the autumn. Moreover, the Company usually issues an updated forecast at the end of each quarter in conjunction with the quarterly reports.

## COMMITTEES

Questions about salary structuring and benefits for the Chief Executive Officer and management are addressed and approved by a remuneration committee. This committee consists of Jan Svensson and Fabian Hielte. Jan Svensson is Chairman of the committee. The committee is a body within the company's Board assigned to draft matters for the Board related to remuneration and other terms of employment for senior executive management. The committee also has the task of preparing guidelines regarding remuneration for other executive management, which the Board will present as a proposal to the Annual General Meeting.

The 2013 Annual General Meeting resolved on principles for remuneration to the Chief Executive Officer and senior executives, which is presented in greater detail under the subheading ‘Remuneration to the board of directors and senior executives’ below.

The Company's auditor informs the entire board about the results of the work by at least once a year participating at the board meeting to give an account of the year's audit and their view on the Company's control system without anyone from the management being present. Therefore Nederman complies with the demand on having an audit committee within the framework of the Swedish Code for Corporate Governance. The principles for remuneration to the Company's auditor are resolved by the AGM. The 2013 AGM agreed to establish instructions for the nominations committee concerning the composition of the committee and its assignments. The nominations committee shall comprise the Chairman of the board and two representatives. Once a year the committee shall convene the major shareholders annually well in advance of the AGM in order to gain support for proposals to the AGM's election of a new board of directors.

## AUDITOR

The auditor audits the Company's annual reports and accounting, as well as the management of the board of directors and the Chief Executive Officer. The auditor submits an audit report to the AGM after each financial year. From 2011, the AGM appoints an auditor for a period of one year. At the AGM on 29 April 2013, KPMG AB with Dan Kjellqvist as lead auditor, was elected for a period of one year. A new auditor will therefore be elected at the 2014 AGM.

The Company's auditor audits the annual accounts and financial statements and the Company's current operations and routines, to make an opinion on the accounting and management of the board of directors and the Chief Executive Officer. The annual accounts and financial statements are reviewed during January and February.

Apart from Nederman, Dan Kjellqvist does not have any assignments in companies over which Nederman's principal shareholders, board members or Chief Executive Officer have any material influence. Dan Kjellqvist is an authorised public accountant and member of the Swedish Institute of Authorised Public Accountants. Remuneration to KPMG for assignments other than auditing amounted to SEK 0.6m in 2013 and related mainly to specific auditing assignments in connection with acquisitions.

## REMUNERATION TO THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

The 2013 AGM adopted a policy relating to remuneration and terms of employment for 2013, applying the following underlying principles:

Fixed salary is paid for satisfactory work. In addition there is a potential for variable remuneration linked to the Company's performance and tied up capital. Variable remuneration can amount to a maximum of 30 to 50 per cent of the annual salary, depending on the individual's position in the Company.

The Chief Executive Officer's pension plan is a defined contribution plan with an annual premium equivalent to 35 per cent of the annual base salary. Pension payments for other senior executives follow the ITP collective agreement, except for two executives for whom pension payments amount to 8 times the basic index amount per year and 30 per cent of basic salary, respectively. If the CEO resigns, the term of notice is six months. If the company gives notice of termination the CEO is entitled to monthly pay for the equivalent of 18 to 24 months (the last six months with reservations for new employment). For others in the management the term of notice is twelve months if the Company gives notice of dismissal, and six months if the employee resigns. The AGM on 29 April 2013 agreed to the Board's proposal to introduce a share savings scheme that initially concerns seven individuals comprising key decision makers and executives in the senior management team of the Group. In summary, the scheme means that participants, provided they invest in Nederman shares, shall receive at the earliest on the day after publication of Nederman's Q1 report in 2016, shares in Nederman. These shares shall be free of charge and shall be in part so-called matching shares and in part so-called performance shares. To receive matching shares, participants must still be employed by Nederman and their own investment in Nederman shares shall have continued up to the allocation of matching shares. Allocation of performance shares is dependent on the Group achieving specific financial performance targets in 2013, 2014 and 2015. The AGM decided that the share savings scheme may involve the allocation of a maximum of 75,000 shares in Nederman. To secure the share allocation the AGM agreed to a buy back of the company's shares. Nederman's executive management team currently consists of eight people (including the CEO).

## INTERNAL CONTROLS

Control environment. Operative decisions are made at a company or business area level, while decisions about strategy, aims, acquisitions and comprehensive financial issues, are made by the parent company's board and Group management. The internal controls at the Group are designed to function in this organisation. The Group has clear rules and regulations for delegating responsibility and authority in accordance with the Group's structure. The platform for internal controls concerning financial reporting consists of the comprehensive control environment and organisation, decision processes, authority and responsibility that is documented and communicated. In the Group the most significant components are documented in the form of instructions and policies, e.g. financial manuals, ethics policy (Code of Conduct), communication policy, IT policy, financial policy and authorization lists.

**Control activities.** To safeguard the internal controls there are both automated controls, such as authorization controls in the IT system, and approval controls, as well as manual controls such as auditing and stock-taking. Financial analyses of the results as well as following up plans and forecasts, complete the controls and give a comprehensive confirmation to the quality of the reporting.

**Information and communication.** Documentation of governing policies and instructions are constantly updated and communicated in electronic or printed format. For communications with external parties, there is a communication policy that contains guidelines for ensuring that the Company's information obligations are applied fully and correctly.

Following-up. The CEO is responsible for the internal controls being organised and followed up according to the guidelines that the board has decided on. Financial management and control is carried out by the Group's financial department. Financial reporting is analysed monthly and at a detailed level. The board has dealt with the Company's financial position at its meetings and has also received reports and observations from the Company's auditor.

## ARTICLES OF ASSOCIATION

The Articles of Association include establishing the Company's activities, the number of board meetings, the auditors, how notification of the AGM will be made, how matters will be handled at the AGM and where the meeting will be held. The current Articles of Association were adopted at an Extraordinary General Meeting on 26 April 2011, and can be found on the company's website at www. nederman.com and in the annual report for 2013 on page 86.

## REVIEW

The corporate governance report has been subject to review by the Company's auditors.

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## AUDITORS' REPORT OF THE CORPORATE GOVERNANCE STATEMENT

To the Annual General Meeting of the shareholders in Nederman Holding AB (publ.),
Corporate identity number 556576-4205

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2013 on pages 42-44 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Statement and based on it and our knowledge of the company and Group, we consider that we have sufficient grounds for our declaration. This means that our statutory review of the Corporate Governance Statement has another focus and scope than an audit in accordance with International Standards on Auditing and good auditing practices in Sweden would have.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Malmö 12 March 2014

KPMG AB

**Dan Kjellqvist**
Authorised Public Accountant

# Consolidated income statement

| | | 1 January – 31 December | |
|---|---|---|---|
| **SEK m** | **Notes** | **2013** | **2012** |
| Net sales | 2, 3 | 2,659.2 | 2,272.6 |
| Cost of goods sold | | -1,692.6 | -1,366.3 |
| **Gross profit** | | **966.6** | **906.3** |
| | | | |
| Other operating income | 5 | 12.6 | 6.5 |
| Selling expenses | | -600.1 | -558.1 |
| Administrative expenses | | -171.9 | -129.9 |
| Research and development expenses | | -21.6 | -19.6 |
| Acquisition costs | | -1.7 | -11.1 |
| Restructuring and integration costs | | -41.0 | -5.1 |
| Other operating expenses | 6 | -15.4 | -12.5 |
| **Operating profit** | 3, 7, 8, 9, 20, 25 | **127.5** | **176.5** |
| | | | |
| Financial income | | 2.0 | 2.4 |
| Financial expenses | | -29.8 | -25.2 |
| **Net Financial income/expenses** | 10 | **-27.8** | **-22.8** |
| | | | |
| **Profit before taxes** | | 99.7 | 153.7 |
| Taxes | 11 | -30.0 | -35.9 |
| **Net profit** | | **69.7** | **117.8** |
| | | | |
| **Net profit attributable to** | | | |
| The parent company's shareholders | | 69.7 | 117.8 |
| | | | |
| **Earnings per share** | 18 | | |
| before dilution (SEK) | | 5.95 | 10.06 |
| after dilution (SEK) | | 5.93 | 10.06 |

# Consolidated statement of comprehensive income

| | 1 January – 31 December | |
|---|---|---|
| **SEK m** | **2013** | **2012** |
| Net profit | 69.7 | 117.8 |
| Other comprehensive income | | |
| Items that will not be reclassified to the income statement | | |
| Revaluation of defined-benefit pension plans | 1.6 | -4.8 |
| Income taxes | -0.5 | 0.6 |
| | **1.1** | **-4.2** |
| Items that may be reclassified to the income statement | | |
| Exchange differencies araising on translation of foreign operations | -6.4 | -17.4 |
| | **-6.4** | **-17.4** |
| **Other comprehensive income, net after tax** | **-5.3** | **-21.6** |
| **Total comprehensive income for the period** | **64.4** | **96.2** |
| | | |
| **Total comprehensive income attributable to** | | |
| Parent company's shareholders | 64.4 | 96.2 |

# Consolidated statement of financial position

| SEK m | Notes | 1 January – 31 December 2013 | 2012 |
|---|---|---|---|
| **Assets** | 4, 26 | | |
| Intangible fixed assets | 12 | 689.4 | 696.0 |
| Tangible fixed assets | 13 | 224.1 | 227.1 |
| Long-term receivables | 14 | 5.8 | 5.4 |
| Deferred tax assets | 11 | 79.1 | 69.5 |
| **Total fixed assets** | | **998.4** | **998.0** |
| Inventories | 15 | 291.4 | 285.5 |
| Current tax receivable | 11 | 24.8 | 18.0 |
| Accounts receivable | | 472.0 | 486.5 |
| Prepaid expenses and accrued income | 16 | 33.1 | 26.0 |
| Other receivables | 14 | 88.4 | 107.4 |
| Cash and cash equivalents | 27 | 270.0 | 224.6 |
| **Total current assets** | | **1,179.7** | **1,148.0** |
| **Total assets** | | **2,178.1** | **2,146.0** |
| **Equity** | 17 | | |
| Share capital | | 1.2 | 1.2 |
| Other capital contribution | | 345.9 | 345.9 |
| Reserves | | -52.5 | -46.1 |
| Profit brought forward, including net profit | | 325.2 | 300.2 |
| **Shareholders' equity attributable to parent company shareholders** | | **619.8** | **601.2** |
| **Total equity** | | **619.8** | **601.2** |
| **Liabilities** | 4, 26 | | |
| Long-term interest bearing liabilities | 19, 24 | 711.0 | 687.6 |
| Other long-term liabilities | 22 | 1.5 | 1.6 |
| Provision for pensions | 20 | 97.2 | 104.0 |
| Other provisions | 21 | 11.9 | 12.7 |
| Deferred tax liabilities | 11 | 26.9 | 37.8 |
| **Total long-term liabilities** | | **848.5** | **843.7** |
| Current interest bearing liabilities | 19, 24 | 32.7 | 34.3 |
| Accounts payable | | 255.5 | 250.3 |
| Current tax liabilities | 11 | 23.1 | 32.7 |
| Other liabilities | 22 | 237.8 | 201.6 |
| Accrued expenses and prepaid income | 23 | 115.5 | 125.3 |
| Provisions | 21 | 45.2 | 56.9 |
| **Total current liabilities** | | **709.8** | **701.1** |
| **Total liabilities** | | **1,558.3** | **1,544.8** |
| **Total equity and liabilities** | | **2,178.1** | **2,146.0** |

For information on the Group's pledged assets and contingent liabilities, see note 26.

# Consolidated statement of changes in equity

| | Equity attributable to the parent company's shareholders | | | | |
|---|---|---|---|---|---|
| | Share capital | Other capital contributed | Translation reserve | Profit/loss brought forward | Total equity |
| **Opening balance 1 Jan. 2012** | **1.2** | **345.9** | **-28.7** | **224.7** | **543.1** |
| Net profit for the year | | | | 117.8 | 117.8 |
| Other comprehensive income | | | | | |
| Change in translation reserve | | | -17.4 | | -17.4 |
| Revaluation of defined-benefit pension plans, net of tax | | | | -4.2 | -4.2 |
| **Total other comprehensive income** | | | **-17.4** | **-4.2** | **-21.6** |
| **Total comprehensive income** | | | **-17.4** | **113.6** | **96.2** |
| Transactions with owners | | | | | |
| Dividend | | | | -38.1 | -38.1 |
| **Closing balance 31 Dec. 2012** | **1.2** | **345.9** | **-46.1** | **300.2** | **601.2** |
| | | | | | |
| **Opening balance 1 Jan. 2013** | **1.2** | **345.9** | **-46.1** | **300.2** | **601.2** |
| Net profit for the year | | | | 69.7 | 69.7 |
| Other comprehensive income | | | | | |
| Change in translation reserve | | | -6.4 | | -6.4 |
| Revaluation of defined-benefit pension plans, net of tax | | | | 1.1 | 1.1 |
| **Total other comprehensive income** | | | **-6.4** | **1.1** | **-5.3** |
| **Total comprehensive income** | | | **-6.4** | **70.8** | **64.4** |
| Transactions with owners | | | | | |
| Dividend | | | | -46.9 | -46.9 |
| Share-based payments | | | | 1.1 | 1.1 |
| **Closing balance 31 Dec. 2013** | **1.2** | **345.9** | **-52.5** | **325.2** | **619.8** |

# Consolidated cash flow statement

| SEK m | Notes | 1 January – 31 December 2013 | 2012 |
|---|---|---|---|
| **Operating activities** | 27 | | |
| Operating profit | | 127.5 | 176.5 |
| Adjustment for: | | | |
| Depreciation of fixed assets | | 49.2 | 44.0 |
| Other adjustments | | -16.8 | -7.2 |
| Interest received and other financial items | | 2.0 | 2.4 |
| Interest paid and other financial items | | -35.6 | -27.4 |
| Income tax paid | | -67.0 | -39.4 |
| **Cash flow from operating activities before changes in working capital** | | **59.3** | **148.9** |
| | | | |
| **Cash flow from changes in working capital** | | | |
| Increase (-)/Decrease(+) of inventories | | -6.9 | 5.5 |
| Increase (-)/Decrease(+) of operating receivables | | 24.3 | 78.3 |
| Increase (+)/Decrease (-) of operating liabilities | | 32.7 | -108.5 |
| **Cash flow from operating activities** | | **109.4** | **124.2** |
| | | | |
| **Investing activities** | | | |
| Capital expenditure for tangible fixed assets | | -32.4 | -26.7 |
| Sale of tangible fixed assets | | 11.3 | 2.5 |
| Capital expenditure for capitalized research and development costs | | -7.5 | -9.9 |
| Acquired/Divested units, net of cash | 4 | -8.5 | -128.4 |
| **Cash flow from investing activities** | | **-37.1** | **-162.5** |
| | | | |
| **Financial activities** | | | |
| New loans | | 50.0 | 200.0 |
| Repayment of loans/Change in interest-bearing liabilities | | -34.1 | -40.6 |
| Dividend paid to parent company shareholders | | -46.9 | -38.1 |
| **Cash flow from financing activities** | | **-31.0** | **121.3** |
| | | | |
| **Cash flow for the year** | | 41.3 | 83.0 |
| Cash and cash equivalents at the beginning of the year | | 224.6 | 149.1 |
| Translation differences | | 4.1 | -7.5 |
| **Cash and cash equivalents at the end of the year** | | **270.0** | **224.6** |

# Consolidated operating cash flow

| SEK m | 1 January – 31 December 2013 | 2012 |
|---|---|---|
| Operating profit | 127.5 | 176.5 |
| Adjustment for: | | |
| Depreciations of fixed assets | 49.2 | 44.0 |
| Restructuring and integration costs | 39.3 | 20.7 |
| Acquisition costs | 6.0 | 6.7 |
| Other adjustments | -16.8 | -7.2 |
| Cash flow from changes in working capital | 50.1 | -24.7 |
| Net investment in fixed assets | -28.6 | -34.1 |
| **Operating cash flow** | **226.7** | **181.9** |

## 1 Accounting principles

Nederman Holding AB (publ), 556576-4205, the parent company of the Nederman Group, has its registered office in Helsingborg, Sweden.

**COMPLIANCE WITH LAWS AND ACCOUNTING POLICIES**
The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). In addition, RFR 1, Supplementary Accounting Principles for Groups, issued by the Swedish Council for Financial Reporting, has been applied.

The parent company applies the same accounting principles as the Group except in the instances stated below under the section on the parent company's accounting principles. The differences between the parent company's and the consolidated policies are due to restrictions in applying IFRS in the parent company as a result of the Swedish Annual Accounts Act (Årsredovisningslagen) and the Pension Obligations Vesting Act (Tryggandelagen), as well as in particular cases due to tax laws.

Nederman Holding AB's annual report and group accounts were approved and signed by the Board of Directors for publication on 11 February 2013. The income statement balance sheet and statement of comprehensive income for the parent company, along with the consolidated income statement, consolidated statement of comprehensive income and the financial position of the Group will be subject to adoption at the Annual General Meeting on April 23, 2014.

**CHANGES OF STANDARDS AND INTERPRETATIONS THAT CAME INTO EFFECT IN 2013 HAVE NOT SIGNIFICANTLY AFFECTED THE GROUP'S FINANCIAL ACCOUNTING WITH THE EXCEPTION OF THE FOLLOWING**

*IAS 1 "Presentation of financial statements":*
The change means that other comprehensive income shall be split into two groups when presented. The split is based upon whether the postings can be reclassified to the income statement (reclassification adjustments) or not. Headings for comparable figures have been altered to match the new presentation method.

*IAS 19 "Employee benefits":*
The change means that the group will stop applying the so-called corridor rule and will instead include all actuarial gains and losses in other comprehensive income when they occur. The costs for services in previous years will be reported immediately. Interest expenses and expected returns on plan assets will be replaced by a net rate that is calculated with the help of a discount rate, based on the net surplus or net deficit in the defined benefit plan. For information on the effect on the group's result and balance sheet, see note 20.

*Changes in IFRS 7 – Financial instruments, disclosures*
The changes refer to the disclosure requirement when offsetting financial assets and liabilities. The changes apply for fiscal years starting 1 January 2013 or later with retroactive effect.

*IFRS 13 "Assessment of fair value"*
This is a new standard for measuring fair value and improved disclosure requirements. The new disclosure requirements are presented in note 24.

**VOLUNTARY CHANGE OF ACCOUNTING PRINCIPLES**
The Group's costs for internal distribution have been reclassified from being previously included in selling costs to now being classified as costs for sold goods. This reclassification was done to give a fairer presentation of the income statement.

Comparable figures relating to the reclassification have been adjusted. The amount is shown below:

2012: SEK 23.0m

**CHANGES THAT WILL COME INTO EFFECT IN 2014**
A number of new standards and amendments of interpretations and existing standards that come into effect in the coming fiscal year have not been applied when preparing the current consolidated reports. None of these changes are expected to have any significant effect on the consolidated financial reports.

**VALUATION PRINCIPLES APPLIED DURING THE PREPARATION OF THE PARENT COMPANY'S AND THE CONSOLIDATED FINANCIAL STATEMENTS**
Assets and liabilities are prepared on historic acquisition cost basis, apart from financial assets and liabilities valued to fair value via the result. This category is principally made up of derivative instruments, which are stated at fair value.

**FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY**
Items included in the financial statements of the various entities of the Group are valued in the currency used in the financial environment of the companies (functional currency). The consolidated accounts use SEK, which is the parent company's functional currency and presentation currency. All amounts, unless otherwise stated, are stated in SEK m (million).

**CRITICAL ACCOUNTING ESTIMATES AND ASSESSMENTS**
The company management and board of directors make assessments, estimates and assumptions about the future that affect the recorded assets, liabilities, income and expenses and other information reported, including contingent liabilities. These assessments are based on historical experience and assumptions that are considered reasonable in existing circumstances. The actual results might deviate from these estimates and assessments. Estimations and assumptions are reviewed regularly. Changes in estimates and assessments are reported during the period when the change is made if the change only affects that period, or in the period when the change is made and future periods if the change affects both the current period and future periods. Assessments that have a significant impact on the Group's earnings and financial position are described in Note 29.

**Segment reporting.** The Group's business is managed and reported by operating segment, based on geographic distribution. These segments form the basis for the highest executive decision-maker's allocation of the Group's resources. The segments are evaluated and consolidated according to the same principles as the Group as a whole. Intra-Group sales within segments are performed on market terms. No intra-Group sales took place between the operating segments. The results of the operating segments include results up to the level of operating profit. Assets and liabilities include directly attributable items as well as items that can be divided in a reasonable way.

The Group's operating segments are:
- EMEA (Europe, Middle East and Africa)
- APAC (Asia and Pacific region
- Americas (North and South America)

Descriptions of the operating segments are given on pages 20-31.

**Classifications etc.** Fixed assets and long-term liabilities consist essentially of amounts expected to be recovered or paid back later than twelve months from the balance sheet date. The current assets and current liabilities consist essentially of amounts, which are expected to be regained or paid out within twelve months, calculated from the close of the reporting period.

**CONSOLIDATION PRINCIPLES**
**Subsidiaries.** Subsidiaries are companies in which Nederman Holding AB has a direct or indirect right to determine the company's financial and operative strategies in order to obtain economic benefit. Subsidiaries are consolidated according to the purchase method. The cost of acquiring an activity or business is measured as the fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition, irrespective of the extent of ownership without definitive influence in the acquired activity. The difference between the acquisition value and the fair value of the Group's acquired identifiable net assets and assumed liabilities and contingencies is recorded as goodwill if this difference is positive. If the difference is negative the amount is recognized directly in the income statement. Acquisition-related costs, such as fees for legal advice, legal aid, due diligence etc. are reported as a cost in the period they arise. Financial reports from the acquired activities are included in the consolidated accounts from the time of the acquisition. Divested activities are included in the consolidated accounts until the date the definitive influence ceases. The accounting principles have been applied consistently by Group companies.

**Transactions eliminated during consolidation.** Intra-Group receivables and liabilities, income or expenses and unrealized profits or losses arising from intra-Group transactions, are entirely eliminated when preparing the consolidated financial statements.

**Foreign currency transactions.** Foreign currency transactions are translated to the functional currency at the exchange rate on the transaction date. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate on the balance sheet date. Exchange rate gains and losses resulting from recalculations are included in the income statement. Non-monetary assets and liabilities recorded at historical cost are revalued according to the exchange rate prevailing on the transaction date.

**Translation of foreign group companies.** Assets and liabilities in foreign group companies (of which none have high inflation currencies), including goodwill and other consolidated surpluses and deficits are translated from the functional currencies of the foreign group companies to the Group's presentation currency, at the prevailing exchange rate on the balance sheet date. The income and expenses of foreign companies are translated to SEK at an average exchange rate for the applicable year. Translation differences arising from translation are reported in the consolidated statement of comprehensive income and are accumulated in a separate section of shareholders' capital named translation reserve. The company has elected to state the accumulated translation differences attributable to foreign group companies to zero with the transition to IFRS. When a foreign group company is sold the attributable accumulated translation differences, previously realized directly against shareholders' equity are realized in the consolidated income statement during the same period as the gain or loss of the divestment.

**REVENUE RECOGNITION**

Revenue is assessed at the fair value of what will be received, and represents the amount that is received, after deducting discounts, returns and sales tax.

Revenue from sale of goods is recognized in the income statement when significant risks and benefits associated with the ownership of the goods have been transferred to the buyer. Revenue recognition of services takes place as the services are carried out.

Revenue and costs from project activities are reported as the project progresses. This principle is referred to as gradual revenue recognition. Revenue and costs are reported in the income statement in relation to the degree of completion on the balance sheet date. The degree of completion is established on the basis of project costs spent in relation to the project cost corresponding to project revenue for the entire project. A precondition for gradual revenue recognition is that the outcome can be determined reliably. Revenue is not reported if it is not probable that the company will obtain the financial benefits. Anticipated losses are expensed immediately.

In the balance sheet, project work is reported project by project either as a current receivable concerning accrued project income not yet invoiced, or as a current liability concerning project work not yet performed but already invoiced.

**FINANCIAL INCOME AND EXPENSES**

Financial income and expenses consist of interest income on bank deposits, interest- bearing financial assets, interest expenses on loans, dividends received, exchange rate fluctuations on interest-bearing financial assets and liabilities and gain/loss on derivative instruments used in the financial operations.

Interest income on interest-bearing financial receivables and interest expenses on financial interest-bearing debts are calculated with the application of the effective interest rate method. The effective interest rate is the interest rate which results in the present value of all estimated future receipts and payments during the expected fixed interest term being equal to the reported value of the receivable or the liability.

Interest income and interest costs include accrued transaction costs and any discounts, bonuses and other differences between the initial recognized value of the receivable or liability, and the calculated future payments received or paid during the term of the agreement. The interest component in financial lease payments is reported in the income statement via the application of the effective interest rate method.

Income from dividends received is recorded when the right to receive the payment has been established.

**Loan charges.** Loan charges directly attributable to the assembly or production of a qualified asset shall be capitalized in the asset's reported value. A qualified asset is an asset that takes a substantial period of time to complete. Neither the Group nor the parent company has this type of asset. Loan charges are capitalized in the period they relate to. Transaction costs for established loans are reported over the period of the loan using the effective interest rate method.

**FINANCIAL INSTRUMENTS**

Financial instruments recorded among assets in the balance sheet include cash and cash equivalents, receivables from customers, shares, loans and derivative instruments. On the liability side, are accounts payable to suppliers, borrowings, and derivative instruments.

A financial asset or financial liability is taken up in the balance sheet when the company becomes a party to the contractual conditions of the instrument. Account receivables are included when the invoice has been distributed. Liabilities are included when the other party has performed and a contractual obligation to pay exists, even if invoice has not yet been received. Accounts payable are recognized when invoice has been received. A financial asset, or part of financial asset, is derecognized from the balance sheet when the right of the contract are realized, fall due or the company loses control of them. A financial liability, or part of liability, is derecognized from the balance sheet when the company has met its commitments or the liability has been otherwise extinguished.

A financial asset and a financial liability are offset against each other and recorded with a net value only when there exists a legal right to offset the amount and the intention is to settle the items with a net amount or to sell the asset and to pay of the debt at the same time.

Investments and sale of financial assets are recorded on the transaction date, which is the day when the company undertakes to purchase or sell the asset.

**Classification and valuation.** The classification depends on the purpose for which the instrument was acquired. The classification of a financial asset is determined on the initial recording of the instrument. Classification is then crucial for how the financial instrument is valued.

Financial instruments, which are not derivatives, are initially measured at cost corresponding to the instrument's fair value with the addition of transaction costs apart from those financial instruments, which are categorized as financial assets at fair value through the income statement, which are reported at fair value excluding transaction costs.

**Financial assets assessed at fair value through the income statement.** Assets in this category are measured continually at fair value with changes recorded in the income statement. This category consists of financial assets, which are held for trade and other financial assets designated into this category. Independent derivatives and embedded derivatives are classified as being held for trade except when they are used for hedge accounting. Derivatives are used to cover the risk for exchange-rate fluctuations and changes in interest rates. Derivatives with positive values (unrealized gains) are recorded as other long-term or current receivables. Changes in fair value are reported in the income statement.

**Loans receivable and accounts receivable.** Loans receivable and accounts receivable are financial assets which are not derivatives, which have fixed payments or payments which are able to be determined, and which are not listed on an active market. These assets are measured at amortized cost. The value is determined on the basis of the effective interest rate calculated at the time of the acquisition. Accounts receivable are reported at the amount expected to be received, i.e. after deductions for doubtful receivables. Any deduction affects the operating profit/loss.

**Cash and cash equivalents.** Cash and cash equivalents consist of cash, cash at bank and other financial institutions. Cash and cash equivalents also includes current investments with a maturity of less than three months from the date of acquisition and which have only an insignificant risk of exposure to fluctuations in value.

**Financial liabilities at fair value through the income statement.** This category includes financial liabilities held for trading and derivatives with a negative fair value not used for hedge accounting. In this category the Group reports derivatives with negative fair value not used for hedge accounting. Changes in fair value are recognized in the income statement.

**Other financial liabilities.** Financial liabilities not held for trading, such as accounts payable and other liabilities are recognized at accrued acquisition value. Accounts payable have short expected maturities and are assessed without discount at a nominal amount. Loans and other financial liabilities are reported initially at received loan amount with deductions for transaction costs. After the acquisition date loans are assessed at the accrued acquisition value using the effective interest rate method.

**Receivables and liabilities in foreign currencies.** For hedging of assets or liabilities against exchange rate risks, foreign currency forward contracts are used. No hedge accounting is needed as both the hedged item and the hedging instrument are valued at the current value reported in the result. The Group thereby achieves much the same matching effect as with hedge accounting. Changes in value concerning operating receivables and liabilities are reported net in the operating result, while changes in value concerning financial receivables and liabilities are reported net in the financial items.

**INTANGIBLE ASSETS**

**Goodwill.** Goodwill is the amount by which the cost of an acquisition exceeds the fair value of the acquired identifiable assets, assumed liabilities and contingent liabilities.

Goodwill is valued at cost less any accumulated impairments. Goodwill is allocated to its cash-generating units and is no longer written of but is tested annually with regard to any impairment losses. Impairment losses on goodwill are not reversed. Gains or losses when selling a unit include the remaining value of the goodwill. For acquisitions where the acquisition cost is below the net value of the identifiable acquired assets, assumed liabilities and contingent liabilities, the difference is reported directly in the result.

**Research and development.** Expenditures for development, where the research result or other knowledge is applied in order to produce new or improved products or processes, are reported as an asset in the balance sheet, if the product or the process is technically and commercially viable and the company has sufficient resources in order to proceed with development and thereafter use or sell the intangible asset. The reported value includes expenditure for materials and other immediate expenses attributable to the asset in a reasonable and consistent manner. In the balance sheet, reported development costs are reported at cost less accumulated amortisation and any impairment.

Costs for research aimed at acquiring new scientific or technical knowledge are reported in the income statement as costs as they arise.

**Trademarks.** Trademarks that are acquired via business acquisitions are recorded at fair value on the acquisition date. Trademarks are reported at acquired value less accumulated amortisation. Trademarks with indeterminable lifetime are viewed as income generating entities and are not amortized but tested annually for impairment. Any impairment write downs are not reversed. Gains or losses on business disposals include the remaining book value of the trademarks relating to the business disposed of. Any write downs are immediately recorded as a cost.

**Customer relations.** Customer relations that are acquired via business acquisitions are recorded at fair value on the acquisition date. Trademarks are reported at acquired value less depreciation and any accumulated amortisation.

**Other intangible assets.** Other intangible assets are reported at cost less accumulated amortisation and impairments. Accrued expenses for internally generated goodwill and internally generated brands are reported in the income statement as they arise.

**Subsequent expenditures.** Subsequent expenditures for capitalized intangible assets are reported as an asset in the balance sheet only when they increase the future economic benefits for the specific assets to which they are related. All other expenditures are expensed as they arise.

**Amortisation.** Amortisation is recorded linearly in the income statement over the intangible assets' expected useful life, if the useful life is not indefinite. Goodwill and intangible assets with an indefinite useful life are reviewed for the need of impairment annually or as soon as indications appear that the asset has decreased in value.

The expected useful life is:

| | |
|---|---|
| Capitalized development expenditures | 5 years |
| Computer software programs | 3–4 years |
| Customer relations | 10 years |

The depreciation methods, residual value and useful life periods used are re-assessed at the end of each year.

**TANGIBLE FFIXED ASSETS**

**Owned assets.** Tangible fixed assets are measured at cost less accumulated depreciation and any impairment. Cost includes the purchase price and costs directly attributable to the asset in order to move it into place and in the proper condition to be used in accordance with the purpose of the acquisition. The cost for self-produced fixed assets includes expenditures for materials, expenditures for salaries and other remuneration to employees, and if applicable other production costs considered to be directly attributable to the fixed asset.

Tangible fixed assets consisting of different parts with a different estimated useful life are treated as separate components of the tangible fixed assets.

The reported value of a tangible fixed asset is removed with its scrapping or sale or when no future financial benefits are expected from its use. A gain or loss arising from the sale or scrapping of an asset consists of the difference between selling price and the asset's reported value with deductions for the directly attributable selling costs. Any gain or loss is reported as other operating income/expense.

**Subsequent expenditures.** Subsequent expenditures are added to the carrying amount only if it is likely that the company will receive future financial benefits associated with the asset and the cost of the assets can be calculated reliably. All other subsequent expenditures are expensed in the period they arise. Crucial for the assessment when a subsequent expenditure is added to the carrying amount is if it concerns exchange of components, or parts thereof, whereupon such expenditures are capitalized. Even in cases when new components are constructed the expenditure is added to the carrying amount. Any remaining carrying amount of exchanged components, or parts of components, is expensed at the time of the exchange.

Repairs are expensed as they arise.

**Depreciation.** Depreciation occurs linearly over the asset's anticipated useful life. The Group applies component depreciation, meaning that the components' estimated useful life forms the basis for the depreciation.

The estimated useful life is:

| | |
|---|---|
| buildings, real estate used in business operations | 15-30 years |
| machinery and other technical fixed assets | 3-8 years |
| equipment, tools and fixtures | 3–10 years |
| land | Not depreciated |

Depreciation of components is based on each component's estimated useful life.

The deprecation methods used and the residual value of assets and their useful life are reviewed annually.

**LEASING**

Leasing is classified in the consolidated financial statements either as financial or operational leasing. Financial leasing occurs when the financial risks and benefits associated with the ownership are substantially transferred to the lessee. If this is not the case, then it is classed as operational leasing.

**Finance leasing agreements.** Leasing of fixed assets where the group essentially takes over the same risks and benefits as direct ownership are classified as financial leasing. Financial leasing is recognized at the start of the leasing period. Assets held under financial leasing agreements are recognized as assets in the consolidated balance sheet. The obligation to pay future leasing payments is recognized as long-term and current liabilities. Lease payments are allocated between interest expense and repayment of the outstanding debt. The interest expense is amortized over the lease period so that each accounting period includes an amount corresponding to a fixed interest rate for the respective period of the liability. Variable costs are expensed in the periods in which they arise.

**Operational leasing agreements.** Leasing of fixed assets where the risks and rewards relating to ownership remain with the lessor are classified as operational leasing. Costs for operational leasing are recognized in the income statement on a straight-line basis over the lease term. Benefits obtained from with the signing of an agreement are recognized as a part of the total lease expense in the income statement on a straight-line basis over the lease term. Variable fees are expensed in the period they are incurred.

**IMPAIRMENTS AND REVERSAL OF IMPAIRMENTS**

Impairments are charged to the income statement. The impairment of tangible and intangible fixed assets affects the operating profit/loss, while the impairment of financial assets affects the net financial items. Previously recorded impairments are reversed if reasons for the former impairment no longer exist. The increased carrying amount attributable to a reversal of impairment shall not exceed the carrying amount that would have determined if no impairment had been recorded in previous years. Goodwill is not impaired.

**Test of need for an impairment of tangible and intangible assets, and for shares in subsidiaries.** The test of need for an impairment exists if any event occurs or if circumstances change, indicating that the recorded value might be above the recoverable value. The test is carried out at the cash-generating unit that the asset belongs to. The cash-generating units consist of the Group's operating segments. For goodwill, other intangible assets with an indefinite useful life, and intangible assets not yet ready for use, the recoverable value is calculated annually. An impairment is recorded when an asset's or cash-generating unit's carrying amount exceeds the recoverable value.

The recoverable value is the highest of the fair value less sales costs and estimated value in use. When calculating the estimated value in use, the future cash flows are discounted at a rate considering risk-free interest rate and market risk premium associated with the specific asset.

An impairment of assets belonging to a cash-generating unit is primarily allocated to goodwill. Then other assets are written down on a proportional basis.

An impairment is reversed if there has been a positive change in the recoverable value.

**Test of the need for an impairment of financial assets.** An impairment of a financial asset should happen if objective evidence shows that one or more events have had a negative impact on the assets' estimated future cash flows.

An impairment of a financial asset valued at the accrued acquisition cost is estimated as the difference between its carrying amount and net present value of the estimated future cash flows, discounted by the original effective interest rate. Previous impairments shall be reversed, if reasons for the former impairment no more exist.

**INVENTORIES**

Inventories are measured at the lower of cost and net realisable value, including any obsolescence provision. The cost is calculated by applying the First In First Out method (FIFO), including expenses arising with the purchase of the inventory and the transportation to the current place and condition. Manufactured goods and work in progress, includes the purchase price and a reasonable proportion of indirect costs based on normal capacity. Loan costs are not included. The net realisable value is calculated as the estimated selling price less applicable variable sales expenses.

**DIVIDENDS**

Dividends are reported as a liability after the Annual General Meeting has approved the dividend.

**EARNINGS PER SHARE**

The calculation of earnings per share is based on the net result in the Group, attributable to the parent company's shareholders and on the weighted average number of shares outstanding during the year.

**CASH FLOW STATEMENT**
The cash flow statement is drawn up according to the indirect method.

**REMUNERATION TO EMPLOYEES**
**Short-term remuneration.** Short-term remuneration to employees is calculated without discounting and is reported as an expense when the related services are received. A provision is reported for planned bonus payments when the Group has an obligation to make such payments based on services received or other contractual conditions fulfilled.

**Defined-contribution pension plans.** Defined-contribution pension plans are plans where the company's obligation is limited to the charges the company has undertaken to pay. The size of the employee's pension depends on the fees paid by the company and the return on capital generated by these fees. The company obligations concerning payments to defined-contribution pension plans are reported as an expense as they are earned. The part of the Swedish ITP plan financed through Alecta is a defined-benefit pension plan. Alecta has currently no possibility of providing the requisite information, which is why the aforementioned pension plan is reported as a defined-contribution pension plan, meaning that the premiums paid to Alecta will be reported in the period they refer to.

**Defined-benefit pension plan.** Defined-benefit pension plans are other plans for remunerating employees upon retirement. The Group's net obligation concerning defined-benefit pension plans are calculated separately for each plan by estimating the future remuneration, which each employee has earned via their employment in both the current and previous periods; this remuneration is then discounted to a current value. Discount interest is the interest rate on the closing date for a first-class corporate bond or mortgage with a remaining maturity that corresponds to the Group's obligations. if there is no effective market for corporate bonds, the market rate for government bonds over a corresponding period is used. The actuarial calculation is carried out by a registered actuary using the Projected Unit Credit Method. The Group's net obligations constitute the current value of the obligations minus the fair value of the plan's assets adjusted for any access restrictions.

Net interest costs/income for the defined-benefit obligation/asset are reported under net financial items in the income statement. Net interest is based on the interest that occurs upon discounting of the net obligation, i.e. interest on the obligation, plan assets and interest on the effect of any access restrictions. Other components are reported as operating profit.

Restatement effects comprise actuarial gains and losses, the difference between actual returns on plan assets and the amount included in net interest and any changes in the effects of access restrictions (excluding interest that was included in net interest). Restatement effects are reported in other comprehensive income.

Changes or reductions in a defined-benefit plan are reported at the earliest of the following dates: a) when the change or reduction in the plan occurs, or b) when the company reports related restructuring costs and remuneration upon termination of employment. Changes and reductions are reported directly in profits.

Payroll tax is a part of the actuarial assumption and is therefore reported as part of the net obligation/asset. The portion of payroll tax calculated based on the Pension Obligations Vesting Act (Tryggandelagen) for a legal entity is stated, for reasons of simplicity, as accrued costs instead of as part of the net obligation/asset.

Tax on returns is reported in the income statement for the period the tax refers to and is thus not included in the calculation of debt. For schemes run as funds, tax is levied on returns for plan assets and this is reported in other comprehensive income. For schemes not run as funds or run partly as funds, tax is included in profits for the year.

If there is a difference between how pension costs are established for a legal entity and the Group, an allocation or a receivable is reported concerning payroll tax based on this difference. The allocation or receivable is not calculated at present value.

**Share saving scheme.** The 2013 share saving scheme is reported as share-related remuneration settled with an equity instrument in accordance with IFRS 2. This means that the fair value is calculated initially from estimated fulfilment of targets established for the period. The value is distributed across the income period. After fair value is established, no further reassessment is made during the remainder of the income period except for changes in the number of shares if the condition concerning continued employment during the income period no longer is no longer met.

**Social fees.** Social fees paid due to share-related remuneration are reported in accordance with statement UFR 7 of the Swedish council for financial reporting. The allocation that arises is reassessed on each report date to correspond to the estimated fees to be paid at the end of each income period.

**PROVISIONS**
A provision is recognized 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 likely that an out-flow of financial resources will be required in order to meet the obligation and a reliable estimate of the amount can be made. Provisions are assessed at the end of every year. Provisions are divided between long-term and current provisions.

**Provisions for guarantees.** A provision for a product guarantee is recorded when the underlying products or services are sold. Provisions are based on historical data about the guarantees and a total appraisal of possible outcomes in relation to the probability of the outcome.

**Provisions for restructuring and redundancy payments.** A provision for restructuring is recorded when the Group has decided on a detailed and formal restructuring plan, and the plan has been established and become public. Provisions for restructuring often include redundancy payments, where the redundancy is either voluntary or involuntary. Redundancy payments are reported according to the same principles as provisions for restructuring, except if there are requirements to work out a period of notice when costs are charged over the period of notice. No provisions are made for future operating costs.

**TAXES**
Income taxes consist of current taxes and deferred taxes. Income taxes are reported in the income statement except when the underlying transaction is reported directly against equity whereupon the related tax effect is reported in equity or comprehensive income. Current taxes are taxes that will be paid or are to be received for the current year, with the application of the tax rates that have been determined or announced as of the close of the reporting period. Included here are also adjustments of current tax attributable to earlier periods. A current tax liability or tax receivable is reported for the estimated tax that will be paid or received for the current year or previous years.

Deferred tax is calculated according to the balance sheet method based on the temporary difference between the tax-related values for assets and liabilities, and the values reported for the Group. Temporary differences arise mainly through the depreciation of fixed assets, pension provisions and other measures.

For a company acquisition there will be temporary differences between the consolidated value of assets and liabilities and their taxable value.

Temporary differences that arise on initial recognition of an asset or liability and are not attributable to business acquisitions or other acquisition and have not affected reported or taxable earnings, do not entail a deferred tax asset or liability.

Deferred tax is valued at the nominal amount with the application of the tax rates and tax regulations decided upon or announced on the balance sheet date. Income tax arising in the event of a dividend is reported at the same time as the dividend is reported as a liability for the company issuing the dividend. Temporary differences are not recognized in participations in subsidiaries, since the Group can control the date when these temporary differences are reversed and it is unlikely that they will be reversed in the foreseeable future. Temporary differences are not considered for goodwill. Deferred tax assets concerning tax-deductible temporary differences and retained losses are recorded only to the extent it is probable that tax surpluses will be available in the future, against which temporary differences can be utilized.

**CONTINGENT LIABILITIES**
A contingent liability is recorded when there are possible commitments arising from events that have occurred and the liability is not reported, due to the unlikelihood that an outflow of resources will be required.

**THE PARENT COMPANY'S ACCOUNTING POLICIES**
The parent company has prepared its financial statements according to the Swedish Annual Accounts Act (Arsredovisningslagen 1995:1554) and RFR 2.2. Financial Reporting for Legal Entities. This means that the parent company's financial reports must apply all EU approved IFRS and statements to the extent that it is possible within the framework of the Swedish Annual Accounts Act and with regard to the connection between the accounting and taxation.

**Subsidiaries.** Shares in subsidiaries are reported in the parent company according to the purchase method. All expenses connected with business acquisitions, i.e. including acquisition-related costs, are capitalized in the parent company's financial statements as a part of the acquisition value for shares in subsidiaries. Dividend income is reported when there is a legal authority to receive the dividend. Received dividends are reported as income irrespective of whether the dividends are linked to profit earned before the acquisition date.

**Revenue.** The parent company's revenue consists of intra-Group management fees. The income statement reports this income as other operating income.

**Taxes.** Untaxed reserves recorded in the parent company include deferred tax liabilities. In the consolidated financial statements untaxed reserves are allocated between deferred tax liability and shareholders' equity.

**Group contributions and shareholder's contributions for legal entities.** Shareholders' contributions are added to the value of shares in subsidiaries in the balance sheet and are then tested for impairment.

Group contributions are booked as an appropriation in the income statement.

**Financial guarantees.** The parent company's financial guarantee agreements mainly consist of guarantees benefitting subsidiaries. Financial guarantees mean that the company has an undertaking to remunerate the holder of a debt instrument for losses accrued because a specific debtor has not completed payment on the due date according to the terms of the agreement. When reporting financial guarantee agreements the parent company applies the relief regulation permitted by the Swedish Financial Accounting Standards Council. The parent company reports financial guarantee agreements as a provision in the balance sheet when the company has a commitment for which payment is likely to be required to regulate the commitment.

## 2 Classification of income

| SEK m | 2013 | 2012 |
|---|---|---|
| Net sales | | |
| Net sales of goods | 2,659.2 | 2,272.6 |
| | 2,659.2 | 2,272.6 |

Net sales of goods include payment for installation work.

## 3 Operating segment reporting

Segment reporting is based on reports regularly reviewed by the Group's chief operating decision maker in order to assess performance and allocation of resources. The operating segments consist of different business operations that are affected by revenues and expenses. The segments are measured and consolidated according to the same accounting principles as the Group in total. The Group is a global market leader in producing products and systems within environmental technology. The products and systems create a clean and safe working environment with focus on clean air, recycling solutions and reduced environmental impact of transport handling.

### OPERATING SEGMENTS

The Group is divided into the following operating segments:

- EMEA (Europe, Middle East and Africa)
- Asia Pacific (Asia and Pacific region)
- Americas (North and South America)

The operating segments are presented on pages 20-31 of the annual report. The Group's internal reporting system is built up in order to make it possible to follow up net sales, gross profit and variable costs per segment. Operating general expenses are allocated to the operating segments as appropriate. Operating capital is reported separately when this is possible while other operating capital is allocated as suitable. No intra-group sales take place between the operating segments. Earnings, assets and liabilities for the segments include directly attributable items plus items that can be allocated to the segments in an appropriate way. Items not allocated consist of corporate expenses, financial income, financial expenses and tax expenses. Assets and liabilities that have not been allocated between the segments include tax receivables and tax liabilities (current and deferred), financial investments and financial liabilities, including pension obligations.

Operating assets are defined as total assets with deductions for liquid funds, tax receivables (current and deferred) and financial investments.

Operating liabilities are defined as total assets minus financial investments, tax liabilities (current and deferred) and financial liabilities including pension obligations.

The segment's capital expenditures in tangible and intangible fixed assets include all capital expenditures except expendable equipment and equipment of minor value. No individual customer accounts for 10 per cent or more of the Group's revenues.

### GEOGRAPHIC REGIONS

The Group is divided into five geographic regions: Sweden, Nordic region, Other Europe, North America and Rest of the world. The information presented concerning the income for each region concerns the geographic areas, where the customers are located. The information concerning the assets and capital expenditures in tangible and intangible fixed assets, with the exception of goodwill, is based on geographic regions, where the assets are located.

*The note continues on the next page.*

## 3 Operating segment reporting, continued from previous page

OPERATING SEGMENT

| 2012**), SEK M | EMEA | Asia Pacific | Americas | Other, not allocated | Total |
|---|---|---|---|---|---|
| Net sales | 1,450.3 | 310.1 | 512.2 | | 2,272.6 |
| Operating profit by operating segment*) | 143.2 | 24.7 | 67.5 | -42.7 | 192.7 |
| Acquisition costs | | | | -11.1 | -11.1 |
| Restructuring and integration costs | | | | -5.1 | -5.1 |
| Operating profit | 143.2 | 24.7 | 67.5 | -58.9 | 176.5 |
| Financial income | | | | 2.4 | 2.4 |
| Financial expenses | | | | -25.2 | -25.2 |
| Tax expenses | | | | -35.9 | -35.9 |
| **Net profit** | | | | | 117.8 |
| | | | | | |
| Operating assets | 638.5 | 180.5 | 679.9 | 331.1 | 1,830.0 |
| Other assets | | | | 316.0 | 316.0 |
| **Total assets** | **638.5** | **180.5** | **679.9** | **647.1** | **2,146.0** |
| | | | | | |
| Operating liabilities | 221.7 | 119.6 | 281.2 | 26.0 | 648.5 |
| Other liabilities | | | | 896.3 | 896.3 |
| **Total liabilities** | **221.7** | **119.6** | **281.2** | **922.3** | **1,544.8** |
| | | | | | |
| Capital expenditures | 17.9 | 6.8 | 5.6 | 8.1 | 38.4 |
| Depreciation | -23.0 | -5.2 | -6.2 | -9.6 | -44.0 |

*) Excluding restructuring/integration costs and acquisition costs
**) Comparable figures for 2012 have been adjusted in accordance with structural changes in the organization and the affects of amendments to IAS 19

| 2012. (Including EFT pro forma January-September 2012), SEK m | EMEA | Asia Pacific | Americas | Other, not allocated | Total |
|---|---|---|---|---|---|
| Net sales | 1,548.0 | 355.2 | 962.7 | | 2,865.9 |
| Operating profit by operating segment*) | 143.2 | 27.9 | 78.9 | -42.8 | 207.2 |

GEOGRAPHIC AREAS

| 2012, SEK m | Sweden | Nordic region | Other Europe | North America | Rest of the world | Not allocated | Total |
|---|---|---|---|---|---|---|---|
| Net sales | 209.7 | 238.4 | 909.1 | 452.6 | 462.8 | | 2,272.6 |
| Operating assets | 870.3 | 22.8 | 344.8 | 239.8 | 127.3 | 225.0 | 1,830.0 |
| Capital expenditures | 16.3 | 0.4 | 10.4 | 4.9 | 6.4 | 0.0 | 38.4 |

OPERATING SEGMENTS

| 2013, SEK m | EMEA | Asia Pacific | Americas | Other, not allocated | Total |
|---|---|---|---|---|---|
| Net sales | 1,409.5 | 291.8 | 957.9 | | 2,659.2 |
| Operating profit by operating segment*) | 73.3 | 13.6 | 138.9 | -55.6 | 170.2 |
| Acquisition costs | | | | -1.7 | -1.7 |
| Restructuring and integration costs | | | | -41.0 | -41.0 |
| Operating profit | 73.3 | 13.6 | 138.9 | -98.3 | 127.5 |
| Financial income | | | | 2.0 | 2.0 |
| Financial expenses | | | | -29.8 | -29.8 |
| Tax expenses | | | | -30.0 | -30.0 |
| **Net profit** | | | | | **69.7** |
| | | | | | |
| Operating assets | 348.4 | 181.9 | 822.1 | 447.8 | 1,800.2 |
| Other assets | | | | 377.9 | 377.9 |
| **Total assets** | **348.4** | **181.9** | **822.1** | **825.7** | **2,178.1** |
| | | | | | |
| Operating liabilities | 156.1 | 102.0 | 380.5 | 28.8 | 667.4 |
| Other liabilities | | | | 890.9 | 890.9 |
| **Total liabilities** | **156.1** | **102.0** | **380.5** | **919.7** | **1,558.3** |
| | | | | | |
| Capital expenditures | 12.4 | 14.2 | 6.5 | 12.4 | 45.5 |
| Depreciation | -24.3 | -5.4 | -9.0 | -10.5 | -49.2 |

*) Excluding restructuring/integration costs and acquisition costs

GEOGRAPHIC AREAS

| 2013, SEK m | Sweden | Nordic region | Other Europe | North America | Rest of the world | Not allocated | Total |
|---|---|---|---|---|---|---|---|
| Net sales | 155.3 | 226.6 | 860.9 | 798.8 | 617.6 | | 2,659.2 |
| Operating assets | 696.0 | 184.8 | 619.4 | 794.6 | 206.1 | -700.7 | 1,800.2 |
| Capital expenditures | 16.5 | | 8.3 | 5.7 | 15.0 | | 45.5 |

## 4 Acquisition of business units

**ACQUISITIONS 2012**

**Environmental Filtration Technologies (EFT).** EFT was acquired on 25 September 2012. EFT's business comprises air filtration solutions for various industrial applications and production of filter cartridges and filter bags made of advanced materials. The company also has a smaller business, LCI, which focuses on evaporation and granulation primarily for the chemicals and pharmaceutical industries. A large part of EFT's business complements Nederman's activities, primarily for larger installations and sales in associated industries. The acquisition will mean positive cost synergies thanks to broader use of Nederman's global purchasing structure. EFT adds purchasing volumes, which will enable more cost-effective purchasing. EFT can also use Nederman's global structure for production of products that EFT previously bought from third parties. Nederman's experience of module-based products will boost the profitability of EFT's offer. Cost synergies will also arise from the merger of management and administration teams.

Transaction costs are not expected to exceed SEK 14m, of which SEK 8.6m affected operating earnings in 2012.

The goodwill amount represents future benefits arising from the acquisition but which have not been separately identified and reported. None of the goodwill amount is expected to be tax deductible.

Percentage of shares: 100%. All of the purchase amount is a cash payment.

**Other.** The acquisitions relates to Lebon & Gimbrair and Havak. In January 2012 Nederman acquired Lebon & Gimbrair in the Netherlands. Nederman has collaborated with the company for over 40 years for distributing a number of Nederman's products in the Netherlands. The acquired company complemented Nederman's portfolio of subsidiaries in the country. Nederman acquired a small company at he beginning of 2012 from Havak Endustri Tesisieri, which has distributed Nederman's products for the past 20 years on the Turkish market. The company will now be the base for all marketing of the Group's complete range in Turkey and is expected to help towards good growth on this market.

The goodwill amount represents future benefits arising from the acquisition but which have not been separately identified and reported. None of the goodwill amount is expected to be tax deductible.

Percentage of shares: 100%. All of the purchase amount is a cash payment.

| Transferred remuneration | EFT | Other | Total |
|---|---|---|---|
| Liquid funds | 157.1 | 21.4 | 178.5 |
| **Total transferred remuneration** | **157.1** | **21.4** | **178.5** |

| Reported amounts for identifiable acquired assets and liabilities at date of acquisition | EFT | Other | Total |
|---|---|---|---|
| Intangible fixed assets | 52.0 | 1.6 | 53.6 |
| Tangible fixed assets | 56.5 | 5.9 | 62.4 |
| Financial fixed assets | 3.6 | | 3.6 |
| Inventories | 59.2 | 5.2 | 64.4 |
| Customer receivables and other receivables | 172.7 | 19.5 | 192.2 |
| Current tax receivables | 2.3 | | 2.3 |
| Deferred tax assets | 2.5 | 1.7 | 4.2 |
| Liquid funds | 46.5 | 3.6 | 50.1 |
| Interest bearing liabilities | -49.4 | -4.3 | -53.7 |
| Accounts payable and other operating liabilities | -308.0 | -17.7 | -325.7 |
| Current tax liabilities | -0.7 | | -0.7 |
| Deferred tax liability | -16.5 | | -16.5 |
| **Total identifiable net assets** | **20.6** | **15.5** | **36.1** |
| Goodwill | 136.5 | 5.9 | 142.4 |
| **Total** | **157.1** | **21.4** | **178.5** |
| Transferred remuneration | -157.1 | -21.4 | -178.5 |
| Acquired liquid funds | 46.5 | 3.6 | 50.1 |
| **Effect on Group's liquid assets** | **-110.6** | **-17.8** | **-128.4** |
| | | | |
| Net sales during ownership period for acquired units | | | 316.4 |
| Net sales 2012 before acquisition | | | 596.6 |
| | | | |
| Net profit during ownership period for acquired units | | | 5.0 |
| Net profit in 2012 before acquisition | | | 6.4 |

**ACQUISITIONS 2013**

**Industriventilation A/S.** The Group acquired 100% of the shares in Industriventilation A/S on 5 April 2013 for SEK 15.7m. The purchase price was adjusted by SEK-0.9m in August. The acquisition strengthens Nederman's existing ducting business marketed globally under the NORDFAB brand. Ducting systems are a key component of Nederman's industrial air filtration solutions.

Goodwill of SEK 10.6m arising from the acquisition is attributable to synergies expected in the merger of the two businesses.

It is not expected that any of the goodwill will be tax deductible.

Fees relating to the acquisition amounted to SEK 0.5m and comprise payments to consultants in connection with due diligence. These fees are reported in the statement of other comprehensive income and affected operating profit.

Fair value of accounts receivable and other receivables were SEK 1.3m and include accounts receivable with fair value of SEK 0.8m. The contracted gross amount for accounts receivable fallen due for payment is SEK 0.9m, of which it is expected that SEK 0.1m will be recovered.

| Effect on liquid funds | |
|---|---|
| Year's acquisitions | -13.7 |
| Reduction in transferred remuneration, previous year's acquisitions | 5.2 |
| **Total acquisitions** | **-8.5** |

**Environmental Filtration Technologies (EFT).** The acquisition analysis for the 2012 acquisition of EFT was adjusted by SEK 5.2m mainly due to the adjustment of the purchase price following a final assessment of net working capital. The adjustment resulted in a reduction of goodwill by a corresponding amount. The acquisition analysis for EFT has been finalized.

## 5 Other operating income

| SEK m | 2013 | 2012 |
|---|---|---|
| Capital gain on sold fixed assets | 4.4 | 1.2 |
| Recovered bad debt losses | 4.6 | 1.8 |
| Foreign exchange gains on operating receivables/liabilities | | 3.5 |
| Other | 3.6 | |
| | **12.6** | **6.5** |

## 6 Other operating expenses

| SEK m | 2013 | 2012 |
|---|---|---|
| Capital loss on sold fixed assets | 0.0 | -0.7 |
| Bad debt losses | -4.4 | -7.9 |
| Foreign exchange losses on operating receivables/liabilities | -8.8 | |
| Other | -2.2 | -3.9 |
| | **-15.4** | **-12.5** |

## 7 Employees and employee benefits

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| **Average number of employees** | **Women** | **Men** | **Total** | **Women** | **Men** | **Total** |
| Sweden | 59 | 177 | **236** | 61 | 201 | **262** |
| Denmark | 24 | 111 | **135** | 26 | 108 | **134** |
| Norway | 3 | 18 | **21** | 4 | 20 | **24** |
| Belgium | 3 | 13 | **16** | 4 | 17 | **21** |
| UK | 11 | 85 | **96** | 11 | 79 | **90** |
| France | 22 | 22 | **44** | 8 | 11 | **19** |
| Netherlands | 11 | 44 | **55** | 11 | 50 | **61** |
| Poland | 31 | 180 | **211** | 27 | 164 | **191** |
| Romania | | | **0** | 1 | 3 | **4** |
| Spain | 3 | 11 | **14** | 2 | 14 | **16** |
| Czech Republic | 2 | 15 | **17** | 2 | 16 | **18** |
| Germany | 55 | 163 | **218** | 48 | 128 | **176** |
| Hungary | | 2 | **2** | | 2 | **2** |
| Austria | 1 | 2 | **3** | 1 | 2 | **3** |
| Canada | 8 | 34 | **42** | 6 | 28 | **34** |
| USA | 134 | 312 | **446** | 47 | 160 | **207** |
| Brazil | 4 | 15 | **19** | 2 | 12 | **14** |
| China | 34 | 116 | **150** | 33 | 121 | **154** |
| Australia | 4 | 25 | **29** | 2 | 14 | **16** |
| Turkey | 2 | 9 | **11** | 2 | 8 | **10** |
| India | | 14 | **14** | | 25 | **25** |
| Russia | 3 | 4 | **7** | 3 | 3 | **6** |
| Malaysia | 1 | 3 | **4** | 1 | 3 | **4** |
| Mexico | 1 | 2 | **3** | | 1 | **1** |
| Thailand | 33 | 88 | **121** | 44 | 77 | **121** |
| Indonesia | 2 | 8 | **10** | | | |
| **Group total** | **451** | **1 473** | **1 924** | **346** | **1 267** | **1 613** |

| **Group total** | 451 | 1 473 | **1 924** | 346 | 1 267 | **1 613** |
|---|---|---|---|---|---|---|
| Of whom, senior executives | 17 | 83 | **100** | 18 | 102 | **120** |

| Distribution according to gender in senior management, percentage of women | 2013 | 2012 |
|---|---|---|
| Board of Directors | 4% | 4% |
| Other senior executives | 17% | 15% |

| Expenses for remuneration to employees, SEK m | 2013 | 2012 |
|---|---|---|
| Salaries and other remuneration | 623.9 | 516.5 |
| Pensions expenses, defined-benefit plans (see also note 20) | 1.6 | 1.3 |
| Pensions expenses, defined-contribution plans (see also note 20) | 20.4[1)] | 28.0[1)] |
| Social security expenses | 116.6 | 97.7 |
| | **762.5** | **643.5** |

1) Of the parent company's pension costs SEK 1.2m (1.0) concern the CEO for the parent company. There are no outstanding pension obligations to the Group's Board of Directors, CEO and senior executives.

| Salaries and other remuneration allocated between the board of directors and other employees, SEK m | 2013 | 2012 |
|---|---|---|
| Board of Directors, CEO and senior executives | 51.7 | 40.1 |
| (of which variable compensation) | (5.4) | (5.7) |
| Other employees | 572.2 | 476.4 |
| | **623.9** | **516.5** |

## 8 Auditor's fees and compensation

| SEK m | 2013 | 2012 |
|---|---|---|
| KPMG | | |
| Audit assignment | 6.8 | 4.7 |
| Other audit assignment | | |
| Tax advice | 0.4 | 0.2 |
| Other assignments | 0.2 | 1.2 |
| | | |
| **Other auditors** | | |
| Audit assignment | 0.8 | 1.3 |
| Tax advice | 0.1 | 0.8 |
| Other assignments | 0.5 | 0.5 |

Audit assignments refer to the statutory audit of annual and consolidated accounts, the administration of the board of directors and CEO, and auditing and other verifications as agreed. Other audit assignments include other duties incumbent on the company's auditors and advice or other assistance required by the findings in the audit or performance of other tasks.

## 9 Cost of operations allocated on cost type

| SEK m | 2013 | 2012 |
|---|---|---|
| Cost of material | -1,259.8 | -992.2 |
| Expenses for remuneration to employees | -762.5 | -643.5 |
| Other external costs and other personnel costs | -426.0 | -395.4 |
| Acquisition costs | -1.7 | -11.1 |
| Restructuring and integration costs*) | -29.7 | -3.9 |
| Depreciation | -49.2 | -44.0 |
| Other costs of operations | -15.4 | -12.5 |
| | **-2,544.3** | **-2,102.6** |
| | | |
| **) excl cost of personnel* | *-11.3* | *-1.2* |

## 10 Financial income and expenses

| SEK m | 2013 | 2012 |
|---|---|---|
| Interest income bank deposits | 1.8 | 2.3 |
| Other interest income | 0.2 | 0.1 |
| **Financial income** | **2.0** | **2.4** |
| | | |
| Interest expenses, credit institutions | -24.5 | -22.9 |
| Interest expenses, other | -1.6 | -1.7 |
| Exchange rate changes, net | -3.7 | -0.6 |
| **Financial expenses** | **-29.8** | **-25.2** |
| | | |
| **Net financial income/expenses** | **-27.8** | **-22.8** |

All interest income/expense derived from financial assets and liabilities that are measured at amortized cost.

## 11 Taxes

| REPORTED IN CONSOLIDATED INCOME STATEMENT, SEK m | 2013 | 2012 |
|---|---|---|
| **Current tax expense (-)** | | |
| Tax expense for the period | -49.5 | -34.4 |
| Adjustment of tax relating to previous years | -1.1 | -3.5 |
| | **-50.6** | **-37.9** |
| **Deferred tax expense (–) /tax income (+)** | | |
| Deferred tax concerning temporary differences | 8.7 | 10.0 |
| Utilisation of previously activated loss carryforwards | 0.0 | 0.0 |
| Revaluation of loss carryforwards | 11.9 | -8.0 |
| Deferred tax assets in the year capitalized tax value in loss carry-forward | 0.0 | 0.0 |
| | **20.6** | **2.0** |
| **Total consolidated tax expenses** | **-30.0** | **-35.9** |

**Reconciliation of effective tax**
The Swedish tax rate is 22 per cent. The main reasons for the deviation between Swedish tax rate and the consolidated effective tax rate, based on profit before tax are presented below:

| SEK m | 2013 (%) | 2013 | 2012 (%) | 2012 |
|---|---|---|---|---|
| Profit before tax | | 99.7 | | 153.7 |
| Tax according to the applicable tax rate for the Parent company | 22.0 | -22.0 | 26.3 | -40.4 |
| Effect of other tax rates for foreign subsidiaries | 6.7 | -6.7 | 4.4 | -6.7 |
| Non-tax deductible expenses | 9.9 | -9.9 | 2.1 | -3.3 |
| Non-taxable income | -2.0 | 2.0 | -1.2 | 1.9 |
| Increase of loss carryforwards without corresponding capitalisation of deferred tax | 13.6 | -13.6 | 0.3 | -0.4 |
| Utilisation of loss carryforwards not recognized as deferred tax | -18.4 | 18.3 | -13.8 | 21.2 |
| Tax relating to the previous year | -1.9 | 1.9 | 2.3 | -3.5 |
| Effect of changes in tax rates/ and tax rules | 0.0 | 0.0 | 3.1 | -4.7 |
| **Reported effective tax** | **30.0** | **-30.0** | **23.4** | **-35.9** |

Current tax receivables amount to SEK 24.8m (18.0) and representing the recoverable amount of current tax on the result for the year.

**REPORTED IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**Deferred tax assets and deferred tax liabilities**
Deferred tax assets and deferred tax liabilities relate to:

| | | 2013 | | | 2012 | |
|---|---|---|---|---|---|---|
| | Assets | Liabilities | Net | Assets | Liabilities | Net |
| Tangible fixed assets | 24.8 | 29.7 | -4.9 | 14.4 | 16.7 | -2.3 |
| Intangible assets | 7.8 | 16.1 | -8.3 | 0.1 | 18.7 | -18.6 |
| Financial assets | 0.6 | | 0.6 | 1.6 | | 1.6 |
| Inventories | 5.6 | 4.9 | 0.7 | 9.8 | 8.7 | 1.1 |
| Accounts receivable | 2.9 | 1.4 | 1.5 | 3.9 | 1.7 | 2.2 |
| Provisions for pensions | 5.5 | | 5.5 | 5.1 | | 5.1 |
| Provisions | 13.2 | | 13.2 | 13.1 | | 13.1 |
| Loss carryforwards | 45.3 | | 45.3 | 33.6 | | 33.6 |
| Other | | 1.4 | -1.4 | | 4.1 | -4.1 |
| **Tax receivables/liabilities** | **105.7** | **53.5** | **52.2** | **81.6** | **49.9** | **31.7** |
| Netting | -26.6 | -26.6 | | -13.3 | -13.3 | |
| **Deferred tax assets/liabilities according to consolidated statement of financial position** | **79.1** | **26.9** | **52.2** | **68.3** | **36.6** | **31.7** |

Recognized loss carryforwards are not time limited except for the loss in China, amounting to SEK 14.2m that is valid until 2018.
Deferred tax receivables have been reported to the extent that it is considered probable that the loss can be set off against future profits.

**UNREPORTED LOSS CARRYFORWARDS**

Deductible temporary differences and loss carryforwards for which deferred tax assets have not been reported in the consolidated statement of comprehensive income and financial position.

| SEK m | 2013 | 2012 |
|---|---|---|
| Temporary differences/Loss carryforwards | 62.7 | 56.0 |

Deferred tax receivables not recognized relate to loss carryforwards in the Netherlands and Sweden which probably not will be used for settlement of future taxable gains. There are no time limits for loss carryforwards.

*The note continues on the next page.*

## 11 Taxes, continued from previous page

### CHANGES IN DEFERRED TAX DUE TO TEMPORARY DIFFERENCES AND LOSS CARRYFORWARDS

| SEK m | Balance 1 Jan 2012 | Recorded via income statement | Translation difference | Acquisition of business | Balance 31 Dec 2012 |
|---|---|---|---|---|---|
| Tangible fixed assets | -1.7 | 1.6 | | -2.2 | -2.3 |
| Intangible assets | -1.8 | -0.6 | -1.6 | -14.6 | -18.6 |
| Financial assets | 0.0 | | | 1.6 | 1.6 |
| Inventories | -0.4 | -0.7 | | 2.2 | 1.1 |
| Accounts receivable | 1.5 | 0.7 | | | 2.2 |
| Provision for pensions | 4.8 | 0.3 | | | 5.1 |
| Provisions | 7.4 | 2.9 | | 2.8 | 13.1 |
| Loss carryforwards | 41.8 | -8.0 | | -0.2 | 33.6 |
| Other | -8.0 | 5.8 | | -1.9 | -4.1 |
| | **43.6** | **2.0** | **-1.6** | **-12.3** | **31.7** |

| SEK m | Balance 1 Jan 2013 | Recorded via income statement | Translation difference | Acquisition of business | Balance 31 Dec 2013 |
|---|---|---|---|---|---|
| Tangible fixed assets | -2.3 | -3.2 | 0.8 | -0.2 | -4.9 |
| Intangible assets | -18.6 | 10.8 | -0.5 | | -8.3 |
| Financial assets | 1.6 | -1.0 | | | 0.6 |
| Inventories | 1.1 | -0.4 | | | 0.7 |
| Accounts receivable | 2.2 | -1.2 | 0.6 | -0.1 | 1.5 |
| Provision for pensions | 5.1 | 0.4 | | | 5.5 |
| Provisions | 13.1 | 0.1 | | | 13.2 |
| Loss carryforwards | 33.6 | 12.0 | -0.3 | | 45.3 |
| Other | -4.1 | 3.1 | -0.4 | | -1.4 |
| | **31.7** | **20.6** | **0.2** | **-0.3** | **52.2** |

## 12 Intangible fixed assets

| | 2013 | | | | | | 2012 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Customer relations | Trade-marks | Deve-lopment activities | Goodwill | Software | Total | Customer relations | Trade-marks | Deve-lopment activities | Goodwill | Software | Total |
| **Accumulated cost** | | | | | | | | | | | | |
| Opening balance | 13.1 | 37.2 | 90.5 | 599.8 | 57.3 | 797.9 | | | 85.8 | 464.5 | 49.1 | 599.4 |
| Acquisitions/divestments | | | | 5.4 | | 5.4 | 13.1 | 37.2 | 1.9 | 142.4 | 3.1 | 197.7 |
| Internally developed assets | | | 8.7 | | | 8.7 | | | 4.6 | | | 4.6 |
| Other capital expenditures | | | | | 4.2 | 4.2 | | | | | 6.5 | 6.5 |
| Sold and scrapped | | | -5.4 | | | -5.4 | | | | | -0.5 | -0.5 |
| Translation difference | -0.4 | -0.9 | 0.4 | 0.2 | 0.7 | 0.0 | | | -1.8 | -7.1 | -0.9 | -9.8 |
| **Closing balance** | **12.7** | **36.3** | **94.2** | **605.4** | **62.2** | **810.8** | **13.1** | **37.2** | **90.5** | **599.8** | **57.3** | **797.9** |
| | | | | | | | | | | | | |
| **Accumulated amortisation and impairment** | | | | | | | | | | | | |
| Opening balance | | | -58.8 | | -43.1 | -101.9 | | | -50.3 | | -36.3 | -86.6 |
| Acquisitions | | | | | | | | | | | -1.7 | -1.7 |
| Sold and scrapped | | | | | | | | | | | 0.5 | 0.5 |
| Amortisation for the year | -2.0 | | -10.1 | | -6.5 | -18.6 | | | -9.1 | | -5.7 | -14.8 |
| Translation difference | 0.7 | | -0.8 | | -0.8 | -0.9 | | | 0.6 | | 0.1 | 0.7 |
| **Closing balance** | **-1.3** | | **-69.7** | | **-50.4** | **-121.4** | | | **-58.8** | | **-43.1** | **-101.9** |
| | | | | | | | | | | | | |
| **Book value** | | | | | | | | | | | | |
| Opening balance | 13.1 | 37.2 | 31.7 | 599.8 | 14.2 | 696.0 | | | 35.5 | 464.5 | 12.8 | 512.8 |
| **Closing balance** | **11.4** | **36.3** | **24.5** | **605.4** | **11.8** | **689.4** | **13.1** | **37.2** | **31.7** | **599.8** | **14.2** | **696.0** |

The Group's expenses for development of the existing product range and new products amounted to SEK 21.6m.
SEK 3.3m was capitalized in the consolidated statement of financial position.

| Amortisation and impairments, SEK m | 2013 | 2012 |
|---|---|---|
| Depreciation is included in the following lines in the income statement | | |
| Cost of goods sold | -0.2 | |
| Selling expenses | -1.9 | -3.3 |
| Administrative expenses | -6.4 | -6.9 |
| Research and development expenses | -10.1 | -4.6 |
| | **-18.6** | **-14.8** |

The amount of goodwill represents the future economic benefits arising from the acquisition that are not individually identified and separately recognized and the value of being established on the market with a functioning market organisation. The goodwill is split per operating segment.

| Goodwill | 2013 |
|---|---|
| EMEA | 345.1 |
| Asia Pacific | 36.3 |
| Americas | 224.0 |
| | **605.4** |

### IMPAIRMENT TESTS FOR CASH-GENERATING UNITS CONTAINING GOODWILL AND TRADEMARKS WITH INDETERMINABLE LIFETIME

Goodwill is tested annually for impairment, or more frequently if there are indications of a reduction in value. The test is based on defined cash-generating units, which are the same as the operating segments. The recoverable amounts have been determined on the basis of calculations of value in use. These calculations are based on projected cash flows by the management for at period of three to five years.

For EMEA, annual growth of 3% has been used with an assumed growth of 2% after the forecast period, which is the relevant growth rate in this segment. The discount factor before tax is 13.11%.

For Asia Pacific, annual growth of 3% has been used with an assumed growth of 2% after the forecast period, which is the relevant growth rate in this segment. The discount factor before tax is 13.74%.

For Americas, annual growth of 3% has been used with an assumed growth of 2% after the forecast period. The discount factor before tax is 15.32%.

For all operating segments, the recoverable amount exceeds the book value of assets by a wide margin. The growth for the cash-generating units is based on historical growth, estimated market growth and expected price development. The company’s management team considers these assumptions to be reasonable and that there is no need for an impairment.

### SENSITIVITY ANALYSIS

A sensitivity analysis shows that for all operating segments no reasonable change in key assumptions would result in impairment.

The company’s management are of the opinion however that no reasonable changes in important assumptions at the impairment test of the cash-generating units will result in a recoverable value lower that the carrying amount.

In addition to goodwill there are acquired trademarks which are considered to have an indefinite useful life. The useful life is deemed indefinite if it is a question of a well-established brand in its market, which the Group intends to maintain and develop further. The brands that have been identified and valued were established in connection with the 2012 acquisition of EFT. The cost of the trademarks was established at the time of the acquisition under the so-called relief from royalty method.

Impairment testing is performed annually. The test includes an assessment of the royalty rate on the acquisition date fixed and estimated future sales performance for five years. Sustained growth of 2 per cent has been used. Cash flow for the period beyond five years has been calculated using a multiple applied to estimated sustainable cash flow. When calculating the present value of expected future cash flows, the current weighted average capital cost (WACC) for the market is used. Impairment testing is done in Q4, or whenever the need arises, and with the assumptions used showed there was no need for any impairment of trademarks with an indefinite useful life. The book value of trademarks with an indefinite useful life amounted to SEK 36.3m (37.2).

## 13 Tangible fixed assets

| SEK m | 2013 Buildings and land | 2013 Plant and machinery | 2013 Equipment, tools and fixtures | 2013 Total | 2012 Buildings and land | 2012 Plant and machinery | 2012 Equipment, tools and fixtures | 2012 Total |
|---|---|---|---|---|---|---|---|---|
| **Accumulated cost** | | | | | | | | |
| Opening balance | 303.8 | 144.9 | 307.5 | 756.2 | 252.7 | 118.6 | 270.4 | 641.7 |
| Acquisitions/divestments | | | 7.7 | 7.7 | 54.7 | 28.7 | 30.0 | 113.4 |
| Capital expenditures | 12.9 | 8.4 | 11.3 | 32.6 | 3.1 | 5.8 | 18.4 | 27.3 |
| Sold and scrapped | -8.3 | -5.4 | -24.1 | -37.8 | -0.6 | -5.6 | -9.3 | -15.5 |
| Reclassifications | | | | | | | -0.4 | -0.4 |
| Translation difference | 8.7 | -1.3 | -5.8 | 1.6 | -6.1 | -2.6 | -1.6 | -10.3 |
| **Closing balance** | **317.1** | **146.6** | **296.6** | **760.3** | **303.8** | **144.9** | **307.5** | **756.2** |
| **Accumulated depreciation** | | | | | | | | |
| Opening balance | -149.8 | -115.8 | -263.5 | -529.1 | -134.1 | -95.1 | -242.0 | -471.2 |
| Acquisitions/divestments | | | -5.8 | -5.8 | -12.0 | -20.5 | -18.5 | -51.0 |
| Depreciation for the year | -9.1 | -7.8 | -13.7 | -30.6 | -7.5 | -7.2 | -14.5 | -29.2 |
| Sold and scrapped | 4.0 | 5.4 | 21.2 | 30.6 | 0.4 | 5.1 | 8.3 | 13.8 |
| Reclassifications | | | | | | | 0.4 | 0.4 |
| Translation difference | -2.9 | 2.1 | -0.5 | -1.3 | 3.4 | 1.9 | 2.8 | 8.1 |
| **Closing balance** | **-157.8** | **-116.1** | **-262.3** | **-536.2** | **-149.8** | **-115.8** | **-263.5** | **-529.1** |
| **Book value** | | | | | | | | |
| Opening balance | 154.0 | 29.1 | 44.0 | 227.1 | 118.6 | 23.5 | 28.4 | 170.5 |
| Closing balance | 159.3 | 30.5 | 34.3 | 224.1 | 154.0 | 29.1 | 44.0 | 227.1 |

| Financial leasing, SEK m | 2013 | 2012 |
|---|---|---|
| Book value for assets during leasing agreement | | |
| Equipment, tools and installations | 3.4 | 9.1 |

The Group leases cars and computer equipment under a number of different financial leasing agreements. The leased assets are pledged assets for the leasing liabilities. See also note 19 and 26.

| Depreciation and impairment, SEK m | 2013 | 2012 |
|---|---|---|
| Depreciation is included in the following items in the income statement | | |
| Cost of sold goods | -13.7 | -13.3 |
| Selling costs | -10.4 | -8.2 |
| Administration costs | -6.5 | -7.7 |
| Research and development costs | | |
| | **-30.6** | **-29.2** |

## 14 Long-term receivables and other receivables

| SEK m | 2013 | 2012 |
|---|---|---|
| Long term receivables which are fixed assets | | |
| Plan assets for pension | 0.0 | 0.0 |
| Other | 5.8 | 5.4 |
| | **5.8** | **5.4** |
| Other receivables which are current assets | | |
| VAT receivable | 11.2 | 11.1 |
| Project work in progress, not invoiced | 56.3 | 66.4 |
| Fair value of currency derivatives | 0.4 | 1.8 |
| Other receivables | 20.5 | 28.1 |
| | **88.4** | **107.4** |

## 15 Inventories

| SEK m | 2013 | 2012 |
|---|---|---|
| Raw materials and consumables | 123.8 | 125.7 |
| Work in progress | 49.8 | 48.2 |
| Finished products and goods for resale | 117.8 | 111.6 |
| | **291.4** | **285.5** |
| Impairment of inventory value reported gross | 70.2 | 77.6 |

The consolidated cost of sold goods includes an impairment of SEK 70.2m of inventories.

## 16 Prepaid expenses and accrued income

| SEK m | 2013 | 2012 |
|---|---|---|
| Rent/leasing | 5.3 | 5.9 |
| Computer/license costs | 2.6 | 1.4 |
| Insurance | 1.6 | 3.0 |
| Interest | | |
| Bank costs | 0.9 | 0.9 |
| Other | 22.7 | 14.8 |
| | **33.1** | **26.0** |

## 17 Equity

| Share capital and number of shares | 2013 | 2012 |
|---|---|---|
| Number of shares | 11,715,340 | 11,715,340 |
| Registered share capital | 1,171,534 | 1,171,534 |

Share ratio value is SEK 0.10.

### Dividend

The board proposes a dividend of SEK 4.00 (4.00) per share, in total SEK 46.9m (46.9). The dividend amount will be adopted by the AGM on 23 April 2014.

### Capital management

The Group's capital corresponds to the total amount of shareholders' equity, SEK 619.8m. According to the Board's policy, the Group's financial objective is to achieve a good capital structure and financial stability in order to maintain the trust of investors, creditors and the market, and to form a good base for continued development of the business, while the long-term return generated for shareholders remains satisfactory.

| Capital defined as total equity | 2013 | 2012 |
|---|---|---|
| Total equity | 619.8 | 601.2 |

| Net debt/equity ratio, % | 2013 | 2012 |
|---|---|---|
| Financial liabilities | 840.9 | 825.9 |
| Less liquid assets (and current investments) | -270.0 | -224.6 |
| **Net debt** | **570.9** | **601.3** |
| Net debt/equity ratio (Net debt/total equity) | 0.92 | 1.00 |

The decrease in the net debt/equity ratio reflects both the decrease in net debt by 5% and increased equity. The decrease in net debt is partly because the year's cash flow after investments was strong and this was partly used to repay loans, and partly because of increased liquidity. The strong cash flow was due to good profitability in 2013, while the development of operating capital was favourable and the level of net investment was slightly lower than normal in 2013. Another effect of strong profitability is increased equity, with net income higher than the dividends paid. The lower net debt/equity ratio and good access to liquidity provides an opportunity to take advantage of the growth prospects anticipated in coming years, while the level of the ordinary dividend is expected to be maintained. New share issues will probably not be needed for the same reason in coming years, except in the event of major acquisitions.

The Group seeks to pay an ordinary dividend each year amounting to 30-50% of net income. The Board has proposed a dividend of SEK 4.00 per share to the Annual General Meeting in 2014, representing 7.6% of the equity. In the past five years, the ordinary dividend has averaged over 5% of equity. This has meant that around 47% of earnings per share has been distributed in ordinary dividends.

During the year there were no changes in the Group 's capital management. Neither the Parent Company or any subsidiary has a need for external capital.

## 18 Earnings per share

| Earnings per share, SEK | 2013 | 2012 |
|---|---|---|
| Earnings per share | 5.95 | 10.06 |
| Earnings per share after dilution | 5.93 | 10.06 |

| Weighted average number of outstanding shares | 2013 | 2012 |
|---|---|---|
| Number of shares | | |
| Weighted average number of shares during the year, before dilution | 11,715,340 | 11,715,340 |
| Effect of share saving scheme | 31,425 | |
| Weighted average number of shares during the year, after dilution | 11,746,765 | 11,715,340 |

## 19 Interest-bearing liabilities

For more information about the company's exposure to interest rate risks and currency risks, see note 24.

| Long-term liabilities, SEK m | 2013 | 2012 |
|---|---|---|
| Bank loans | 710.2 | 685.2 |
| Financial leasing liabilities | 0.8 | 2.4 |
| | **711.0** | **687.6** |

| Current liabilities, SEK m | 2013 | 2012 |
|---|---|---|
| Bank overdraft | 0.9 | 0.6 |
| Current part of bank loan | 30.3 | 30.3 |
| Current part of financial leasing liabilities | 1.5 | 3.4 |
| | **32.7** | **34.3** |

### Terms and repayment due dates

For terms and repayments due dates see the table below. No security for the bank loans has been provided.

| 2013, SEK m | Currency | Nom. interest rate | Due date | Nominal value | Book value |
|---|---|---|---|---|---|
| Term loan | SEK | 2.353% | 2015-08-31 | 155.4 | 155.0 |
| Bank loans (revolving) | SEK | 2.353% | 2016-12-22 | 123.5 | 122.5 |
| Bank loans (revolving) | SEK | 2.353% | 2016-12-22 | 51.0 | 50.0 |
| Bank loans (revolving) | EUR | 1.732% | 2016-12-22 | 19.5 | 174.3 |
| Bank loans (revolving) | USD | 1.665% | 2016-12-22 | 36.7 | 238.7 |
| Bank overdraft | | | | | 0.9 |
| Financial leasing liabilities | | | | | 2.3 |
| **Total interest-bearing liabilities** | | | | | **743.7** |

| 2012, SEK m | Currency | Nom. interest rate | Due date | Nominal value | Book value |
|---|---|---|---|---|---|
| Term loan | SEK | 2.788% | 2015-08-31 | 185.0 | 185.0 |
| Bank loans (revolving) | SEK | 2.788% | 2015-12-22 | 122.5 | 122.5 |
| Bank loans (revolving) | EUR | 1.648% | 2015-12-22 | 19.7 | 170.0 |
| Bank loans (revolving) | USD | 1.754% | 2015-12-22 | 36.5 | 238.0 |
| Bank overdraft | | | | | 0.6 |
| Financial leasing liabilities | | | | | 5.8 |
| **Total interest-bearing liabilities** | | | | | **721.9** |

### Financial leasing liabilities

Financial leasing liabilities are due for payment according to the following:

| 2013, SEK m | Minimum leasing payment | Interest | Capital amount |
|---|---|---|---|
| Within one year | 1.5 | 0.0 | 1.5 |
| Between one and five years | 0.8 | 0.0 | 0.8 |
| Later than five years | | | |
| | **2.3** | **0.0** | **2.3** |

| 2012, SEK m | Minimum leasing payment | Interest | Capital amount |
|---|---|---|---|
| Within one year | 2.1 | 0.2 | 1.9 |
| Between one and five years | 1.7 | 0.2 | 1.5 |
| Later than five years | | | |
| | **3.8** | **0.4** | **3.4** |

## 20 Provision for pensions – benefits to senior executives

**Defined-benefit pension plans**

| SEK m | 2013 | 2012 |
|---|---|---|
| Present value of unfunded obligations | 97.2 | 86.8 |
| Present value of entirely or partially funded obligations | 0.6 | 27.7 |
| Total present value of defined-benefit obligations | 97.8 | 114.5 |
| Fair value of plan assets | -0.6 | -10.5 |
| Net of present value of obligations and fair value of plan assets | 97.2 | 104.0 |
| Net reported defined-benefit plans (see below) | 97.2 | 104.0 |
| Net obligations remuneration to employees | 97.2 | 104.0 |

| The net amount is reported in the following items on the balance sheet: | | |
|---|---|---|
| Defined-benefit pension plan, net | 97.2 | 104.0 |
| Other pension provisions | | |
| Net pension liabilities, | 97.2 | 104.0 |
| of which reported as plan asset | | |
| **Closing balance, pension liabilities** | **97.2** | **104.0** |

**Overview, defined-benefit plans**

The Group has defined-benefit plans in Sweden, Germany, USA, France and Poland. Most are obligations where no additional benefits are earned. Defined-benefit plans are exposed to actuarial risks such as length of life, currency, interest and investment risks.

| Changes in defined-benefit plans in the balance sheet, SEK m | 2013 | 2012 |
|---|---|---|
| Obligations for defined benefit plans, 1 January | 114.5 | 66.4 |
| Benefits paid | -4.1 | -2.5 |
| Settlements | -16.4 | -0.1 |
| Cost of service in current period | 1.1 | |
| Cost of service prior periods | 0.7 | 2.6 |
| Interest cost | 3.5 | |
| Revaluations | | |
| Actuarial gains and losses for the revised demographic assumptions | 0.3 | 4.4 |
| Actuarial gains and losses for changes in financial assumptions | -2.4 | |
| Acquisitions | | 43.0 |
| Exchange differences | 0.6 | 0.7 |
| **Obligations for defined benefit plans, 31 December** | **97.8** | **114.5** |

| Changes in defined-benefit plans in the balance sheet, SEK m | 2013 | 2012 |
|---|---|---|
| Fair value of plan assets, 1 January | 10.5 | 9.4 |
| Charges from employer | | 1.4 |
| Charges from participants in the plan | 0.8 | |
| Payment of pension benefits | -0.1 | |
| Interest on plan assets | 0.0 | 0.3 |
| Effect of business acquisition | | -0.4 |
| Settlements | -10.1 | |
| Translation differences | -0.5 | -0.2 |
| **Fair value of plan assets, 31 December** | **0.6** | **10.5** |

| Costs reported in profit for the year, SEK m | 2013 | 2012 |
|---|---|---|
| Costs for service in current period | 1.1 | 0.8 |
| Costs for service in earlier periods | 0.5 | |
| Net interest income/expenses | 3.5 | 2.0 |
| Effects of reductions and settlements | | -0.2 |
| **Total net costs in the income statement** | **5.1** | **2.6** |
| | | |
| of which, amounts affecting operating profit | 1.6 | 1.3 |
| of which, amounts affecting financial costs | 3.5 | 1.0 |
| **Total net costs** | **5.1** | **2.3** |

| Actual return on plan assets | 2013 | 2012 |
|---|---|---|
| Actual return on plan assets | 0.0 | 0.3 |

The expected return in 2013 on plan assets is SEK 0.0m.
Estimates were made by independent actuarial assessors.

| Costs recognized in other comprehensive income, SEK m | 2013 | 2012 |
|---|---|---|
| Revaluations | | |
| Actuarial gains (-) and losses (+)8 | 2.1 | -4.8 |
| Difference between actual returns and return according to the discount rate on plan assets | 0.0 | 0.0 |
| Effects of change in asset limitation excluding amount reported in net interest income | | |
| Effects of reductions and settlements | -0.6 | |
| Translation differences on foreign plans | 0.1 | 0.0 |
| **Net amount recognized in other comprehensive income** | **1.6** | **-4.8** |
| | | |
| Actuarial gains and losses recognized in other comprehensive income, accumulated as at the end of the year | -3.2 | -4.8 |

| Actuarial gains and losses recognized in other comprehensive income, SEK m | 2013 | 2012 |
|---|---|---|
| Cumulative as of 1 January | -4.8 | |
| Reported in the period | 1.6 | -4.8 |
| **Year to date 31 December** | **-3.2** | **-4.8** |

| Assumptions for defined-benefit obligations | 2013 | 2012 |
|---|---|---|
| The significant actuarial assumptions per the balance sheet date (expressed as weighted averages ) | | |
| Discount rate at 31 December | 3.1% - 4.0% | 2.4% - 4.0% |
| Expected return on plan assets per 31 December | 2.2% | 2.2%* |
| Future salary increases | - | 4.0%* |
| Increase / decrease in medical expenses | -0.5% | - |
| Future pension increases | 2.0% | 2.0% |

*) Refers to Norway

| Historical information, SEK m | 2013 | 2012 |
|---|---|---|
| Present value of defined benefit obligation | 97.8 | 114.5 |
| Fair value of plan assets | -0.6 | -10.5 |
| Deficit in the plan | 97.2 | 104.0 |

**Sensitivity analysis**

The following table presents possible changes in actuarial assumptions on the closing date, with the other assumptions unchanged, and how these would impact on the defined-benefit obligation.

| | Increase | Decrease |
|---|---|---|
| Discount rate (0.5% change ) | -5,8 | 6,4 |
| Increase / decrease in health care costs (1% change ) | 0,4 | -0,4 |

**Financing**

As of 31 December 2013, the weighted average maturity of the obligation was 17.2 years (13.0).

*The note continues on the next page.*

## 20 Provision for pensions – benefits to senior executives, continued from previous page

| Effect of change in accounting principle | Adjusted opening balance 1 Jan 2011 | Adjusted results 2011 | Adjusted closing balance 31 Dec 2011 | Adjusted results in 2012 | Adjusted closing balance 31 Dec 2012 |
|---|---|---|---|---|---|
| Effect on balance sheet | | | | | |
| Pension provisions | 11.5 | 3.9 | 15.4 | 3.9 | 19.3 |
| Other current liabilities | 2.4 | 0.7 | 3.1 | 0.0 | 3.1 |
| Deferred tax assets | 3.6 | 1.2 | 4.9 | 0.4 | 5.3 |
| Equity | -10.3 | -3.4 | -13.6 | -3.5 | -17.1 |
| | | | | | |
| Effect on income statement | | | | | |
| Administrative expenses | | 0.5 | | 0.9 | |
| Deferred tax | | -0.1 | | -0.2 | |
| **Net income** | | **0.4** | | **0.7** | |
| Other comprehensive income | | -5.1 | | -4.8 | |
| Tax attributable to other comprehensive income | | 1.3 | | 0.6 | |
| **Total comprehensive income** | | **-3.4** | | **-3.5** | |

### EXPECTED PAYMENTS IN 2014

Expected payments in 2014 for defined-benefit pension plans amount to SEK 4.6m.

Obligations for old-age pensions and family pensions for employees in Sweden are safeguarded via insurance in Alecta. According to a statement from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, URA 42, this is a defined-benefit plan that covers multiple employers. For the financial year 2013 the company has not had access to such information which makes it possible to report this plan as a defined-benefit plan. The pension plan according to ITP which is safeguarded via insurance in Alecta is therefore reported as a defined-contribution

pension plan. The annual charges for retirement annuities which are covered by Alecta amounts to SEK 4.9m (6.8). Alecta's surplus can be distributed to the holders of the insurance policies and/or the ensured parties. The Group's share of total savings premiums for ITP in Alecta amounted to 0.032% and the Group's share of the total number of active insured individuals amounts to 0.028%. At the end of 2013, Alecta's surpluses, in the form of the collective consolidation level, amounted to 148 per cent (129). The collective consolidation level consists of the market value of Alecta's assets as a percentage of the insurance obligations calculated according to Alecta's actuarial assumptions, which are not in accordance with IAS 19.

### EXPENSES FOR DEFINED-CONTRIBUTION PLANS

In Sweden, there are defined-contribution plans, which are fully paid by the subsidiary. Outside of Sweden, there are defined-contribution plans, which are paid for partly by the subsidiaries, and partly by payment from the employees.

The payment to these plans occurred on an on-going basis according to the conditions of the respective plans.

| SEK m | 2013 | 2012 |
|---|---|---|
| Expenses for defined-contribution plans | 20.4 | 28.0 |

### BENEFITS TO THE SENIOR EXECUTIVES

**Principles for compensation to the Board of Directors**

Directors' fees are paid to the Chairman of the board of directors and other members according to the decision of the Annual General Meeting. Employee representatives in the board of directors do not receive director's fees. The Annual General Meeting 2013 decided that fees to the board of directors for the work during 2012 would be paid in the amount of SEK 400,000 to the Chairman of the board of directors, and SEK 200,000 each to Per Borgvall, Fabian Hielte, Susanne Pahlén Åklundh, Ylva Hammargren and Gunnar Gremlin.

**Principles for compensation to CEO and Group President**

*Compensation.* Compensation is paid to the CEO and Group President in the form of a base salary, pensions and variable compensation. During 2013, the base salary was SEK 3,435,000. The variable compensation can amount to at most 50 per cent of the base salary. Any variable compensation is established on the basis of the Nederman Group's earnings per share. During 2013, compensation to the CEO and Group President was SEK 4,729,000, of which SEK 0 consisted of a variable compensation for the 2013 Financial year.

*Notice period for termination of employment and severance pay.* For a notice of resignation from the CEO, an advance notice of 6 months is required. With notice of termination of employment on the part of the company, the CEO has the right to a payment corresponding to 18–24 monthly salaries. The six last months with a reservation regarding new employment.

*Pension payments.* The CEO and Group President is entitled to retire with a pension at age 65. The pension plan is premium-based pension plan and the annual premium corresponds to 35 per cent of the annual base salary. The company's obligation is limited to the payment of the annual premium. During 2013 the premium expenses were SEK 1,163,000 for the CEO and Group President.

**Principles for compensation to managers at subsidiaries**

Managers at subsidiaries have termination of employment contracts with 6-12 months' salary.

**Principles for remuneration to other senior executives**

*Remunerations.* Those members in the Group management, who are employed by companies other than the parent company, receive their remuneration from the respective company. The remuneration is determined by the CEO with the assistance of the Chairman of the board in accordance with principles determined by the 2013 AGM and consists of base salary, pension contribution, variable compensation and other benefits. For other members in the group management the variable compensation may amount to no more than 30 per cent of the base salary. Any variable compensation and its size is determined by the CEO in consultation with the Chairman of the board, based upon the result and tied-up capital in the Nederman Group. During 2013, remuneration to other members of the group management amounted to SEK 9,492,000, of which SEK 0 consisted of variable compensations for the Financial year 2013.

*Notice period for termination of employment and severance pay.* Other members in the group management have a twelve month notice period for termination of employment if it is initiated on the part of the company, and six months if they give notice. During the period of notice, other members in the group management are entitled to full salary and other employment benefits. None of the other members of the group management are entitled to severance pay.

*Pension payments.* Other members of the group management are entitled to retire with a pension at age 65. The pension contributions follow the contractual ITP with exception for two members where the pension contribution occurs with 8 price base amounts per year respectively at the most 30 per cent of base salary. The companies' obligations are limited to the annual premiums. The pension-based salary consists of the fixed annual salary plus the average variable compensations during the previous three years.

*The note continues on the next page.*

## 20 Provision for pensions – benefits to senior executives, continued from previous page

**Compensation and other benefits during 2013**

| SEK '000 | Base salary, director's fees | Variable remuneration | Other benefits | Pension expenses | Total |
|---|---|---|---|---|---|
| Chairman of the board Jan Svensson | 400 | | | | 400 |
| Member of the board Per Borgvall | 200 | | | | 200 |
| Member of the board Fabian Hielte | 200 | | | | 200 |
| Member of the board Susanne Pahlén Åklundh | 200 | | | | 200 |
| Member of the board Gunnar Gremlin | 200 | | | | 200 |
| Member of the board Ylva Hammargren | 200 | | | | 200 |
| CEO Sven Kristensson | 3,435 | | 131 | 1,163 | 4,729 |
| Other senior executives (7 individuals) | 9,492 | | 808 | 2,502 | 12,802 |
| **Total** | **14,327** | | **939** | **3,665** | **18,931** |
| of which subsidiaries (4 individuals) | 4,446 | | 576 | 1,422 | 6,444 |

**Compensation and other benefits during 2012**

| SEK '000 | Base salary, director's fees | Variable remuneration | Other benefits | Pension expenses | Total |
|---|---|---|---|---|---|
| Chairman of the board Jan Svensson | 350 | | | | 350 |
| Member of the board Per Borgvall | 175 | | | | 175 |
| Member of the board Eric Hielte | 175 | | | | 175 |
| Member of the board Lotta Stalin | 175 | | | | 175 |
| Member of the board Gunnar Gremlin | 175 | | | | 175 |
| Member of the board Ylva Hammargren | 175 | | | | 175 |
| CEO Sven Kristensson | 3,040 | 667 | 139 | 1,036 | 4,882 |
| Other senior executives (6 individuals) | 7,952 | 1,009 | 484 | 2,073 | 11,518 |
| **Total** | **12,217** | **1,676** | **623** | **3,109** | **17,625** |
| of which subsidiaries (4 individuals) | 5,207 | 673 | 258 | 1,396 | 7,534 |

### SHARE SAVING SCHEME

The Annual General Meeting held on 29 April 2013 approved the Board's proposal to introduce a share saving scheme that initially covers seven people in senior management positions and operating in the Group management team. The terms are such that the people involved in the scheme, provided they invest in Nederman shares themselves, may be assigned without charge Nederman shares, in part so-called matching shares and in part so-called performance shares, at the earliest on the day after publication of Nederman's interim report for the first quarter of 2016 and within 30 days thereafter. For participants to be eligible to receive matching shares requires that their employment within the Group continues and that their investment in Nederman shares continues up to the allocation. The allocation of performance shares also assumes that the Group achieves certain financial performance targets for the years 2013, 2014 and 2015. The AGM decided that the share saving scheme entails a maximum allocation of 75,000 Nederman shares.

To secure supplies of the Nederman share, the AGM decided to buy back Nederman shares.

## 21 Provisions

| Provisions that are long-term liabilities, SEK m | 2013 | 2012 |
|---|---|---|
| Warranty exposure | 11.0 | 11.6 |
| Other | 0.9 | 1.1 |
| **Total** | **11.9** | **12.7** |

Provisions reported as long-term liabilities fall due more than 12 months after the balance sheet date.

| Provisions that are current liabilities, SEK m | 2013 | 2012 |
|---|---|---|
| Restructuring /severance pay | 6.7 | 3.7 |
| Warranty exposure | 25.0 | 38.8 |
| Other | 13.5 | 14.4 |
| **Total** | **45.2** | **56.9** |

| Restructuring/severance pay, SEK m | 2013 | 2012 |
|---|---|---|
| Reported value, opening balance | 3.7 | 19.2 |
| Provisions during the period | 41.6 | 5.1 |
| Amount used during the period | -38.5 | -20.7 |
| Unutilized amount returned during the period | | 0.1 |
| Translation differences | -0.1 | 0.0 |
| **Reported value, closing balance** | **6.7** | **3.7** |

| Warranty exposure, SEK m | 2013 | 2012 |
|---|---|---|
| Reported value, opening balance | 50.4 | 37.3 |
| Provisions during the period | 4.9 | 9.8 |
| Amount used during the period | -5.6 | -5.8 |
| Acquisition | | 12.9 |
| Unutilized amount returned during the period | -14.1 | -2.2 |
| Translation differences | 0.4 | -1.6 |
| **Reported value, closing balance** | **36.0** | **50.4** |

| Other, SEK m | 2013 | 2012 |
|---|---|---|
| Reported value, opening balance | 15.5 | 8.4 |
| Provisions during the period | 2.7 | 20.7 |
| Amount used during the period | -2.3 | -13.4 |
| Reclassification | -0.2 | |
| Unutilized amount returned during the period | -0.4 | |
| Translation differences | -0.9 | -0.2 |
| **Reported value, closing balance** | **14.4** | **15.5** |

| Total provisions, SEK m | 2013 | 2012 |
|---|---|---|
| Reported value, opening balance | 69.6 | 64.9 |
| Provisions during the period | 49.2 | 35.6 |
| Amount used during the period | -46.4 | -39.9 |
| Acquisition | 0.0 | 12.9 |
| Reclassification | -0.2 | |
| Unutilized amount returned during the period | -14.5 | -2.1 |
| Translation differences | -0.6 | -1.8 |
| **Reported value, closing balance** | **57.1** | **69.6** |

**Warranties**

Provision for product warranties are based on a calculation made on historical data.

## 22 Other liabilities

| Other long-term liabilities, SEK m | 2013 | 2012 |
|---|---|---|
| Other liabilities | 1.5 | 1.6 |
| | **1.5** | **1.6** |

| Other current liabilities | 2013 | 2012 |
|---|---|---|
| Personnel-related expenses | 39.1 | 38.4 |
| VAT payable | 24.0 | 23.3 |
| Fair value of currency derivatives | 2.3 | 1.3 |
| Advances from customers | 75.2 | 53.9 |
| Invoiced income not yet recognized concerning projects | 71.1 | 42.8 |
| Other liabilities | 26.1 | 41.9 |
| | **237.8** | **201.6** |

## 23 Accrued expenses and prepaid income

| SEK m | 2013 | 2012 |
|---|---|---|
| Personnel-related expenses | 72.5 | 76.7 |
| Interest costs | 0.0 | |
| Audit costs | 4.6 | 4.1 |
| Sales costs | 12.5 | 15.1 |
| Freight and customs costs | 0.7 | 0.3 |
| Other | 25.2 | 29.1 |
| | **115.5** | **125.3** |

## 24 Financial risks and financial policies

**RISKS AND UNCERTAINTIES – FINANCE POLICY**
The Nederman Group is exposed to a number of risks mainly arising due to purchasing and selling products in foreign currencies. Currency rates and interest rates affect the Group's profits and cash flow. The Nederman Group is also exposed to refinancing and liquidity risks, credit risks and counterparty risks. The Group's central finance department is responsible for identifying and effectively limiting the Group's financial risks. The finance function reports via CFO to the Board.

**LIQUIDITY RISK**
The liquidity in the Group is not exposed to any significant seasonal fluctuations. The parent company has a financing agreement with Skandinaviska Enskilda Banken formulated as a 3-year framework agreement amounting to SEK 800m. The agreement runs to December 2016. At the end of the year this had been utilized to the amount of SEK 584.4m in revolving credit. During the year a loan for SEK 50m was raised. In the event of a change of ownership, where a party or parties acting together, acquire shares corresponding to more than 50 per cent of the votes, the bank has the right to cancel the agreement in advance under certain conditions.

**INTEREST RATE RISKS**
The Nederman Group is via its net debt exposed to interest rate risk. The Group's interest-bearing assets and liabilities are subject to variable interest rates or with a maximum term or interest rate commitment of three months, according to financing agreements with the Group's lenders. A change in interest rate of 1 per cent would have affected net financial items in 2013 by SEK 6.6m based on the average of capital tied-up during the year. The Nederman Group has made the assessment that any reasonable changes in interest rates will not affect the Group's earnings in such a significant way that there is any need to hedge against interest rate rises via financial instruments. This assessment is updated regularly.

**EFFECTIVE INTEREST RATE AND MATURITY STRUCTURE**
The table below presents the effective interest rate on the balance sheet day and the financial liabilities' maturity structure/interest rate renegotiation. The effective interest rate is 2.15%.

| | Interest rate | Interest fixing period | Currency | Nominal amount in original currency | Total | Within 3 months | Between 3 and 12 months | Between 1 and 5 years | 5 years and longer |
|---|---|---|---|---|---|---|---|---|---|
| **2013** | | | | | | | | | |
| Term loan | 2.353% | 2014-01-31 | SEK | 155.0 | 171.5 | 8.3 | 24.9 | 138.3 | |
| Bank loan (revolving) | 2.353% | 2014-01-31 | SEK | 122.5 | 135.7 | 0.7 | 2.0 | 133.0 | |
| Bank loan (revolving) | 2.353% | 2014-01-31 | SEK | 50.0 | 55.4 | 0.3 | 0.8 | 54.3 | |
| Bank loan (revolving) | 1.732% | 2014-01-31 | EUR | 19.5 | 193.1 | 0.9 | 2.8 | 189.3 | |
| Bank loan (revolving) | 1.665% | 2014-01-31 | USD | 36.7 | 264.6 | 1.3 | 3.9 | 259.5 | |
| Bank overdraft | | | | 0.9 | 0.9 | 0.9 | | | |
| Financial leasing liabilities | | | | 2.3 | 2.3 | 0.4 | 1.1 | 0.8 | |
| Accounts payable | | | | 255.5 | 255.5 | 253.7 | 1.7 | 0.1 | |
| Derivatives | | | | 1.9 | 1.9 | 1.9 | | | |
| **2012** | | | | | | | | | |
| Term loan | 2.788% | 2013-02-28 | SEK | 185.0 | 185.0 | | 185.0 | | |
| Bank loan (revolving) | 2.788% | 2013-02-28 | SEK | 122.5 | 122.5 | | 122.5 | | |
| Bank loan (revolving) | 1.648% | 2013-02-28 | EUR | 19.7 | 170.0 | | 170.0 | | |
| Bank loan (revolving) | 1.754% | 2013-02-28 | EUR | 36.5 | 238.0 | | 238.0 | | |
| Bank overdraft | | | | | 0.6 | 0.6 | | | |
| Financial leasing liabilities | | | | | 5.8 | 0.3 | 3.1 | 2.4 | |
| Accounts payable | | | | | 250.3 | 249.3 | 0.3 | 0.7 | |
| Derivatives | | | | | 1.3 | 1.3 | | | |

The Group's agreements with Skandinaviska Enskilda Banken (SEB) on bank loans include net debt covenants whereby net debt/EBITDA shall be a maximum of 3.5 times and interest rate coverage shall be a minimum of 3.75.

Interest on the loan is variable, but is normally set for three months.

According to the Group's finance policy, the board of directors establishes from time to time whether interest rate swaps will be used in order to hedge interest rates. At the present time the Board has decided that there shall be no interest rate hedges. This decision may be reviewed in connection with a possible increase of the loan exposure.

The Group's financial liabilities, excluding provision for pensions amounted at the end of the year to SEK 743.7m of which SEK 740.5m was for a revolving amortisation-free loan, SEK 2.3m for financial leasing liabilities and SEK 0.9m for an unutilized overdraft.

The Group had SEK 270.0m in liquid funds and SEK 87.3m in unutilized credit. In addition there was a credit facility of SEK 215.5m, which is a part of Nederman's loan agreement with SEB. On 31 December 2013 the disposable amount of funds was SEK 302.8m.

**CREDIT RISKS**
**Credit risks in accounts receivable.** The risk that the Group's customers may not pay their trade debts constitutes a customer credit risk. In order to limit this, the Nederman Group uses credit policies which limit the outstanding amounts and credit terms for different customers. For new customers and for risk markets it is normally required a letter of credit or advance payment. For established customers the credit limit is set and care- fully monitored in order to limit the risks. The Group's largest individual customer accounted for 1.5 per cent of sales. The five largest customers accounted for 4.6 per cent of sales. The allocation of risk may thus be considered to be very good.

The Group's bad debt losses amounted to SEK 4.4m in 2013.

Of the Group's total accounts receivable after impairment of SEK 472.0m, around 12 per cent (9) is made up of receivables overdue by more than 90 days.

Provisions for credit losses are made after an individual assessment and in addition with a general assessment in relationship to an aging analysis. As of 31 December 2013, the provisions for credit losses amounted to SEK 26.4m (26.2) corresponding to 5.3 per cent of total customer receivables. In certain cases, credit insurance is used to secure the payments from customers. Furthermore the terms of payment applied for larger projects requires first payment at the order entry, second payment at the delivery of the products and the final payment upon completed installation and start-up.

*The note continues on the next page.*

## 24 Financial risks and financial policies, continued from previous page

| SEK m | 2013-12-31 |
|---|---|
| Overdue customer receivables: | |
| 1-30 days | 88.6 |
| 31-60 days | 33.8 |
| 61-90 days | 18.9 |
| 91-180 days | 20.4 |
| 181-360 days | 17.5 |
| >360 days | 17.0 |
| **Total overdue customer receivables** | **196.2** |

| The provision for bad debt losses changed during the year as follows: | |
|---|---|
| Opening balance | -26.2 |
| Acquisitions | 0.0 |
| Provisions for uncertain receivables | -4.3 |
| Receivables written off and not recoverable | 2.0 |
| Reversed reservations | 2.3 |
| Translation differences | -0.2 |
| **Closing balance** | **-26.4** |

### Other counterparties

Credit exposure arises with the investments of liquid funds and trading in derivative instruments. The risk that the counterparty does not fulfil its obligations is limited via the choice of creditworthy counterparties. According to the Group's finance policy, liquid funds will only be invested in reputable banks.

### Foreign currency risks

The Nederman Group is via its international operations exposed to currency risks due to changes in exchange rates, which influence the Group's income statement and statement of financial position. The Group's currency exposure encompasses both transaction exposure and translation exposure.

### Transaction exposure

Transaction exposure arises when Group companies make purchases in one currency and sell in another currency. In order to limit the transaction exposure in the Nederman Group, the main rule is that the providing companies sell to the sales companies in the sales company's local currency. The transaction exposure in this way thus becomes very small in the sales companies.

The largest operations unit is located in Sweden. Approximately 67 per cent of the purchases are conducted in SEK and the rest primarily in EUR and to a minor extent in USD and CZK.

It is mainly for larger projects on export markets that the pricing is in foreign currencies and in these cases the translation exposure is hedged.

| Group invoicing in 2013 was: | |
|---|---|
| USD | 32% |
| EUR | 23% |
| SEK | 8% |
| DKK | 6% |
| GBP | 5% |
| CNY | 4% |
| PLN | 4% |
| AUD | 4% |
| NOK | 3% |
| Other | 11% |

According to the Group's finance policy 70 per cent of the expected currency flows in foreign currencies are hedged against currency risk eight months forward. Hedging occurs via forward contracts. Outstanding forward contracts are valued at fair value, which amounted to SEK -1.9m as 31 December 2013. Hedge accounting is not applied, which means that the changes in fair value have affected the result for the year. In the event that currency exposure occurs in material projects currency hedging will take place.

| A change in exchange rates of +/- 3 per cent would affect the operating profit by: | | | |
|---|---|---|---|
| | | **-3%** | **+3%** |
| EUR | SEK m | -2.8 | 2.8 |
| USD | SEK m | -4.1 | 4.1 |
| DKK | SEK m | -0.4 | 0.4 |
| GBP | SEK m | -1.3 | 1.3 |
| CNY | SEK m | -0.4 | 0.4 |
| PLN | SEK m | -0.9 | 0.9 |
| NOK | SEK m | -1.4 | 1.4 |

based on the Group's net flows in these currencies as well as the translation impact on the Group's Income Statement.

### FAIR VALUE

In substance fair value corresponds to recorded value in the statement of financial position. The major part of the Group's financial instruments consists of customer receivables, liquid funds, interest bearing liabilities and accounts payables measured at amortized cost. For these categories of financial instruments the recorded value at cost corresponds to fair value. The Group holds derivative instruments, classified as financial assets and liabilities at fair value through profit or loss, in the category held for trading. Recorded value and fair value for these instruments are stated below. For this category of financial instruments the fair value has been based upon observable market data not quoted in an active market.

**Calculation of fair value.** Financial instruments measured at fair value are divided across the following three levels:

1. Fair value of listed financial instruments based on current market values on the closing date.
2. For unlisted financial instruments, or inactive markets, the value is acquired using assessment methods and the Group makes assumptions based on market conditions on the closing date. Market interest rates are used to calculate the fair value of long-term loans.
3. For financial instruments whose value is not based on observable data, i.e. for market value is not indicated, fair value is considered to be the same as reported value.

The market value used to determine fair value was established using directly observable market data not listed on an active market (level 2).

*The note continues on the next page*

## 24 Financial risks and financial policies, continued from previous page

| CLASSIFICATIONS, FAIR VALUE AND LEVELS IN THE ASSESSMENT HIERARCHY | Level | Notes | Reported value: Held for trading | Initially identified at fair value | Hedge instrument | Investment held till maturity | Loans and accounts receivable | Financial assets that may be sold | Other liabilities | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **2013, SEK m** | | | | | | | | | | |
| Financial assets assessed at fair value | | | | | | | | | | |
| Foreign exchange forward contracts | 2 | **15** | 0,4 | | | | | | | 0,4 |
| Financial assets not reported at fair value | | | | | | | | | | |
| Accounts receivable | – | | | | | | 472,0 | | | 472,0 |
| Liquid assets | – | **31** | | | | | 270,0 | | | 270,0 |
| Financial liabilities assessed at fair value | | | | | | | | | | |
| Foreign exchange forward contracts | 2 | **24** | -2,3 | | | | | | | -2,3 |
| Financial liabilities not reported at fair value | | | | | | | | | | |
| Bank loans | – | **20** | | | | | -710,2 | | | -710,2 |
| Financial leasing liabilities | – | **20** | | | | | -0,8 | | | -0,8 |
| Bank overdraft | | | | | | | -0,9 | | | -0,9 |
| Accounts payable | – | | | | | | -255,5 | | | -255,5 |
| **2012, SEK m** | | | | | | | | | | |
| Financial assets assessed at fair value | | | | | | | | | | |
| Foreign exchange forward contracts | 2 | **15** | 1,8 | | | | | | | 1,8 |
| Financial assets not reported at fair value | | | | | | | | | | |
| Accounts receivable | - | | | | | | 486,5 | | | 486,5 |
| Liquid assets | - | **31** | | | | | 224,6 | | | 224,6 |
| Financial liabilities assessed at fair value | | | | | | | | | | |
| Foreign exchange forward contracts | 2 | **24** | -1,3 | | | | | | | -1,3 |
| Financial liabilities not reported at fair value | | | | | | | | | | |
| Bank loans | - | **20** | | | | | -685,2 | | | -685,2 |
| Financial leasing liabilities | - | **20** | | | | | -2,4 | | | -2,4 |
| Bank overdraft | | | | | | | -0,6 | | | -0,6 |
| Accounts payable | - | | | | | | -250,3 | | | -250,3 |

The reported value of accounts receivable, other receivables, liquid funds, accounts payable and other liabilities constitute a reasonable approximation of fair value.

**Financial instruments assessed at fair value**

| Type | Assessment method | Significant unobservable input | Link between significant unobservable input and assessment of fair value |
|---|---|---|---|
| Foreign exchange forward contracts | Market rates: Fair values are based on quotations of brokers. Similar contracts traded in an active market and rates reflect actual transactions on comparable instruments. | ET | ET |

**Financial instruments not assessed at fair value**

| Type | Assessment method | Significant unobservable input |
|---|---|---|
| Other financial liabilities * | Discounted cash flows | ET |

* Other financial liabilities refer to bank loans and financial leasing costs.

### NETTING AGREEMENTS AND SIMILAR AGREEMENTS

The Group enters into derivative contracts under the International Swaps and Derivatives Association (ISDA) master netting agreements. The agreements mean that when a counterparty is unable to regulate their obligations under any transaction the contract is cancelled and all outstanding transactions shall be governed by a net amount. ISDA agreements do not meet criteria for netting in the statement of financial position. This is because the offset under ISDA agreements is only allowed if the other party or the Group cannot settle their obligations. Moreover, it is not the other party or the Group's intention to settle the balances on a net basis, or at the same time.

The information in the table below shows financial instruments covered by a legally enforceable master netting agreement or a similar agreement.

*The note continues on the next page.*

## 24 Financial risks and financial policies, continued from previous page

| 31 December 2013, SEK m | Notes | Financial assets | Financial liabilities | Net amounts in statement of financial position | Financial instruments that cannot be netted | Net amounts |
|---|---|---|---|---|---|---|
| Financial assets | | | | | | |
| Other investments, including derivatives | | | | | | |
| - Currency derivatives | 14 | 0.4 | | | | 0.4 |
| Financial liabilities | | | | | | |
| Accounts payable and other liabilities | | | | | | |
| - Currency derivatives | 22 | | -2.3 | | | -2.3 |

| 31 December 2012, SEK m | Note | Financial assets | Financial liabilities | Net amounts in statement of financial position | Financial instruments that cannot be netted | Net amounts |
|---|---|---|---|---|---|---|
| Financial assets | | | | | | |
| Other investments, including derivatives | | | | | | |
| - Currency derivatives | 14 | 1.8 | | | | 1.8 |
| Financial liabilities | | | | | | |
| Accounts payable and other liabilities | | | | | | |
| - Currency derivatives | 22 | | -1.3 | | | -1.3 |

**The following foreign exchange forward contracts had been entered on the closing date:**

| Amount to sell | | Amount to retain | | Book value, SEK m | Fair value, SEK m |
|---|---|---|---|---|---|
| MSEK | 1.7 | MPLN | 0.8 | 0.0 | 0.0 |
| MSEK | 5.4 | MGBP | 0.5 | 0.0 | 0.0 |
| MSEK | 9.7 | MUSD | 1.5 | 0.0 | 0.0 |
| MSEK | 26.3 | MEUR | 3.0 | -0.4 | -0.4 |
| | 43.1 | | | -0.4 | -0.4 |

| Amount to sell | | Amount to retain | | Book value. SEK m | Fair value. SEK m |
|---|---|---|---|---|---|
| MEUR | 6.0 | MSEK | 52.2 | -0.8 | -0.8 |
| MGBP | 1.5 | MSEK | 15.3 | -0.7 | -0.7 |
| MUSD | 3.0 | MSEK | 16.4 | 0.3 | 0.3 |
| MPLN | 2.4 | MSEK | 4.8 | -0.3 | -0.3 |
| | | | 88.7 | -1.5 | -1.5 |
| **Total fair value** | | | | **-1.9** | **-1.9** |

**Translation exposure** Net assets in the Group are divided across the following currencies:

| Currency | 2013 | | 2012 | |
|---|---|---|---|---|
| SEK | 343.9 | 55% | 281.7 | 47% |
| EUR | 119.0 | 19% | 163.1 | 27% |
| GBP | 32.1 | 5% | 37.7 | 6% |
| USD | 32.4 | 5% | -7.0 | -1% |
| CAD | -13.7 | -2% | 7.6 | 1% |
| NOK | 22.7 | 4% | 21.0 | 3% |
| PLN | 73.9 | 12% | 89.1 | 15% |
| CNY | 44.9 | 7% | 45.5 | 8% |
| DKK | -122.0 | -20% | -100.0 | -17% |
| Other | 86.6 | 14% | 62.5 | 11% |
| | **619.8** | **100%** | **601.2** | **100%** |

The Group's policy is not to hedge translation exposure in foreign currency.

## 25 Operational leasing

**Leasing contracts where the company is the lessee**

Future payments for non-cancellable leasing contract amount to:

| SEK m | 2013 | 2012 |
|---|---|---|
| Within one year | 54.6 | 46.0 |
| Between one and five years | 112.9 | 93.4 |
| More than five years | 15.3 | 14.9 |
| | **182.8** | **154.3** |

Of the Group's operational leasing contracts the major part concerns rental agreements for property and the premises where the business operations are conducted.

**Expenses for operating leases:**

| SEK m | 2013 | 2012 |
|---|---|---|
| Minimum leasing fees | 52.3 | 46.5 |
| Variable fees | 2.1 | 0.7 |
| **Total leasing costs** | **54.4** | **47.2** |

## 26 Pledged assets and contingent liabilities

| SEK m | 2013 | 2012 |
|---|---|---|
| **Pledged assets** | | |
| Pledged assets for debts and provisions | | |
| Net assets in subsidiaries | none | none |
| Mortgages | none | none |
| Chattels | none | none |
| Assets with ownership restrictions (financial leasing) | 3.4 | 9.1 |
| **Total pledged assets** | **3.4** | **9.1** |

**Contingent liabilities**

| | | |
|---|---|---|
| FPG/PRI | 0.7 | 0.7 |
| Warranty commitments | 61.3 | 51.8 |
| **Total contingent liabilities** | **62.0** | **52.5** |

## 27 Cash flow analysis

**Liquid funds**

| SEK m | 2013 | 2012 |
|---|---|---|
| Subcomponents in cash and cash equivalents: | | |
| Cash and cash equivalents | 270.0 | 224.6 |
| **Total according to statement of financial position** | **270.0** | **224.6** |

**Adjustments for items not included in cash flow**

| SEK m | 2013 | 2012 |
|---|---|---|
| Changes in value of financial instruments | | -0.5 |
| Gain on sale of tangible assets | -4.3 | |
| Provisions | -12.6 | -6.4 |
| Other items | 0.1 | -0.3 |
| | **-16.8** | **-7.2** |

**Transactions that do not involve payments**

| SEK m | 2013 | 2012 |
|---|---|---|
| Acquisition of assets through financial leases | 0.0 | 0.6 |

**Unused credits**

| SEK m | 2013 | 2012 |
|---|---|---|
| Unused credit amounts to: | 302.8 | 350.6 |

## 28 Significant events after the closing date

No significant events have occurred after the closing date.

## 29 Significant estimations and assessments

Certain assumptions about the future and certain estimations and assessments as of the close of the reporting period have special importance for the value of the assets and liabilities in the balance sheet. Presented below are the areas where the risk of changes in value during the subsequent year is significant because the assumptions or estimations may need to be changed.

**EXAMINATION FOR WRITE-DOWNS OF GOODWILL**

The book value of goodwill is reviewed at least once a year with respect to the possible need for impairment. The review requires an assessment of the value in use of the cash-generating unit, or group of cash-generating units, to which the goodwill value relates. This requires that several assumptions about the future situation and estimates of parameters have been made. A report of these is found in note 12. As described in note 12 a change during 2013 in the conditions for these assumptions and estimations might have an effect on the value of the goodwill. The senior executives are of the opinion however that no reasonable changes in important assumptions at the impairment test of the cash-generating units will result in a recoverable value lower than the carrying amount.

**INCOME TAXES**

When estimating deferred tax assets and tax liabilities an assessment is made concerning the probability of whether the deferred tax assets will be utilized for settlement against future taxable profit. The fair value of these future taxable profits may deviate in terms of the future business climate and earnings capability or due to changed tax rules, see note 11.

## 30 Information on the parent company

Nederman Holding AB (publ) is a Swedish registered limited company with its registered office in Helsingborg, Sweden. The parent company's shares are since 1 January 2014 registered on the Nasdaq OMX Mid Cap list.

**The address of the main office:**

P.O. Box 602, SE-251 06 Helsingborg, Sweden.
Visiting address is Sydhamnsgatan 2.

The consolidated reporting for 2013 comprises the parent company and its subsidiaries, collectively referred to as the Group.

# Parent company's income statement

| SEK m | Notes | 1 January – 31 December 2013 | 2012 |
|---|---|---|---|
| Other operating income | 1 | 40.3 | 15.2 |
| Research and development expenses | | -9.5 | |
| Administrative expenses | | -90.1 | -44.2 |
| Acquisition costs | | | -0.7 |
| Restructuring and integration costs | | -7.3 | -0.9 |
| Other operating expenses | 2 | -3.3 | |
| **Operating profit** | 3, 4, 13, 16 | **-69.9** | **-30.6** |
| | | | |
| Result from investments in subsidiaries | 5, 18 | 157.8 | 130.1 |
| Interest income and similar financial items | 5 | 13.7 | 8.6 |
| Interest expenses and similar financial items | 5 | -19.3 | -19.1 |
| **Profit after financial items** | | **82.3** | **89.0** |
| | | | |
| Group contribution | 6, 18 | 50.0 | 40.0 |
| **Profit before taxes** | | **132.3** | **129.0** |
| | | | |
| Tax | 7 | 0.0 | -2.8 |
| **Net profit** | | **132.3** | **126.2** |

# Parent company's statement of comprehensive income

| SEK m | 1 January – 31 December 2013 | 2012 |
|---|---|---|
| Net profit | 132.3 | 126.2 |
| Other comprehensive income | | |
| Items that will not be reclassified to the income statement | | |
| Items that may be reclassified to the income statement | | |
| Other comprehensive income, net after tax | | |
| **Total comprehensive income for the period** | **132.3** | **126.2** |

# Parent company's statement of financial position

| SEK m | Notes | 1 January – 31 December 2013 | 2012 |
|---|---|---|---|
| **Assets** | | | |
| Intangible fixed assets | 8 | 9.2 | 9.1 |
| Tangible fixed assets | 9 | 2.6 | 3.0 |
| Long-term receivables, Group companies | 18 | 384.7 | 475.0 |
| Shares in subsidiaries | 19 | 884.7 | 839.5 |
| Deferred tax assets | 7 | 16.8 | 16.8 |
| **Total fixed assets** | | **1 298.0** | **1 343.4** |
| Receivables from Group companies | 18 | 226.4 | 112.3 |
| Current tax receivable | 7 | 0.8 | 0.9 |
| Other receivables | 10 | 4.8 | 7.6 |
| Prepaid expenses and accrued income | 11 | 3.4 | 3.0 |
| Cash and cash equivalents | 20 | 59.7 | 13.5 |
| **Total current assets** | | **295.1** | **137.3** |
| **Total assets** | | **1 593.1** | **1 480.7** |
| **Shareholders' equity** | | | |
| **Restricted equity** | | | |
| Share capital | | 1.2 | 1.2 |
| Statutory reserves | | 292.5 | 292.5 |
| **Unrestricted equity** | | | |
| Share premium reserve | | 5.9 | 5.9 |
| Profit brought forward | | 139.1 | 58.7 |
| Net profit for the year | | 132.3 | 126.2 |
| **Total shareholders' equity** | | **571.0** | **484.5** |
| **Liabilities** | | | |
| Long-term liabilities to credit institutions | 12 | 709.4 | 683.6 |
| **Total long-term liabilities** | | **709.4** | **683.6** |
| Current liabilities to credit institutions | 12 | 30.0 | 30.0 |
| Accounts payable | | 7.5 | 6.6 |
| Liabilities to Group companies | 18 | 261.1 | 263.8 |
| Other liabilities | 14 | 1.5 | 1.4 |
| Accrued expenses and prepaid income | 15 | 12.6 | 10.8 |
| **Total current liabilities** | | **312.7** | **312.6** |
| **Total shareholders' equity and liabilities** | | **1 593.1** | **1 480.7** |

| Pledged assets and contingent liabilities for parent company, SEK m | Notes | 2013 | 2012 |
|---|---|---|---|
| Pledged assets | 17 | none | none |
| Contingent liabilities | 17 | 135.7 | 113.8 |

# Statement of changes in parent company's shareholders'equity

| | Restricted equity | | Unrestricted equity | | |
|---|---|---|---|---|---|
| | Share capital | Statutory reserve | Share premium reserve | Profit/loss brought forward | Total equity |
| **Opening balance 1 Jan. 2012** | **1.2** | **292.5** | **5.9** | **106.7** | **406.3** |
| Net profit for the year | | | | 126.2 | 126.2 |
| Merger | | | | -9.9 | -9.9 |
| Other comprehensive income | | | | | |
| **Total other comprehensive income** | | | | | |
| **Total comprehensive income** | | | | **116.3** | **116.3** |
| Transactions with owners | | | | | |
| Dividend | | | | -38.1 | -38.1 |
| **Closing balance 31 Dec. 2012** | **1.2** | **292.5** | **5.9** | **184.9** | **484.5** |
| | | | | | |
| **Opening balance 1 Jan. 2013** | **1.2** | **292.5** | **5.9** | **184.9** | **484.5** |
| Net profit for the year | | | | 132.3 | 132.3 |
| Other comprehensive income | | | | | |
| **Total other comprehensive income** | | | | | |
| **Total comprehensive income** | | | | **132.3** | **132.3** |
| Transactions with owners | | | | | |
| Dividend | | | | -46.9 | -46.9 |
| Share-based payments | | | | 1.1 | 1.1 |
| **Closing balance 31 Dec. 2013** | **1.2** | **292.5** | **5.9** | **271.4** | **571.0** |

# Parent company's cash flow statement

| SEK m | Notes | 1 January – 31 December 2013 | 2012 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating profit | | -69.9 | -30.6 |
| Adjustment for items not included in cash flow | 20 | 8.9 | 4.0 |
| Dividends received | | 157.8 | 132.5 |
| Interest received and other financial items | | 12.1 | 8.3 |
| Interest paid and other financial items | | -19.3 | -18.7 |
| Income tax paid | | 0.0 | 0.1 |
| **Cash flow from operating activities before changes in working capital** | | **89.6** | **95.6** |
| **Cash flow from changes in working capital** | | | |
| Increase (-)/Decrease(+) of operating receivables | | 9.4 | 3.6 |
| Increase (+)/Decrease (-) of operating liabilities | | 2.8 | -0.1 |
| **Cash flow from operating activities** | | **101.8** | **99.1** |
| **Investing activities** | | | |
| Capital expenditure for tangible fixed assets | | -1.2 | -2.5 |
| Capital expenditure for intangible fixed assets | | -5.7 | -5.6 |
| Acquisition/capital contribution, subsidiaries | | -45.2 | -19.9 |
| **Cash flow from investing activities** | | **-52.1** | **-28.0** |
| **Financial activities** | | | |
| New loans | | 50.0 | 200.0 |
| Repayment of loans/Change in interest-bearing receivables/liabilities | | -6.6 | -230.0 |
| Dividend paid | | -46.9 | -38.1 |
| **Cash flow from financing activities** | | **-3.5** | **-68.1** |
| **Cash flow for the year** | | **46.2** | **3.0** |
| Cash and cash equivalents at the beginning of the year | | 13.5 | 10.5 |
| **Cash and cash equivalents at the end of the year** | | **59.7** | **13.5** |

## 1 Other operating income

| SEK m | 2013 | 2012 |
|---|---|---|
| Management charges, debited to subsidiaries | 40.3 | 11.7 |
| Foreign exchange gains on operating receivables/liabilities | | 3.5 |
| | **40.3** | **15.2** |

## 2 Other operating expenses

| SEK m | 2013 | 2012 |
|---|---|---|
| Foreign exchange losses on operating receivables/liabilities | -3.3 | |
| | **-3.3** | |

## 3 Employees and employee benefits

| Average number of employees | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Women | Men | Total | Women | Men | Total |
| Sweden | 23 | 28 | 51 | 13 | 15 | 28 |
| **Total, parent company** | **23** | **28** | **51** | **13** | **15** | **28** |

| Distribution according to gender in senior management, percentage of women | 2013 | 2012 |
|---|---|---|
| Board of Directors | 29% | 29% |
| Other senior executives | 20% | 33% |

| Expenses for remuneration to employees, SEK m | 2013 | 2012 |
|---|---|---|
| Salaries and other remuneration | 35.1 | 22.3 |
| Social security expenses | 20.9 | 10.6 |
| (of which, pension expenses) | (4.7)[1] | (2.1)[1] |

1) Of the parent company's pension costs SEK 1.2m (1.0) concern the CEO for the parent company. There are no outstanding pension obligations to the Group's Board of Directors, CEO and senior executives.

| Salaries and other remuneration allocated between the board of directors and other employees, SEK m | 2013 | 2012 |
|---|---|---|
| Board of Directors, CEO and senior executives | 4.3 | 8.1 |
| (of which variable compensation) | (-0.7) | (1.0) |
| Other employees | 30.8 | 14.2 |
| | **35.1** | **22.3** |

## 4 Auditor's fees and compensation

| SEK m | 2013 | 2012 |
|---|---|---|
| KPMG | | |
| Audit assignment | 0.9 | 0.9 |
| Other audit assignment | | |
| Tax advice | | |
| Other assignments | | 1.0 |

Audit assignments refer to the statutory audit of annual and consolidated accounts, the administration of the board of directors and CEO, and auditing and other verifications as agreed.

Other audit assignments include other duties incumbent on the company's auditors and advice or other assistance required by the findings in the audit or performance of other tasks.

## 5 Financial income and expenses

| SEK m | 2013 | 2012 |
|---|---|---|
| Dividends | 157.8 | 132.4 |
| Write down of book value of shares in subsidiaries | | -2.3 |
| **Result from investments in subsidiaries** | **157.8** | **130.1** |
| | | |
| Other interest income | 0.1 | 0.2 |
| Other financial income, Group companies | 12.0 | 8.0 |
| Exchange rate changes | 1.6 | 0.4 |
| **Interest income and similar items** | **13.7** | **8.6** |
| | | |
| Other interest expenses | -19.1 | -18.9 |
| Other financial expenses, Group companies | -0.2 | -0.2 |
| **Interest expenses and similar items** | **-19.3** | **-19.1** |

## 6 Appropriations

| SEK m | 2013 | 2012 |
|---|---|---|
| Group contribution | 50.0 | 40.0 |
| | **50.0** | **40.0** |

## 7 Taxes

| Reported in income statement, SEK m | 2013 | 2012 |
|---|---|---|
| **Current tax expense (–)/tax income (+)** | | |
| Tax expense for the period | 0.0 | |
| Adjustment of tax relating to previous years | | |
| | **0.0** | |
| **Deferred tax expense (–)/tax income (+)** | | |
| Deferred tax concerning changes in tax rate | | -3.2 |
| Deferred tax assets in the year capitalized tax value in loss carry-forward | | 0.4 |
| **Total reported tax expenses in parent company** | **0.0** | **-2.8** |

**Reconciliation of effective tax**

The Swedish tax rate is 22 per cent.

| SEK m | 2013 | 2012 |
|---|---|---|
| Profit before tax | 132.3 | 129.0 |
| Tax according to the applicable tax rate for the Parent company | -29.1 | -33.9 |
| Non-tax deductible expenses | -0.1 | -0.7 |
| Non-taxable income | 34.7 | 35.0 |
| Effect of changed tax rate | | -3.2 |
| Increase of loss carryforwards without corresponding capitalisation of deferred tax/temporary differences | -5.5 | |
| **Reported effective tax** | **0.0** | **-2.8** |

## 8 Intangible fixed assets

| | 2013 | | | 2012 | |
|---|---|---|---|---|---|
| SEK m | Development activities | Software | Total | Software | Total |
| **Accumulated cost** | | | | | |
| Opening balance | | 15.7 | 15.7 | 10.1 | 10.1 |
| Internally developed assets | 7.3 | | 7.3 | | |
| Capital expenditure | | 3.9 | 3.9 | 5.6 | 5.6 |
| Sold and scrapped | -1.9 | | -1.9 | | |
| Reclassification | -5.4 | | -5.4 | | |
| **Closing balance** | **0.0** | **19.6** | **19.6** | **15.7** | **15.7** |
| | | | | | |
| **Accumulated amortisation and impairment** | | | | | |
| Opening balance | | -6.6 | -6.6 | -4.1 | -4.1 |
| Sold and scrapped | 2.8 | | 2.8 | | |
| Amortisation for the year | -2.8 | -3.8 | -6.6 | -2.5 | -2.5 |
| **Closing balance** | **0.0** | **-10.4** | **-10.4** | **-6.6** | **-6.6** |
| | | | | | |
| **Book value** | | | | | |
| Opening balance | | 9.1 | 9.1 | 6.0 | 6.0 |
| **Closing balance** | **0.0** | **9.2** | **9.2** | **9.1** | **9.1** |

| Amortisation and impairments, SEK m | 2013 | 2012 |
|---|---|---|
| Depreciation is included in the following lines in the income statement | | |
| Administrative expenses | -3.8 | -2.5 |
| Research and development expenses | -2.8 | |
| | **-6.6** | **-2.5** |

## 9 Tangible fixed assets

| SEK m | 2013 Equipment, tools and fixtures | 2013 Total | 2012 Equipment, tools and fixtures | 2012 Total |
|---|---|---|---|---|
| **Accumulated cost** | | | | |
| Opening balance | 5.5 | 5.5 | 3.0 | 3.0 |
| Capital expenditures | 1.2 | 1.2 | 2.5 | 2.5 |
| **Closing balance** | **6.7** | **6.7** | **5.5** | **5.5** |
| | | | | |
| **Accumulated depreciation** | | | | |
| Opening balance | -2.5 | -2.5 | -1.4 | -1.4 |
| Depreciation for the year | -1.6 | -1.6 | -1.1 | -1.1 |
| **Closing balance** | **-4.1** | **-4.1** | **-2.5** | **-2.5** |
| | | | | |
| **Book value** | | | | |
| Opening balance | 3.0 | 3.0 | 1.6 | 1.6 |
| **Closing balance** | **2.6** | **2.6** | **3.0** | **3.0** |

| Depreciation and impairment, SEK m | 2013 | 2012 |
|---|---|---|
| Depreciation is included in the following items in the income statement | | |
| Administration costs | -1.6 | -1.1 |
| | **-1.6** | **-1.1** |

## 10 Long-term receivables and other receivables

| SEK m | 2013 | 2012 |
|---|---|---|
| Other receivables which are current assets | | |
| VAT receivable | 4.8 | 6.5 |
| Other receivables | | 1.1 |
| | **4.8** | **7.6** |

## 11 Prepaid expenses and accrued income

| SEK m | 2013 | 2012 |
|---|---|---|
| Computer/license costs | 2.1 | 1.1 |
| Insurance | | 0.4 |
| Bank costs | 0.7 | 0.9 |
| Other | 0.6 | 0.6 |
| | **3.4** | **3.0** |

## 12 Credit institution liabilities

| SEK m | 2013 | 2012 |
|---|---|---|
| Long-term liabilities | | |
| Bank loans | 709.4 | 683.6 |
| | **709.4** | **683.6** |
| | | |
| Current liabilities | | |
| Bank loans | 30.0 | 30.0 |
| | **30.0** | **30.0** |

## 13 Pensions

**Defined-contribution plans**

In Sweden the Group has defined-contribution pension plans paid in full by the companies. Payments into these plans are continual in accordance with the rules for each plan.

| SEK m | 2013 | 2012 |
|---|---|---|
| Expenses for defined-contribution plans | 1.4 | 2.1 |

For more information on pensions, see the Group's note 20.

## 14 Other liabilities

| SEK m | 2013 | 2012 |
|---|---|---|
| Personnel-related liabilities | 1.5 | 1.1 |
| Other liabilities | | 0.3 |
| | **1.5** | **1.4** |

## 15 Accrued expenses and prepaid income

| SEK m | 2013 | 2012 |
|---|---|---|
| Personnel-related expenses | 11.5 | 9.1 |
| Audit expenses | 0.5 | 0.2 |
| Other | 0.6 | 1.5 |
| | **12.6** | **10.8** |

## 16 Operational leasing

**Leasing contracts where the company is the lessee**

Future payments for non-cancellable leasing contract amount to:

| SEK m | 2013 | 2012 |
|---|---|---|
| Within one year | 0.7 | 0.7 |
| Between one and five years | 0.6 | 0.2 |
| More than five years | | |
| | **1.3** | **0.9** |

**Expenses for operating leases:**

| SEK m | 2013 | 2012 |
|---|---|---|
| Minimum leasing fees | 0.9 | 0.6 |
| Variable fees | | |
| **Total leasing costs** | **0.9** | **0.6** |

## 17 Pledged assets and contingent liabilities

| SEK m | 2013 | 2012 |
|---|---|---|
| **Pledged assets** | | |
| Pledged assets for debts and provisions | | |
| Shares in subsidiaries | none | none |
| **Total pledged assets** | **none** | **none** |
| | | |
| **Contingent liabilities** | | |
| FPG/PRI | 0.7 | 0.7 |
| Guarantees on behalf of subsidiaries | 135.0 | 113.1 |
| **Total contingent liabilities** | **135.7** | **113.8** |

## 18 Related parties

**Closely related relationships**

The parent company has a closely related relationship with its subsidiaries, see note 19.

No member of the Board of Directors or senior executives have or have had any direct or indirect participation in any business transaction with Group companies which is or was of an exceptional character with regard to terms and conditions that occurred during the year or in any previous year. Nor has any Group company provided any loan, given any guarantees or entered into any surety relationships for any of the members of the Board of Directors or senior executives.

For intercompany transactions see, accounting principles note 1. Loans to subsidiaries are made on market terms.

**Summary of transactions between closely related parties**

| Close relations, subsidiaries, SEK m | 2013 | 2012 |
|---|---|---|
| Other operating income | 40.3 | 11.7 |
| Dividends received | 157.8 | 132.5 |
| Group contribution received | 50.0 | 40.0 |
| Financial income | 12.0 | 8.0 |
| Financial expenses | -0.2 | -0.2 |
| Receivables 31 December | 611.1 | 587.3 |
| Liabilities 31 December | 261.1 | 263.8 |

**TRANSACTIONS WITH KEY PERSONS IN LEADING POSITIONS**

Regarding the salaries and other remuneration, costs and commitments for pensions and similar benefits, and severance payment agreements, for Board members, the CEO and other senior executives, see note 20.

## 19 Group companies

### Parent company's shareholdings and participations in subsidiaries, 2013

| Subsidiary | Organisation number | Domicile / Country | Number of shares | Percentage of shares | Book value SEK m |
|---|---|---|---|---|---|
| AB Ph. Nederman & Co | 556089-2951 | Helsingborg, Sweden | 550,000 | 100% | 229.7 |
| Nederman S.A.S. | | Paris, France | | 100% | |
| Nederman Distribution Sales AB | | Helsingborg, Sweden | | 100% | |
| Nederman Ibérica | | Madrid, Spain | | 100% | |
| Nederman Logistics North America Ltd | | Mississauga, Canada | | 100% | |
| Nederman Pty Ltd | | Hallam, Australia | | 100% | |
| Töredal Verkstad AB | | Vara, Sweden | | 100% | |
| Nederman (Shanghai) Co Ltd | | Shanghai, China | | 100% | |
| Nederman International Trading Shanghai Co. Ltd | | Shanghai, China | | 100% | |
| Nederman Danmark A/S | 29223815 | Fredrikssund, Denmark | | 100% | 37.0 |
| Nederman Magyarorszag Kft | 01-09-874950 | Budapest, Hungary | | 100% | 0.2 |
| Nederman Sverige AB | 556426-7358 | Helsingborg, Sweden | 2,000 | 100% | 35.6 |
| Nederman A/S | 858741882 | Oslo, Norway | 2,200 | 100% | 64.6 |
| Nederman N.V. | 428727 | Brussels, Belgium | 4,000 | 100% | 30.4 |
| Nederman GmbH | HRB43352 | Nürtingen, Germany | | 100% | 19.2 |
| Nederman GmbH (Austria) | | Vienna, Austria | | 100% | |
| Nederman Ltd | 1393492 | Preston, United Kingdom | 10,000 | 100% | 49.3 |
| Nederman Filtration Ltd | | Preston, United Kingdom | | 100% | |
| Nederman CR s.r.o. | 25634364 | Prague, Czech Republic | 1 | 100% | 0.0 |
| Nederman Holding US Inc | 465-416 | Thomasville, USA | | 100% | 106.5 |
| Nederman Manufacturing and Logistic US LLC | | Thomasville, USA | | 100% | |
| Nederman US LLC | | Thomasville, USA | | 100% | |
| Nordfab LLC | | Thomasville, USA | | 100% | |
| Nederman Shared Service LLC | | Thomasville, USA | | 100% | |
| EFT Holding Inc | | Wilmington, USA | | 100% | |
| EFT LLC | | Wilmington, USA | | 100% | |
| Pnuemafil Corporation | | Wilmington, USA | | 100% | |
| LCI Corp. Int | | Charlotte, USA | | 100% | |
| Menardi Mikropul LLC | | Wilmington, USA | | 100% | |
| Mikropul Canada Inc | | Wilmington, USA | | 100% | |
| Mikropul S. de R.L. de C.V | | Polanco, Mexico | | 57%* | |
| EFT Int Holdings | | Wilmington, USA | | 100% | |
| Industrial Funding Corporation | | Wilmington, USA | | 100% | |
| Nederman Mikropul LLC | | Wilmington, USA | | 100% | |
| Nederman Canada Ltd | 856 876 | Mississauga, Canada | 1 | 100% | 32.1 |
| Nederman do Brasil Comércio de Produtos de Exaustao Ltda | 05.880.850/0001-45 | Sao Paolo, Brazil | 3,365 | 100% | 6.1 |
| Arboga-Darenth Ltd | 1048823 | Erith, United Kingdom | 10 | 100% | 0.0 |
| Arboga-Darenth Sarl | 339878449 | Creuzier Le Vieux, France | 500 | 100% | 0.0 |
| Nederman India Private Limited | U74900DL2008FTC178218 | New Delhi, India | 100,000 | 100% | 0.3 |
| Nederman Makine Sanayi Ve Ticaret Limited Sirketi | 647743 | Istanbul, Turkey | | 53%* | 7.6 |
| Nederman Holding Danmark A/S | 28301650 | Mariager, Denmark | 60,500 | 100% | 208.1 |
| Nederman Manufacturing Denmark A/S | | Mariager, Denmark | | 100% | |
| Nederman Filtration GmbH | | Freiburg, Germany | | 100% | |
| Nederman Holding Germany GmbH | | Freiburg, Germany | | 100% | |
| Nederman OOO | | Moscow, Russia | | 100% | |
| Nederman Manufacturing Poland Sp z o.o. | | Marki, Poland | | 100% | |
| Nederman Polska Sp z o.o. | | Katowice, Poland | | 96%* | |
| Nederman SEA Co Ltd | | Nonthaburi, Thailand | | 100% | |
| Nederman (Malaysia) Sdn Bhd. | | Selangor, Malaysia | | 100% | |
| PT Nederman Indonesia | 126 | Jakarta, Indonesia | | 10%* | 0.2 |
| Nederman Filtration AB | | Malmö, Sweden | | 100% | |
| Nederman Manufacturing (Suzhou) Co Ltd | | Suzhou, China | | 100% | |
| Nordfab Europe A/S | | Mariager, Denmark | | 100% | |
| Lebon & Gimbrair Beheer N.V. | 31033906 | Bunschoten-Spakenburg, Netherlands | | 100% | 19.9 |
| Lebon & Gimbrair B.V. | | Bunschoten-Spakenburg, Netherlands | | 100% | |
| Nederman Norclean Nederland B.V. | 24218849 | Vlaardingen, Netherlands | | 100% | |
| Mikropul Holding BV | | Winssen, Netherlands | | 100% | 37.4 |
| EFT France Holding | | Pontcharra, France | | 100% | |
| Mikropul France SAS | | Pontcharra, France | | 100% | |
| Mikropul GmbH | | Cologne, Germany | | 100% | |
| Mikropul Australia Holdings Pty Ltd | | Wetherhill Park, Australia | | 100% | |
| Mikropul Australia Pty Ltd | | Wetherhill Park, Australia | | 100% | |
| Nordfab Ducting Co Ltd | 0125549002956 | Nonthaburi, Thailand | | 51%* | 0.2 |
| Nederman Manufacturing SEA | 0125555021525 | Nonthaburi, Thailand | | 51%* | 0.3 |
| **Total parent company** | | | | | **884.7** |

* 100% own by the company

*The note continues on the next page.*

## 19 Group companies, continued from previous page

| Accumulated acqusition value, SEK m | 2013 | 2012 |
|---|---|---|
| Opening balance | 839.5 | 848.1 |
| Acquisition of Group companies | 45.2 | 19.9 |
| Merger | | -26.2 |
| Write down of book value | | -2.3 |
| **Reported value, 31 December** | **884.7** | **839.5** |

## 20 Cash flow statement

| Liquid funds, SEK m | 2013 | 2012 |
|---|---|---|
| Subcomponents in cash and cash equivalents: | | |
| Cash and cash equivalents | 59.7 | 13.5 |
| **Total according to statement of financial position** | **59.7** | **13.5** |

**Adjustments for items not included in cash flow**

| SEK m | 2013 | 2012 |
|---|---|---|
| Depreciation | 8.2 | 3.6 |
| Unrealized translation differences | 0.7 | 0.4 |
| | **8.9** | **4.0** |

| Unused credits, SEK m | 2013 | 2012 |
|---|---|---|
| Unused credit amounts to: | | |
| Parent company | 302.8 | 350.6 |

# Auditor's report

To the annual meeting of the shareholders of Nederman Holding AB, corp. id. 556576-4205

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Nederman Holding AB for the year 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 37-81.

### Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows 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 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, 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 annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the income statement and statement of financial position for the group.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Nederman Holding AB for the year 2013.

### 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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

### Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

### Opinions

We recommend to the annual 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.

Malmö, Sweden on 12 March 2014
KPMG AB

**Dan Kjellqvist**
Authorized Public Accountant

# Board of Directors

**Jan Svensson** (1956)
Chairman of the board.
- President and member of the board of Investment AB Latour.
- Chairman of the board of AB Fagerhult and Oxeon AB.
- Member of the board of Loomis AB, Tomra Systems ASA and AssaAbloy.
- Owns 5,000 Nederman shares.

**Per Borgvall** (1958)
Elected by AGM
- President and Chief Executive Officer of Gunnebo AB.
- Owns no Nederman shares.

**Gunnar Gremlin** (1945)
Elected by AGM
- Chairman of the board of Dyckerhoff AG, Gremlin Restaurang & Vin AB and PSM Holding Ltd.
- Member of the board of Lonestar Inc.
- Owns 43,939 Nederman shares

**Ylva Hammargren** (1966)
Elected by AGM
- Business Transformation Manager, Business Area Industrial Market, Regional Sales and Service, AB SKF.
- Member of the board of Specma Group AB.
- Owns no Nederman shares.

**Fabian Hielte** (1975)
Elected by AGM
- Chairman of the board of Platzer Fastigheter Holding AB.
- Member of the board of Ernström & C:o and Ernströmgruppen.
- CEO of Ernström & C:o.
- Owns no Nederman shares.

**Sven Kristensson** (1962)
Elected by AGM
- President and Chief Executive Officer of Nederman Holding AB.
- Chairman of the board of BK PAC AB, Diedenporten AB and Kristensson Holding AB.
- Owns 104,881 Nederman shares.

**Susanne Pahlén Åklundh** (1960)
Elected by AGM
- Director of Equipment division, Alfa Laval
- Owns no Nederman shares.

**Jonas Svensson** (1958)
Chairman of the local branch of Unionen trade union.
- Owns 100 Nederman shares.

# Senior executives

**Sven Kristensson**
President and CEO.
Born 1962.
Employed by Nederman since 2001.
Owns 104,881 Nederman shares.

**Torbjörn Bäck**
Senior Vice President
Head of Division APAC
Born 1971.
Employed by Nederman since 2012.
Owns 1,929 Nederman shares.

**Hans Dahlén**
Senior Vice President
Head of Division EMEA
Born 1968.
Employed by Nederman since 2013.
Owns no Nederman shares.

**Per-Ove Eriksson**
Senior Vice President
Duct & Filter elements
Born 1956.
Employed by Nederman since 1996.
Owns 24,099 Nederman shares.

**Stefan Fristedt**
Senior Vice President
CFO.
Born 1966.
Employed by Nederman since 2010.
Owns 1,324 Nederman shares.

**Anders Franzén**
Senior Vice President
Corporate Development
Born 1961.
Employed by Nederman since 2009.
Owns 1,765 Nederman shares.

**Per Lind**
Senior Vice President
Head of Division Americas
Born 1957.
Employed by Nederman since 2007.
Owns 2,000 Nederman shares.

**Eva Carin Svensson**
Senior Vice President HR
Born 1964.
Employed by Nederman since 2009.
Owns 588 Nederman shares.

# Definitions

**Annual average**
Average of year-beginning and year-end balance.

**Capital turnover rate**
Net sales divided by average operating capital.

**Earnings per share**
Net profit divided by average number of outstanding shares.

**EBIT**
Operating profit after depreciation and amortisation.

**EBIT margin**
EBIT as a percentage of net sales.

**EBITDA**
Operating profit before depreciation and amortisation.

**EBITDA margin**
EBITDA as a percentage of net sales.

**Equity/asset ratio**
Equity divided by total assets (balance sheet total).

**Equity per share**
Average shareholders' equity divided by average number of outstanding shares.

**Net debt**
Interest bearing liabilities (including pensions) minus cash and cash equivalents.

**Net debt/equity ratio**
Net debt divided by shareholders' equity.

**Operating capital**
Shareholders' equity plus net debt.

**Operating cash flow**
Cash flow from operating activities excluding acquisition and restructuring costs and gain/loss on divestment of subsidiaries adjusted for net financial items and income tax paid, plus cash flow from investing activities, excluding acquisition of business enterprises.

**Return on equity**
Net profit for the period divided by average shareholders' equity.

**Return on operating capital**
EBIT as a percentage of average operating capital.

# Articles of association

**1 § Company name.** The name of the Company is Nederman Holding Aktiebolag. The Company is a public company (publ).

**2 § Registered office.** The registered office of the board of directors is in Helsingborg municipality.

**3 § Company's operations.** The object of the Company's operations is to directly or through subsidiaries produce and market products to improve the industrial workplace environment and to own and manage enterprises as well as real estate and personal property, and to engage in compatible operations.

**4 § Share capital.** The Company's share capital shall not be lower than seven hundred and fifty thousand (SEK 750,000) and shall not exceed three million (SEK 3,000,000).

**5 § Number of shares.** The number of shares shall be no lower than ten million (10,000,000) and shall not exceed forty million (40,000,000).

**6 § VPC-registered company.** The Company's shares shall be registered in a CSD register in accordance with the Swedish Financial Instruments Accounts Act (1998:1479).

**7 § Financial year.** The Company's financial year shall be the calendar year.

**8 § Board of directors.** The board of directors shall consist of at least three (3) and not more than eight (8) members with a maximum of three (3) deputies. Board members will be elected annually at the Annual General Meeting for the period extending until the close of the next Annual General Meeting.

**9 § Auditor.** The firm shall have at least one (1) and no more than two (2) auditors, without or with no more than one (1) deputy auditor. An approved or authorized public accountant or a registered auditing firm shall be appointed auditor and, where appropriate, deputy auditor.

**10 § Notice of Annual General Meeting.** Notice of the Annual General Meeting and of Extra General Meetings convened to address amendments to the Articles of Association, shall be issued not earlier than six weeks and not later than four weeks prior to the meeting. Notice of other Extraordinary General Meetings shall be issued not earlier than six weeks and not later than two weeks prior to the meeting. Notice of Annual General Meeting shall be given in Post- och Inrikes Tidningar as well as on the company's website. It shall be advertized in Svenska Dagbladet or, if publication is cancelled, in Dagens Industri instead, that notice of the meeting has been given.

**11 § Right to participate in Annual General Meeting.** Shareholders who wish to participate in proceedings at the Annual General Meeting must be included in the transcript of the entire share register pertaining to the situation no later than five (5) weekdays before the annual general meeting, and they must register with the Company no later than 4 p.m. of the day specified in the notice of the annual general meeting. This day may not be a Sunday, other general holiday, Saturday, Midsummer Eve, Christmas Eve, or New Year's Eve, nor may it fall earlier than the fifth weekday before the annual general meeting. Shareholders or representatives may be accompanied by a maximum of two assistants at a annual general meeting, but only if the shareholder has notified the Company of the number of assistants in accordance with the preceding paragraph.

**12 § Location of Annual General Meeting.** The Annual General Meeting may be held in Helsingborg or Stockholm.

**13 § Annual General Meeting.** The Annual General Meeting shall address the following matters:

1. Election of the chairperson of the meeting;
2. Preparation and approval of the voting list;
3. Approval of the agenda;
4. Election of one or two persons to verify the minutes;
5. Determination of whether the meeting has been duly convened
6. Presentation of the annual report and the auditors' report and report on the consolidated accounts;
7. Resolution to adopt the income statement and balance sheet as well as the consolidated income statement and consolidated balance sheet;
8. Resolutions on appropriation of the Company's profit or loss according to the adopted balance sheet;
9. Resolution to discharge members of the board of directors and the Chief Executive Officer from liability;
10. Determination of the number of board members and deputies, as well as, where appropriate, auditors and deputy auditors;
11. Establishment of remuneration to the board of directors and, where applicable, the auditors;
12. Election of board members and any deputies and, where appropriate, auditors and any deputy auditors; Other business to be addressed by the annual general meeting in accordance with the Swedish Companies Act or the Articles of Association.

These articles of association were adopted by the Annual General Meeting on 26 April 2011.

# Notification to attend the Annual General Meeting

The Annual General Meeting of Nederman Holding AB (publ) will be held at Marina Plaza, Kungstorget 6, 251 10 Helsingborg, on Wednesday, 23 April 2014.

**Schedule:**
3 p.m. Registration starts
3.30 p.m. Meeting room opens
4 p.m. Meeting starts
Coffee and refreshments will be served before the meeting.

**Right to participate at the meeting**
Shareholders wishing to participate at the meeting must be recorded in the shareholders' register kept by Euroclear Sweden by Tuesday 15 April 2014 and must notify the company of their intention to attend the meeting no later than 4 p.m. on Tuesday 15 April 2014. Shareholders whose shares are registered in the name of a trustee must have their shares temporarily registered in their own name in the Euroclear Sweden shareholders' register in order to take part in the meeting. This registration, known as voting right registration, must take place by 15 April 2014, meaning that the shareholder should give notice of his/her intention of taking part at the meeting in due time before that date.

**Notification**
Notification can be carried out in one of the following ways:
– on Nederman's website: www.nederman.com
– by email: arsstamma@nederman.se
– by telephone +46 (0)42 18 87 00
– by letter to: Nederman Holding AB (publ), "Årsstämma" Box 602, 251 06 Helsingborg

Notification should include details of name, civic registration number/corporate identity number, address, telephone, registered shareholding and advisors, if any. The information is solely used for the requisite registration and drawing up of the voting list. Where representation is made by proxy, the original proxy form must be sent to the company along with the notification to attend the meeting. Individuals representing a legal entity must have a copy of the registration form or equivalent documentation indicating the authorized signatory. The company will provide proxy forms for shareholders who so wish: The form is also available for downloading on Nederman's website: www.nederman.com.

**Dividend**
The board and CEO propose a dividend for the 2013 financial year of SEK 4.00 per share.

**Reports**
Q1 report: January–March 23 April 2014
Q2 report: January–June 14 July 2014
Q3 report: January –September 16 October 2014

Nederman

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