OSTNOR

Annual Report 2011

This is Ostnor

CONTENTS

Ostnor develops and manufactures faucets and accessories. The consistent theme of operations is leading-edge technology, high quality, attractive design and eco-friendliness. Marketing is through the strong, well-established product brands FM Mattsson and Mora Armatur. The strength of these brands is one of the group's most valuable assets.

Ostnor's products are the market leaders in Sweden and have strong positions in the rest of the Nordic region. On markets outside the Nordics, the FM Mattsson and Mora Armatur brands primarily occupy niches in specific market segments.

To fully exploit the strength of its two product brands, Ostnor is engaged in a long-term process to clearly differentiate and position them on the market. The objective is that as far as possible, products should be mutually complementary, rather than competing. FM Mattsson should be the leading brand for faucets in the Nordics based on long-term and close customer relations. The key words are safety, sustainability and functionality. Mora Armatur should be a premium brand with its emphasis on advanced design tailored to modern lifestyles. It will be a challenger on markets outside Sweden within the foreseeable future.

Ostnor's sales are nearly SEK 1 billion, and it has some 500 employees. Operations are concentrated in Mora, Sweden, which is where the head office is also located.

FINANCIAL INFORMATION

Annual General Meeting	14 May 2012
Interim Report for the period January-March 2012	15 May 2012
Interim Report for the period April-June 2012	29 August 2012
Interim Report for the period July-September 2012	7 November 2012
Year-end Report 2012	February 2013

In 1927, Karl established an additional fittings company, Mora Armatur AB. Both faucet companies underwent a parallel development, each spurring the other on in healthy competition, contributing to the success of both brands over the years. FM Mattsson and Mora Armatur came to completely dominate the Swedish market for sanitary fittings.

In 2003, Ostnor AB was created. In 2007 FM Mattsson and Mora Armatur were merged with Ostnor AB, becoming Ostnor Production AB. All of the operations in Sweden were, thereby, gathered into one common legal entity, Ostnor AB.

1981
FM Mattsson the first to use ceramic seals

1985
FM Mattsson produces the first soft closing single-lever mixer

1988
FM Mattsson produces the first frost-proof garden faucets

1989

1993
FM Mattsson produces the first safety mixer

1999
Mora Armatur wins Stora Energi-priset 1999 ('The Great Energy Prize')

2002
Merger decision, Ostnor formed

2007
The two companies cease to exist separately

2008

2011

Merger decision, Ostnor formed

21st century

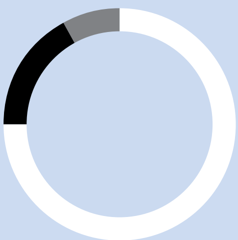
The year in brief

- Good volume growth at the start of the year in a stable market, which slowed in the second half-year. Net sales were MSEK 918.6 (936.0).
- In volume terms, sales decreased by –3.6 (2.2) percent.
- Reduced volumes, valuation of brass contracts and increased costs of brass decreased operating profit to MSEK 69.6 (113.5).
- Excluding the valuation of brass contracts, operating profit was MSEK 79.9 (116.4).
- Cash flow after investments was MSEK 85.3 (115.3). In the fourth quarter, cash flow improved, and was MSEK 34.5 (13.0).

KEY RATIOS Group, MSEK	2011	2010	2009
Net sales	918.6	936.0	915.0
Operating income	69.6	113.5	91.7
Profit after financial items	64.9	110.8	92.2
Total assets	692.3	705.2	655.0
Equity/assets ratio, %	49	48	41
Cash flow after investments	85.3	115.3	104.3
Return on capital employed, %	16	26	22
Return on equity, %	14	26	29
Average number of employees	504	510	553

SALES BY REGION

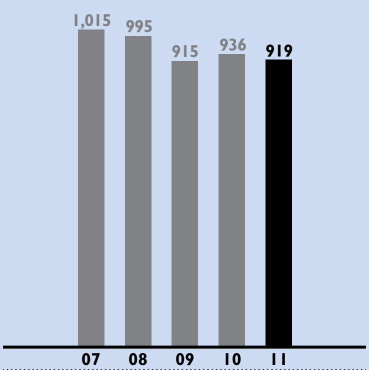
%



- Sweden 75 %
- Nordics (Finland, Denmark and Norway) 17 %
- International (inc. Iceland) 8%

NET SALES

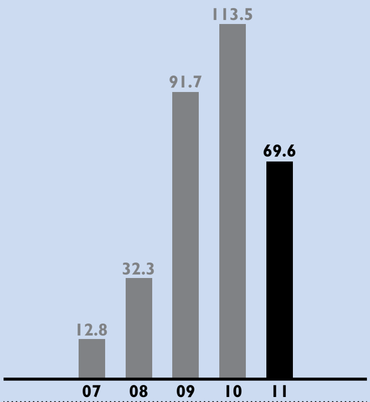
MSEK



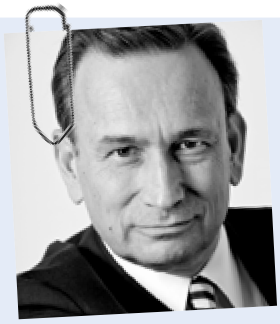
2009–2011 prepared according to IFRS

OPERATING PROFIT

MSEK



2009–2011 prepared according to IFRS



CEO's statement

When summarizing the financial year 2010, we noted that the recession had bottomed out and anticipated faintly increasing demand for 2011. The beginning of the year saw good volume growth, consistent with our expectations. In Sweden, which represents some 75 percent of our total sales, our volumes increased by all of 11.9 percent in the first quarter. For the group overall, the corresponding number was 5.7 percent.

This positive progress continued for most of the second quarter, when demand started to fade due to increasing concerns about financial progress in Europe and a gradual deterioration of the business cycle. In the rest of the year, we saw further deterioration in Sweden and other markets. This affected full-year volume growth negatively by -1.1 percent on the Swedish market and -3.6 percent for the group overall. However, we judge that we retained our market shares.

One factor affecting the demand for mixer faucets is the progress of housing prices, which in turn, are affected by factors including market interest rates. We saw a slowdown of housing prices in Sweden and several other markets in 2011. We think the volume contraction we saw in the year is mainly cyclical and that in 2012, the market will be generally unchanged compared to 2011.

Operating profit for the full year 2011 was MSEK 69.6 (113.5). If we adjust operating profit for the valuation of brass contracts and non-recurring items, underlying operating profit was MSEK 86.1 (111.7). We introduced hedge accounting from January 2012, which means that the effects of such valuation differences will not affect the progress of operating profit going forward. Underlying profit performance for the full year 2011 was affected by lower invoicing and production utilization, as well as increased costs of brass. Continued research and development initiatives also meant increased costs compared to the previous year.

Our productivity figures improved in the first half-year but deteriorated in the second half-year. The explanation is that we were adapting production capacity to lower demand in the third and fourth quarters, as well as reduced inventory levels. Productivity numbers for the full year were largely unchanged compared to the beginning of the year. We also reduced our quality cost by 9 percent in 2011. Our Lean principles and improvement program are creating flexible production, and overall, the company's production and inventory situation is adapted to prevailing market conditions.

Despite problematic market progress in the year, we sharpened our focus on marketing and sales with the aim of exploiting opportunities on our markets. We appointed a new Marketing Director to our group management, who heads up the group's marketing and sales. We also accelerated our efforts in further enhancing our market plans to pave the way for Ostnor's strong brands, FM Mattsson and Mora Armatur. We also conducted initiatives to further strengthen brand identity and the clarity around our products. In the year, we made a number of product launches that supplement our broad product range of mixer faucet products and associated services.

In design and development, we created a Design Board in 2010, focusing on industrial design, which we benefited from in 2011 when developing new products.

We also started a partnership with the Umeå Institute of Design. Energy rationalization and water savings are an important focus, as is clearly expressed in our EcoSafe products. This work continued in the year. We made our development processes more effective. Our innovation level, measured as the sales share of products less than three years old, continued to increase. Our launch precision increased significantly in the year, and the share of common components in our products increased, bringing us economies of scale in production and purchasing. We completed the development of two shared-brand product platforms in the year.

We also executed a number of actions in 2011 intended to prepare the company for a forthcoming initial public offering. These included us introducing new accounting policies, in accordance with IFRS, in tandem with our semi-annual financial statement, and then prepared and published our reports for the third and fourth quarters, and for the full year 2011, in accordance with these policies and applicable stock exchange rules. Thus we increased the transparency of our financial reporting. Our preparations for an IPO are continuing in 2012.

When I look back at the past year, I can conclude that despite difficult market conditions, we were able to keep developing our company successfully consistent with our strategies. FM Mattsson and Mora Armatur still have strong positions on our main markets and a sharper focus on marketing and sales will eventually bring us opportunities to exploit growth opportunities in Sweden and other markets where the company is active.

I'd also like to say a big thank-you to all Ostnor's skilled and committed people, who help make our company a little better every day. In this way, we will continue to supply our customers with quality products and solutions from Ostnor.

Håkan Olson

CEO

Business concept and strategies *profitability is the foundation of continued progress*

Over the past five years, Ostnor's strategic orientation has resulted in improved profitability and stability in the company's operations. Meanwhile, the company has increased its market shares.

During the 2007 merger of four companies into one, Ostnor AB, the strategic orientation to create a cohesive company with long-term and improved profitability was formulated. One key developmental step was formulating and introducing collective fundamental values right across the new group. The three key concepts of customer value, commitment and respect have created a strong and clear collective corporate culture that guides Ostnor's day-to-day work.

Simultaneously, the company has executed a raft of actions to rationalize its production. Manufacturing has been concentrated to a single production facility. Outsourcing of selected range items, investments in new production equipment and the introduction of Lean production in all manufacturing phases have improved productivity, quality and reduced manufacturing costs. The company has also adapted its staffing to address new working methods and lower total market volumes in the period.

Lean principles have been introduced end to end in the development chain, resulting in improved cross-functional working. Industrial design has been integrated into development work on a clearer footing through the implementation of new processes and a Design Board for managing and controlling design work. The combination of Lean and product development proceeds from our shared platforms, which has resulted in shorter development lead-times, superior delivery precision and a higher innovation level.

Two separate branding organizations have been formed in Ostnor's marketing and sales organization to differentiate the two brands more clearly, thus covering differing customer needs more effectively on a more heterogeneous market. Our organization has also been rationalized by reducing the number of sales items, cost rationalizations in foreign companies and the creation of a joint customer support function and sales team in Sweden for both brands, FM Mattsson and Mora Armatur. In addition, Ostnor has enhanced its business intelligence.

As a result of initiatives executed, Ostnor has improved operating profit over the five-year period. In the same period, market volumes have contracted, simultaneous with Ostnor retaining or increasing its market shares.

Ongoing work to prepare Ostnor for an IPO has implications including a transition to International Financial Reporting Standards (IFRS), which in combination with other measures, have brought increased transparency and stability to our financial controls and reporting.

Ostnor has a stable and profitable operation and is equipped to exploit growth opportunities in Sweden and other markets where the company is active.

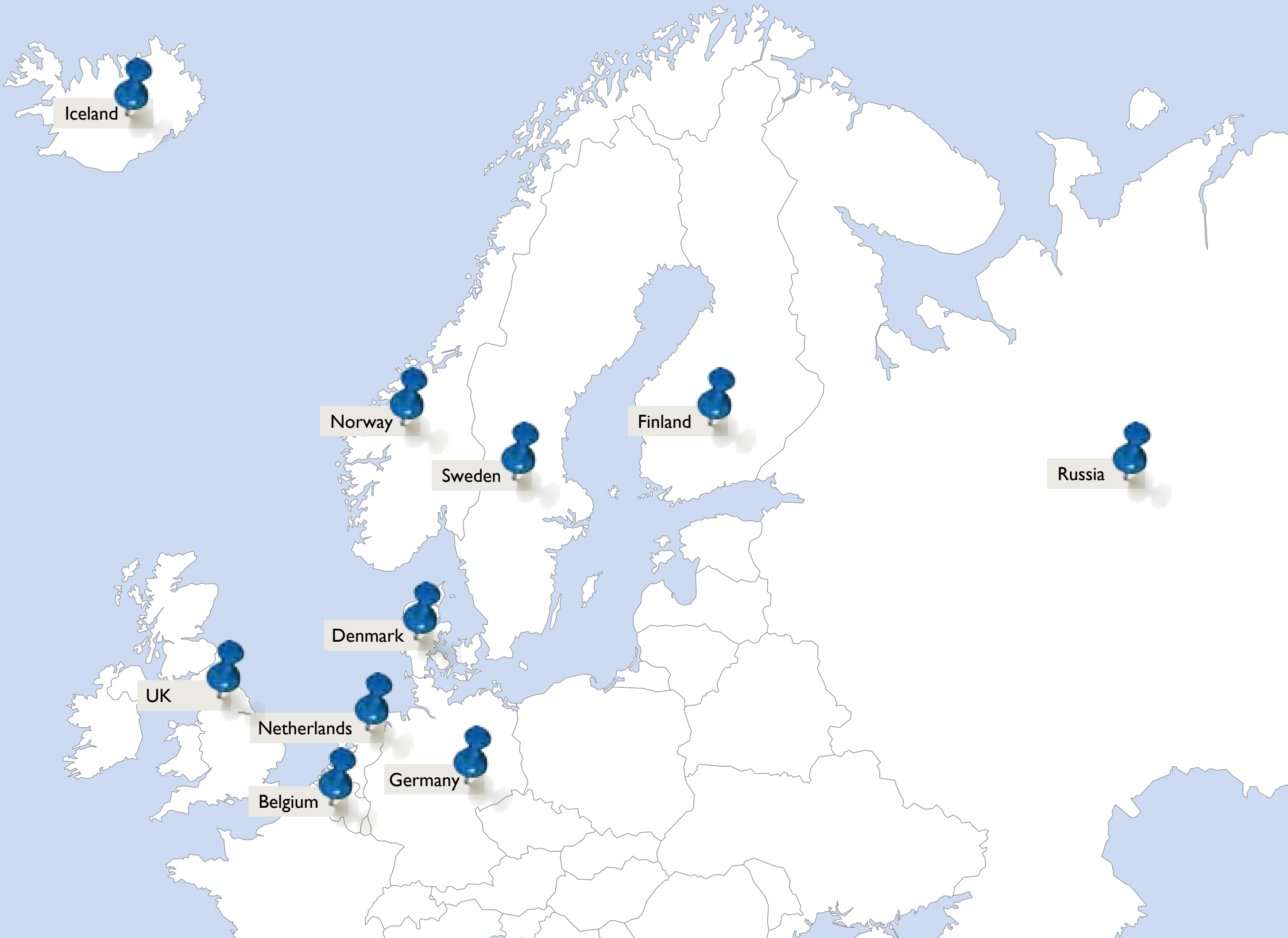
Business concept
"We shall provide the market with faucets, accessories and services centering on customer needs, based on leading-edge technology, attractive design and high quality."

Strategies
Ostnor endeavors to create sustainable profitable growth. To achieve this, it utilizes the following strategies:

- Enhancing the FM Mattsson and Mora Armatur brands with the aim of building two complementary, competitive product portfolios with high customer value, profitability and clear market positioning.
- Sharper focus on the Nordic and other export markets for profitability and organic growth.
- Continuous rationalization of product development with shorter development lead-times, increased launch precision and a focus on design and innovation.
- Continued intensive improvement work in production, focused on increased delivery precision, higher productivity and improved utilization of capital.

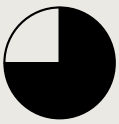
Vision
"We shall be one of the largest and most profitable European manufacturers in our industry."

Market and sales
strong Nordic base



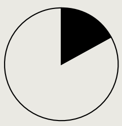
Sweden

Both Ostnor brands have very strong positioning in Sweden. 75 percent of total sales are in Sweden.



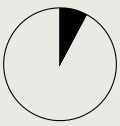
Nordics

The Nordic countries outside Sweden are also Ostnor's main market, with 17 percent of sales in Norway, Denmark and Finland.



International

Ostnor's positioning outside Sweden and the Nordics is less established. 8 percent of sales are on other export markets.



Queensland Children's Hospital

An order from Queensland Children's Hospital in Australia for up to 1,200 integrated FMM thermostat mixer faucets is an example of Ostnor's strong positioning in the care sector. The hospital will have 359 rooms and opens in 2014.

Demand on Ostnor's markets in 2011 was generally characterized by brisk progress in the first part of the year followed by deterioration in the second half-year. Largely, the explanation lay in financial turmoil in Europe.

Some 75 percent of Ostnor's total sales are in Sweden, 17 percent in the other Nordics (Norway, Denmark, Finland) and 8 percent on other markets.

Market growth is driven by new construction, renovation, conversion and extension, known in Sweden as the 'ROT' sector. The ROT sector represents the majority of sales. In turn, this sector is primarily driven by price growth of housing and progress of the consumer confidence index.

While the market is divided into geographical regions, it can also be split into customer segments, such as private housing, real estate companies, manufacturing and the public sector. In Sweden, Ostnor has such a high market share that sales cover all segments. In markets outside Sweden, it is more important to identify the most attractive customer segments against the background of each market' special characteristics and Ostnor's strengths.

Markets feature a number of long-term trends.

- End-customers/users are getting more influence over mixer faucet choices. This means that design is becoming a more competitive requirement.
- New technology and new materials, like electronics and polymers, are becoming more significant to developing new products.
- New marketing channels like the Internet and DIY present new opportunities, but also bring challenges.
- Energy rationalization is becoming more important in terms of product characteristics.

In the year, Ostnor commenced the process of introducing the Lean principles that have been successfully applied to production and product development into marketing and sales.

Sweden

In the year, the Swedish market was somewhat less affected by financial turmoil in Europe. The ROT sector, which represented some 90 percent of sales, saw lower activity in the year. Both the group's brands, FM Mattsson and Mora Armatur, are market leaders in Sweden. Ostnor judges its market share to have been largely unchanged in the year.

Basically all Ostnor's sales on the Swedish market are to wholesalers. These companies then sell the products onto installers, real estate companies, building firms, tenant-owners' co-operatives, etc. The wholesale level consists of just over 20 companies, but is dominated by a few large players, the biggest being Ahlsell, Dahl and Onninen. In recent years, certain wholesalers have launched proprietary mixer faucet and shower system brands, which makes it more important for producers to have strong brands that are in demand by wholesalers' customers and consumers.

The largest competitors on the Swedish market are Gustavsberg and Oras. One of Ostnor's key strengths is the strong relationships wholesalers and installers have with FM Mattsson and Mora Armatur on the Swedish market, as well as high brand recognition by consumers.

Nordics

Ostnor has a position as a challenger to the market-leading manufacturers in Norway, Denmark and Finland. Generally, its market positioning is well established in each country, with well-recognized brands with local links, and thus strong contacts in the sector. Oras is the market leader in Norway and Finland. There is no dominant player in Denmark.

Apart from a cyclical slowdown in the autumn, demand in Norway was affected by one of the leading wholesalers co-locating a number of regional warehousing facilities to a central point with reduced overall inventory volumes resulting.

The Finnish and Danish consumer markets progressed poorly in the year.

International

Outside the Nordics, Ostnor is active in Germany, Russia, Belgium, the Netherlands, the UK, Australia and Iceland. Ostnor's positioning on these markets is far less established and its market shares are low, apart from Iceland, where Ostnor has a relatively high market share. Germany is the home market for most of Ostnor's major competitors. The Russian market features high competition and intense price pressure.

Regional differences in usage and design preferences mean that products need to be tailored to succeed on international markets. For example, Ostnor has a relatively strong position in the German hospital sector, where tailored products are developed for this market's specific needs. Another example of Ostnor's strong positioning in the care sector in the year is an order from Queensland Children's Hospital in Australia for up to 1,200 integrated FMM thermostat mixer faucets. This hospital will have 359 rooms and opens in 2014.

Brand strategy *differentiation brings broader market coverage*

Ostnor's products are sold under two brands: FM Mattsson and Mora Armatur. The strength of these brands is one of the group's most valuable assets. To exploit this strength optimally, work is ongoing to differentiate the two brands respective positions on the market more clearly.

The basic philosophy of this work is to retain FM Mattson's very strong positioning in the mid-segment, while simultaneously migrating Mora Armatur to also cover the premium segment. With this orientation, the market is addressed on a broader footing, and Ostnor becomes a challenger in new, attractive customer segments.

The division of roles between brands can be summarized as FM Mattsson being the leading faucets brand in the Nordics, and simultaneously migrating Mora Armatur in the direction towards a premium brand.

For FM Mattsson to develop its market leadership, it is important to keep building on segments were the brand already has a strong status, such as safety, sustainability and function. Within the foreseeable future, Mora Armatur will be a challenger on markets outside Sweden. For premium brands, design and contribution to interior style are really important.

The EcoSafe concept is an important component of both brand identities. EcoSafe is a collective term for a number of environmental qualities that Ostnor products offer, such as contributing to significant energy and water savings. The ambition in marketing FM Mattsson and Mora Armatur is to increase consumer knowledge of their high savings potential, in environmental and financial terms.

The Mora Rexx kitchen faucet
Mora Rexx is the essence of Scandinavian design and functionality. This range is minimalist and focuses on simplicity.

Mora Armatur
a premium brand

Mora Armatur embarked on its journey from being a Swedish producer of sanitary fittings to becoming a premium brand offering high quality and perceived value in 2005. Through the adopted brand strategy, the Mora Armatur brand is evolving towards clear positioning in a commercially attractive segment—with international potential.

In Sweden, Mora Armatur competes with a handful of European brands, where success is largely a result of many years of carefully maintained customer relations. This is something the company is very proud of and continues to uphold. To seriously challenge the expanded consumer market, an offering that can attract new customer groups is necessary.

Mora Armatur will offer the best of Scandinavian design and Swedish engineering. A lifestyle brand in the premium category with the opportunity of attracting new types of stakeholder for the long term such as architects, interior designers, furniture and interior design stores.

Mora Armatur initiated a partnership with one of the most well-known product designers in the Nordics in 2011, with the objective of introducing new design series more quickly. The combination of a high level of engineering know-how and leading-edge design skills will enable continued progress towards the premium category. The EcoSafe energy and environmental concept ensures environmental responsibility and energy savings in the brand's continued development.

A new digital communication platform was launched in the year, with Mora Armatur's website as the hub, and where new channels have been created to increase customer value. Mora Armatur's mobile app was launched here, including functionality for the easy image capture of kitchens, where different faucets can be superimposed. The app also has Mora Armatur's full product range and an energy calculator, enabling consumers to work out how much energy changing faucets will save for their household.

Mora Armatur Professional (MAP), a digital competence development tool for the whole heating, ventilation and sanitation sector, was also launched. This is a new sector concept to increase the professional pride and personal competitiveness of the company's collaboration partners, who gain accreditation after completing training.

A Facebook and YouTube presence was also created in the year. A branding film, produced in the year, was also uploaded on the latter. This is an important tool for defining and supporting the brand and its continued development internally and externally.

Premium

A premium brand is often part of a chosen lifestyle based on personal commitments. Mora Armatur should deliver higher quality and perceived value at a price that corroborates this status.

Offering

"Contemporary Scandinavian design—to use every day."
This offering is a pledge to everyone we want to attract and do business with.

For whom

Mora Armatur primarily communicates with "progressive consumers"—energetic and conscious individuals that often act as leaders for broader consumer bases.

FM Mattsson
the leading brand in the Nordics

FM Mattsson is a clear market leader on the Swedish mixer faucets market and has high brand recognition. The brand is well established in the sector in other Nordic countries. On markets outside the Nordics, market shares are significantly lower.

The high market share in Sweden is based on long-term and close customer relations. Real estate companies and private housing are some of the primary target groups.

Product breadth, technology, quality and reliability are distinguishing strengths of the FM Mattsson brand. Generally, products have high technology content and functionality, saving energy and water. Functions such as soft closing bring longer useful lives, while a double action thermostat always maintains a constant temperature. Products launched in 2011 include FMM 40cc thermostats for visible pipe runs. FMM telescopic ceiling showers and additions to the FMM 9000E series.

Marketing puts a high emphasis on highlighting the substantial savings potential offered by EcoSafe, in environmental and financial terms. One example is the savings calculator uploaded to FM Mattsson's website, which translates mixer faucet environmental characteristics into potential savings for the consumer in monetary terms.

A mobile website including product range, resellers, instructional videos and servicing handbooks was also launched in the year.

The FM Mattsson 9000E kitchen faucet.

FM MATTSSON'S DESIGN PHILOSOPHY

Functional design

- Faucets are a utility item that are part of everyday life.
- Utility items should be beautiful, simple, solid and discreet and not demand the attention.
- No unnecessary functions that are just decoration, but intelligent solutions to everyday problems.
- Sustainable solutions, sustainable design.

FM Mattsson

Design and innovation
increased rate of innovation

Ostnor's design and innovation work is decisive to the group retaining its leadership in mixer faucet technology. Development work focuses partly on design and partly on developing new technologies such as energy efficiency and water-saving. Development work is run according to Lean principles.

Research and development expenses were some 3 percent of total sales in the year.

The rate of innovation, measured as the sales share of products less than three years old at year-end 2011, increased to 29 percent of sales, compared to 27 percent in the previous year.

The average time to market for a complete product series was unchanged at 12 months.

A significant improvement of launch precision, i.e. how closely product launch dates conform to plan, was achieved in the year. It increased to 87 percent, compared to 76 percent in the previous year.

Work on the first two shared-brand modular product platforms was completed in the year.

Increased usage of shared components and modules in various processes lead to economies of scale in production and purchasing.

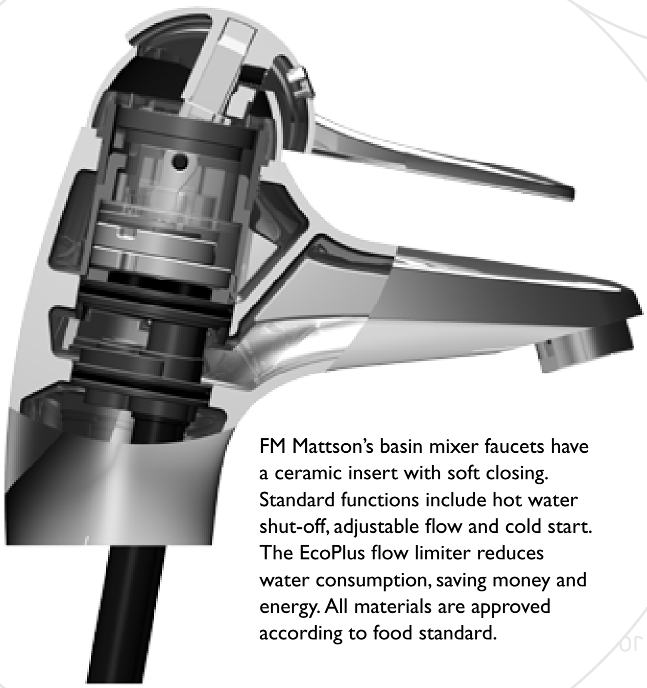
Some of the products launched in the year include Mora MMIX Care, Mora Cera Safe, FMM 40 cc thermostat and the FMM telescopic ceiling shower.

Design is an increasingly important factor in end-customers' decision-making, and thus plays a central role in the group's brand strategy and for developing the FM Mattsson and Mora Armatur brands. Not least, this applies to the continued advancement of Mora Armatur's positioning as a premium brand. Ostnor's strategic design initiative intensified in the year. Complementing the group's in-house competence with experience, know-how and inspiration from segments outside the sector, is an important component of this process. Design work is controlled by Ostnor's Design Board, which has internal representatives and external designers. A partnership with the Umeå Institute of Design also commenced in 2011.

Ostnor is a long-time leader in energy rationalization and saving water. Standards in these segments are becoming more stringent, from the authorities (mainly driven by environmental considerations) and consumers (mainly driven by potential cost savings). Ostnor's product range is very well positioned to address these higher standards, with retained functionality.

Ostnor is also active in developing materials, which is driven by several different factors such as cost, regulation and function.

FM Mattson thermostat mixer faucets have pressure and temperature-compensating components. To reduce the risk of scalding, the mixer faucet is fitted with a high temperature shut-off. However, they do include a controlled hot water rinse feature for protection against Legionnaire's disease. They also include functionality to limit flow, EcoPlus, which saves money and energy. All materials in the mixer faucet are approved according to food standard.



FM Mattson's basin mixer faucets have a ceramic insert with soft closing. Standard functions include hot water shut-off, adjustable flow and cold start. The EcoPlus flow limiter reduces water consumption, saving money and energy. All materials are approved according to food standard.

29%

of sales are from products less than three years old

Production
a raft of improvements

Ostnor continued to develop the organization, processes and flows at its Mora production facility in 2011, in accordance with the company's strategy of effective production. This resulted in improvements in most key ratios.

- **The number of improvements** executed increased to as much as 1,773, providing clear evidence of its people's strong commitment to improvement work.
- Simultaneously, the **quality cost** reduced by 9 percent.
- **Productivity growth** was positive in the first half-year, but deteriorated in the second half-year due to lower utilization, which overall meant an unchanged level in 2011 compared to 2010.

Production utilization reduced in the second half-year due to adaptation to prevailing market conditions and high inventory levels at mid-year.

Measurements of outgoing delivery precision were extended to cover all parts of the group. On a consolidated basis, Ostnor's delivery precision improved, contributing to improved, high customer satisfaction. Incoming delivery precision improved significantly in the fourth quarter.

The improvements are based on continued systematic work on Lean Production and methods like 5S, continues improvements (Kaizen), SMED and 6-sigma. The principles governing Ostnor's production systems consist of six main points:

- **Standardized working methods** mean that everyone uses the best-known method for doing work, and that repeat problems can be identified and rectified.
- **Clear and visible** means that it is easy to see how a process is going, for example, where things should be kept, what should be produced now and when the next item should run. Clarity and visibility also feature in leadership of our production operation.
- **Minimizing waste** applies in eight different segments: surplus production, unnecessary work processes, unnecessary movement and relocation, unnecessary transport, unnecessary inventories, faults, re-working and scrapping, waiting times and unutilized competence.
- **Right from me** is about every employee viewing the next step of the process as his/her customer, and taking responsibility for delivering products that match customer needs.
- **Needs-controlled production** means always producing for the customer's current needs, and assumes small batches and short processing times.
- **Continuous improvement** is the key to sustainable success.

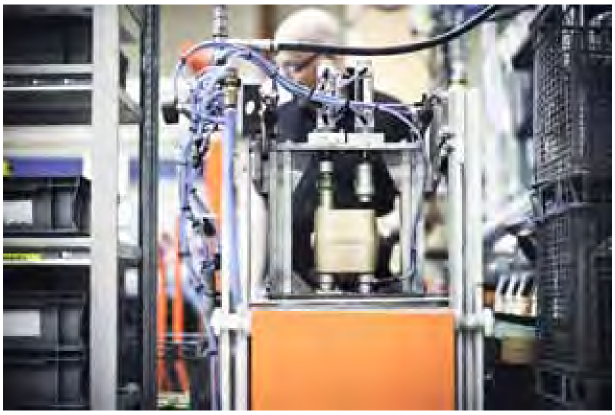
Systematic and successful improvement work resulted in Ostnor reaching the final of the Swedish Lean Award in the year.

Ostnor's production is at a proprietary plant in Östnor, a few kilometers north west of Mora, in central Sweden. The facility is partly highly automated, with assembly being largely manual.

Ostnor has one of Europe's most modern brass casting foundries, with two fully automated casting cells. Core manufacture is also automated. Our state-of-the-art foundry provides high capacity with limited staffing, the possibility of reduced cost of defects and energy savings. Ostnor has the potential to increase production at its existing premises.

Laser etching of thermostat mixer faucet.

All mixer faucets are tested for leaks before delivery to customers.



Our employee's high commitment is decisive to our improvement work.

Fully automated functional testing of ceramic inserts.

Sustainability
major positive effects

Ostnor contributes to long-term sustainable development in all parts of its business. Sustainability work covers all parts of the value chain: suppliers, production, distribution, employees and customers. This includes minimizing the negative impact our business may have in various contexts, but also realizing the positive sustainability potential inherent in the group's products contributing to significant energy and water savings as far as possible.

Suppliers
Ostnor's suppliers of direct materials undergo an audit, which apart from their technical capacity, also reviews social conditions and the supplier's environmental work. Through the active selection of suppliers that are open to inspection of their production processes, we create the possibility to influence and monitor. Ongoing programs to reduce our supplier base are gradually making Ostnor a stronger partner with a bigger presence with its suppliers. The phase-out of a number of suppliers commenced in 2011, in favor of those whose activities include conducting more active environmental work. Work on creating more efficient logistics through coordination and integration between suppliers and seeking alternative suppliers closer to Mora, are also enhancing Ostnor's prospects of environmental gains in the form of reduced transportation.

Product development
Ostnor's products are certified according to applicable national environmental and health standards. Drinking water is classified as a food and it is regulated according to national and EU drinking water legislation.

New discoveries in the drinking water segment result in changing standards and limits. This may affect the content of materials and design solutions of faucets.

Joint development projects in materials development are ongoing in the sector. Ostnor participates in policy work with representatives of the sector and the authorities.

Production
Ostnor takes great consideration to the sustainability aspects when selecting production methods and endeavors to reduce its environmental impact continuously. The environmental performance indicators Ostnor measures are energy consumption, CO_2 emissions, raw materials consumption, waterborne emissions, consumption of chemicals and waste volumes.

Executed improvements include reducing CO_2 emissions through a transfer to district heating. Environmental improvements were made in tandem with the development of new products and investments in new equipment. For example, a reduction of the number of manufacturing processes is gradually reducing energy consumption and, less wastage and brass shavings.

Systematic quality work reduces scrapping and reworking, which reduces environmental impact. Waste materials from processes are smelted and recycled. Two new agreements for the further enhancement of waste management were signed in the year. Excess heat from various processes is passed through heat exchangers and used for heating premises. Ostnor's products are 99% recyclable.

Ostnor's main business is subject to permits according to the Swedish Environmental Code. The company has two permits, one for the Södra plant and one dormant permit for the Norra plant (where no operations subject to permits are conducted). Ostnor has a fully comprehensive and coordinated management system to control all operations. This system satisfies the stipulations set by standards including ISO for the external environment (14001) and quality (9001).

Ostnor holds the following third-party certification for the external environment and quality:

- External environment: SS-EN ISO 14001:2004, no. 2003-SKM-AE-1928
- Quality: SS-EN ISO 9001:2008, no. 2003-SKM-AQ-1920

Det Norske Veritas Certification AB inspects the company 1–2 times yearly to ensure that its operations continuously satisfy the requirements of standards.

Land decontamination
Surveys have indicated that portions of the land surrounding Ostnor's plants is contaminated to some extent as a result of long-term industrial use. Soil samples indicate high content of metals. Ostnor is planning to commence the decontamination of the estate around the Norra plant.

Distribution
Ostnor endeavors to minimize energy consumption during transportation. This is achieved through channels including new materials choices and lower consumption of materials offering new faucet series less weight, reducing energy consumption and emissions on transportation and maintaining inventories. Ostnor's packaging is designed to facilitate waste sorting at source.

Customer/usage

End-customer usage of Ostnor's products has major positive effects from a sustainability perspective through energy and water savings.

Environmental considerations have been a long-term priority of the group's product development. Progress has resulted in a series of positive environmental characteristics of the current range:

- Ceramic seals prevent faucets dripping, saving substantial water volumes.
- Eco-flow limiters automatically reduce consumption of hot and cold water by limiting flow. The difference is hardly noticeable, but saves thousands of liters of water per year.
- Cold starting means that initially, only cold water passes when the faucet is opened with the handle straight forward, rather than a mix of cold and hot water as in a traditional faucet, which has a major impact on energy consumption.
- Soft closing means faucets close with a small delay, avoiding pressure spikes in piping, thus increasing the useful lives of faucets and pipe work.

Overall, these product characteristics result in significant positive environmental effects.

FM Mattsson and Mora Armatur's marketing puts a big emphasis on increasing consumer knowledge of the major saving potential this brings, in environmental and financial terms.

Our people
commitment and collaboration

Ostnor endeavors to be an attractive employer that can hire, retain and develop competent employees.

The yearly employee satisfaction survey that covers all employees demonstrated better results in all segments such as health, job satisfaction and loyalty. Knowledge of the company's values increased significantly as a result of the work on securing acceptance in 2010 and 2011. The survey resulted in some 250 different improvement activities being initiated.

A review and evaluation of all job descriptions was conducted in the year. The purposes were to satisfy the standards of anti-discrimination regulations in there being no pay differences due to sex, and to identify any unjustified pay differences in the company.

A workgroup was appointed whose duty is to prepare criteria of what defines a good leader at Ostnor. The intention is to create a leadership standard that serves as the foundation for good performance and continuous improvement. This group's work will conclude in 2012.

The positive sickness absence trend continued (see diagram). Sickness absence has reduced steadily since 2006. Explanations include a focus on health and the environment in the company where corporate healthcare resources are used to prevent bad health and ensure that the working environment is as safe as possible. Only one accident with sickness absence occurred in the year. Ostnor affiliated to Medhelp, a service for reporting health and sickness combined with healthcare advice, in the year.

Good relations between the unions and management were strengthened further through the introduction of Samverkanspuls ('collaboration pulse'), which could be described as a simplification and rationalization of negotiations based on MBL, the Swedish act on employee co-determination in the workplace. This system means management and representatives of the unions IF Metall and Unionen meet each morning for a brief review of current issues and activities. The Skyddskommittépuls ('safety committee pulse'), which monitors the health and safety situation in a daily five-minute review, was added to Samverkanspuls. Representatives of the company, the health and safety engineer, unions and chief safety representatives hold a somewhat longer weekly meeting on systematic occupational health and safety work. These meetings are conducted jointly with the Samverkanspuls.

Ostnor's core values

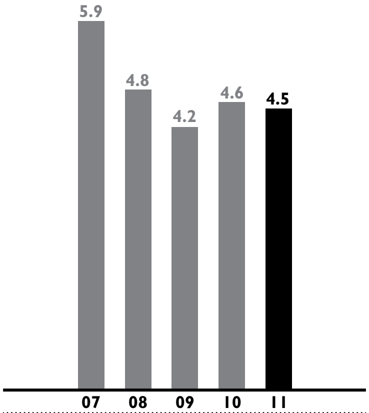
Ostnor's foundation of values is a collective platform for all employees to build on in their everyday work. This applies for their conduct towards customers, and in-house. The foundation of values builds on three fundamental concepts:

Customer value: Our business is based on creating customer value. What our customers perceive is the result of the efforts of all our employees. By maintaining a constant focus on customer value in everything we do, we create the right prospects for Ostnor to be the winner in its sector.

Commitment: Commitment is necessary to create customer value. High commitment to our work helps make Ostnor the leading player in our sector. By being committed, people and the operation develop together.

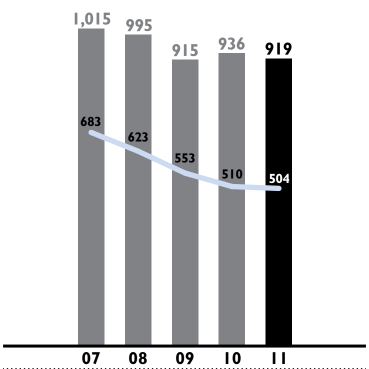
Respect: The diversity of all individuals is an asset to Ostnor. Every employee is responsible for creating a working climate that encourages the exchange of opinions and ideas. By helping each other and respecting the integrity and situation of each individual, we create the right prospects for Ostnor being able to deliver increased customer value. Simultaneously, we become a winning company, and a workplace to enjoy and progress in.

SICKNESS ABSENCE [1]

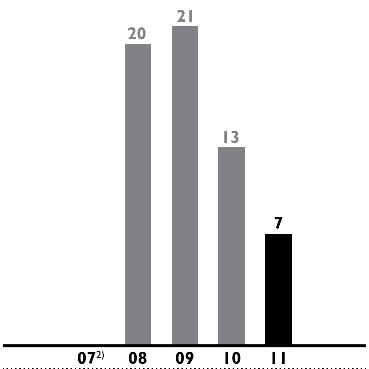


[1] Refers to the parent company Ostnor AB

SALES/AVERAGE NUMBER OF EMPLOYEES



STAFF TURNOVER [1]



[1] Refers to the parent company Ostnor AB
[2] Measurements for the parent company Ostnor AB commenced in 2008

ERNEST MTETELELI LAMANI

Born in 1982
Lab engineer
Employed in 2010

"I test products in the development phase, those on the market and those to be sent for type approval, and basically service all departments. It's important that I can stand for the work I do, and must always be responsive to needs, wishes and standards."

MARIA NILSSON

Born in 1973
Lathe operator, process coach, 5S auditor and safety representative
Employed 2003

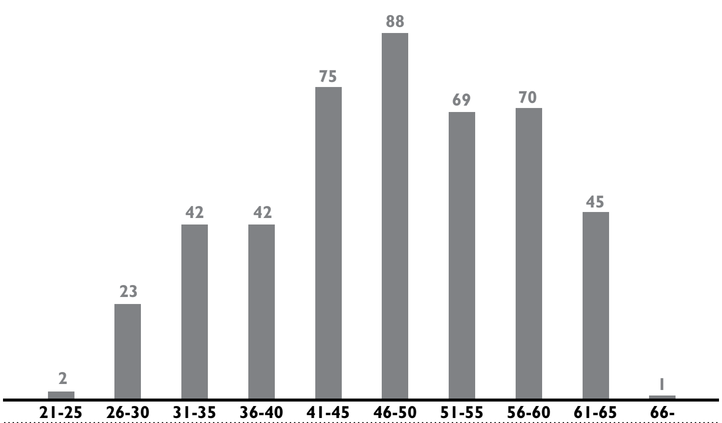
"If you're committed and prepared to put the necessary hours in, you get the chance and good opportunities to develop here. Work on 5S is really enjoyable and as a 5S auditor, I help others succeed in introducing S certification. We've got a really great sense of fellowship in the group where I work, and it's fun to go to work each day."

ANDERS CARLSTRÖM

Born in 1963
NC operator
Employed in 2011

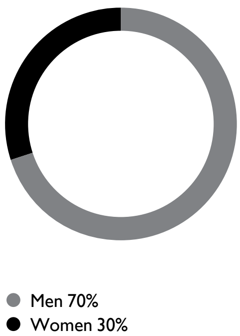
"I've got a background in the car industry. Coming here has been a dream come true for me: everything's in good order and I think we listen to each other. Obviously, you feel committed in such an environment. It's worth the 55-mile commute every day."

AGE PROFILE 2011[1)]



[1)] Refers to the parent company Ostnor AB

DIVISION BETWEEN THE SEXES[1)]



[1)] Refers to the parent company Ostnor AB

Corporate governance

Ostnor AB (publ), with its registered office in Mora, Sweden, is 30 percent owned by Priveq Investment II KB. The other main shareholders are members of the former founding families, as well as senior managers and Directors.

The Board of Directors reviews Ostnor's vision, strategy and goals each year. Governance, management and control of Ostnor is divided between the shareholders, Board of Directors, Chief Executive Officer and group management in accordance with the Swedish Companies Act, the Swedish Annual Accounts Act, the Articles of Association and the rules of procedure for the Board of Directors. The Swedish Code of Corporate Governance should be applied by companies whose shares are traded on a regulated marketplace, and accordingly, Ostnor is not covered by the Code.

Shares, ownership

The total number of Ostnor shares is 11,445,100 (100:1 split in 2011) of which 2,289,000 class A shares with 10 votes, and 9,156,100 class B shares with one vote each. As of year-end 2011, the company had 162 shareholders, of which one shareholder, Priveq Investment, holds 30 percent of the number of shares and votes. Ostnor has been a VPC-registered company since 2003, which means its share register is maintained by Euroclear (formerly VPC). The company has also been publicly limited company since the previous AGM.

The company's largest shareholders, which represent at least one-tenth of the number of votes for all the shares of the company, are reported on page 27 of the Annual Report.

Annual General Meeting

The Annual General Meeting (AGM) is the company's chief decision making body. The AGM elects the company's Board of Directors and Auditors, approves the accounts, resolves on how profits are to be appropriated and resolves on discharging the Board of Directors and Chief Executive Officer from liability. The AGM also considers other matters that are mandatory according to the Swedish Companies Act and the Articles of Association.

98 shareholders were represented at the most recent AGM on 9 May 2011, holding 64 percent of the total number of shares and 81 percent of the total number of votes of the company. Most of the Board, the Chief Executive Officer and the company's Auditor attended the Meeting. Minutes from the AGM in the current Articles of Association are available at the company's website (www.ostnor.se).

The AGM did not issue any authorization to the Board of Directors to decide on the company issuing new shares or purchasing treasury shares.

Nomination Committee

The duty of the Nomination Committee is to present proposals to the Chairman and Directors, fees and other remuneration for Board assignments at Board meetings, election and remuneration of Auditors and appraising the work of the Board of Directors. The Nomination Committee's proposals are reported in the invitation to the AGM.

The AGM elects Directors, who as far as possible, should reflect ownership of the company. At present, the Nomination Committee members are Lena Hermansson (Chairman) Åsa Mattsson, Johan Eriksson and Christer Lenner.

Composition of the Board of Directors

The Directors are elected yearly by the AGM for the period until the end of the next AGM. According to the Articles of Association, the Board of Directors should consist of a minimum of four and a maximum of seven Directors. Otherwise, the Articles of Association stipulate no limitation regarding the appointment and dismissal of Directors or amendments to the Articles of Association.

The current Board of Directors has the following Directors: Christer Lenner (Chairman), Erik Eriksson, Magnus Hardmeier, Mats Hermansson, Eva-Lotta Kraft, Hans Åke Norås and Pernilla Wigren.

Work of the Board of Directors

The work of the Board of Directors is formalized by rules of procedure adopted yearly, which regulate the internal division of responsibility, decision-making in the company, authorized signatories, Board meetings and the duties of the Chairman. The Board of Directors has also adopted instructions for the division of responsibility between the Board of Directors and Chief Executive Officer, which is evaluated each year.

Scheduled Board meetings consider the Chief Executive Officer's and management's reports regarding business conditions, forecasts, accounting and financial reporting, functional business reports, investments, potential significant disputes or potential matters of dispute and other applicable issues appropriate for presentation to the Board of Directors for decision. In addition, an appraisal of the work of the Chief Executive Officer, appraisal of the working methods and decision-making processes of the Board of Directors should also be considered by at least one of the scheduled Board meetings in the year.

One of the Board meetings in the year decides on a strategic plan including a vision, business concept and strategy. The budget for the coming year is considered and adopted at the final Board meeting of the year.

The Board receives a monthly written report from the Chief Executive Officer on the company's results of operations and financial position.

In addition to its Board meeting following election, in 2011, the Board of Directors held six scheduled meetings and one additional telephone conference. The whole Board of Directors attended all Board meetings apart from one, when one person was unable to attend. One person was also unable to attend the Board meeting following election. Apart from the Board of Directors, the CEO and CFO always attend Board meetings, with the CFO also serving as Board secretary. Other employees of the company participate at Board meetings to report on particular issues, or if otherwise considered appropriate.

The company's Auditor attends board meetings as required to judge the company's financial position and at least once in the year. The company's Auditor attended and reported on two occasions in 2011.

Remuneration Committee

The Board of Directors has appointed a Remuneration Committee that should consist of the Chairman and three members elected by the AGM. Its duty is to consult on the CEO's salary and other terms of employment. The Committee shall also consult on appraisal of the CEO. The Committee should receive and approve agreements the CEO reaches with senior managers of the company. The Remuneration Committee's members are Christer Lenner (Chairman), Erik Eriksson, Magnus Hardmeier and Mats Hermansson.

Risk management

Financial risks

Ostnor's operations are exposed to various types of financial risk such as market risks relating to currencies and interest rates, as well as liquidity and capital risks. All these risks are managed in accordance with the company's finance policy, which is updated and approved by the Board of Directors annually. There is a more detailed description in Note 3. Hedges are entered for 50 percent of forecast currency flows over a rolling 12-month period. Financial exposure of foreign currency accounts is regulated. Interest swaps are used to minimize interest risks on borrowing. Investments are only permitted on a short-term basis in securities with high credit ratings.

Raw materials price risks

Some one-third of Ostnor's total expenses for direct materials consist of metal raw materials input into works-made and purchased components. Essentially, the expense for metal raw materials relates to alloy brass, which consists some 60 percent of copper and 40 percent of zinc. Thus the group has significant risk exposure to these metals.

Risk management of raw materials prices addresses the avoidance of speculation risks and creating predictability. For Ostnor's own requirements of brass, this is achieved through short agreements and ongoing financial hedges of 70–80 percent of the requirement for the following year. For purchased components, Ostnor endeavors to reach agreements conferring a low frequency of price updates.

Over and above financial risks, Ostnor identifies and manages operationally related risks. These risks are divided between operational risks and market risks as well as legal and regulatory risks.

Operational risks

Most of Ostnor's products are works made at the Mora production facility. Production is primarily exposed to various risks in the supply of materials, health and safety, the operational environment and exogenous environmental factors. Risk management is conducted through daily production control and an improvement program that identifies new risks and their management. The company is exposed to risks and material flows of raw materials input, brass, and components sourced from external suppliers. All suppliers are evaluated and screened by the company with the aim of ensuring a satisfactory supply of materials and components.

Market risks

Ostnor's sales are dependent on a few markets and are strongly linked to dominant wholesalers in Sweden and the Nordics. The renovation, conversion and extension (ROT) sector is the main driver of market progress and is controlled by factors including price growth of single-family houses and tenant-owners' co-operative housing. Changes in market interest rates, housing prices and general economic conditions may affect the company's sales and results of operations.

Legal and regulatory risks

Ostnor's products are accredited in accordance with applicable national environmental and health standards. Drinking water is classified as a food and is regulated by national and EU-wide drinking water legislation. Changed standards and limits may affect the content of materials and construction solutions of faucets. Ostnor conducts sector-wide materials development projects and participates in policy work with sector and regulatory organizations.

Senior managers

Håkan Olson
CEO, employed in 2006
Born in 1955
B.Sc. (Eng.)
Class B shares: 2,500

Anne-Charlotte Eggwertz
CFO, employed in 2008
Born in 1951
B.Sc. (Econ.), Stockholm School of Economics
Class B shares: 15,000

Morgan Nilsson
Director of Production, employed in 2008
Born in 1952
Mechanical engineer
Class B shares: 5,000

Claes Seldeby
Director of Sales & Marketing,
employed in 2011
Born in 1969
B.Sc. (Econ.)
Shares: –

Larz Ericson
Director of Human Resources,
employed in 2008
Born in 1956
B.Soc.Sc.
Class B shares: 5,000

Mikael Hansson
Director of Research & Development,
employed in 2000
Born in 1959
B.Sc. (Eng.)
Class B shares: 2,500

Board of Directors

Christer Lenner
Chairman of the Board since 2009
Born in 1947
Engineering and marketing qualifications
Other assignments: President of Siljan Group AB, Chairman of the Board of Mattsson Metal AB, Scanmast AB, AB Nybrogrus and Västerviks Företagsgrupp, Director of Gunnebo Industrier AB and H&A Brodyr AB.
Class B shares: 30,600

Erik Eriksson
Director since 2003
Born in 1959
Senior high school technology graduate
CEO of Mattsson Metal AB
Board member of non-profit organizations.
Class A shares: 41,200
Class B shares: 18,900

Magnus Hardmeier
Director since 2003
Born in 1959
B.Sc. (Econ.)
CEO of Priveq Advisory AB
Other assignments: Director of Mentice and Silex.
Shares: –

Mats Hermansson
Director since 2003
Born in 1940
Structural engineer
(former CEO of Mora Armatur AB)
Other assignments: Director of Siljan Timber AB, Siljan Wood Products AB and Blyberg Sveg Timber AB.
Class A shares: 61,600
Class B shares: 43,600

Eva-Lotta Kraft
Director since 2011
Born in 1951
B.Sc. (Eng.)
Other assignments: Director of Boule Diagnostics AB, Nibe Industrier AB, Biotage AB, Siemens AB, Samhall AB, ÅF AB and Opus Prodox AB.
Shares: –

Hans Åke Norås
Director since 2009
Born in 1944
B.Sc. (Econ.), Gothenburg School of Business, Economics and Law
Other assignments: Chairman of the Board of Proplate AB, Director of Söderbergföretagen J AB, Mora of Sweden AB and partner of CNN Consulting.
Class B shares: 50,000

Pernilla Wigren
Director since 2007
Born in 1964
B.Sc. (Eng.)
CEO of Kopparstaden AB.
Class B shares: 1,000

Per-Olof Wallin
Employee Representative since 2008
Born in 1966
Unionen

Staffan Gryting
Employee Representative since 2005
Born in 1968
IF Metall

AUDITORS:
Öhrlings Pricewaterhouse Coopers AB

Auditor-in-Charge
Magnus Brändström
Authorized Public Accountant
Born in 1962

Financial summary

Five-year summary, 2007–2011
The group's financial performance is summarized in the following table:

GROUP

MSEK	2011	2010	2009	2008[1]	2007[1]
Net sales	918.6	936.0	915.0	994.8	1,014.7
Profit after depreciation, before goodwill amortization	69.6	113.5	91.7	38.9	19.5
Operating income	69.6	113.5	91.7	32.3	12.8
Profit after financial items	64.9	110.8	92.2	16.2	2.7
Total assets	692.3	705.2	655.0	618.3	618.2
Equity/assets ratio, %	49	48	41	32	32
Cash flow after investments	85.3	115.3	104.3	–15.2	62.0
Return on capital employed, %	16	26	22	9	4
Return on equity, %	14	26	29	5	1
Average number of employees	504	510	553	623	683

[1] 2007–2008 not according to IFRS.

DEFINITION OF KEY RATIOS

Equity/assets ratio. Equity and untaxed reserves (less deferred tax) in relation to total assets.

Return on equity. Profit/loss after tax in relation to average equity.

Return on capital employed. Operating income plus interest income in relation to average capital employed (total assets less non interest-bearing liabilities and provisions).

Net debt. The total of interest-bearing liabilities and interest-bearing provisions less cash and cash equivalents.

Working capital. The total of inventories including work in progress and trade receivables less trade liabilities.

The share and shareholders

Owners

Ostnor has just over 160 owners, mainly from its founding families and Priveq Investment.
The following table illustrates the ten largest shareholders of the company as of 31 December 2011:

Name	Number of class A shares	Number of class B shares	Proportion of share capital, %	Proportion of votes, %
Priveq Investment II KB (formerly Skandia Investment AB)	686,700	2,734,300	29.89	29.96
Mats Mattsson	134,900	539,600	5.89	5.89
Anna Mattson-Svensson	118,800	475,200	5.19	5.19
Ulla Hermansson	89,100	356,400	3.89	3.89
Rosebo Kapital AB		342,000	2.99	1.07
Decent AB		300,000	2.62	0.94
Gunnar Eriksson	50,300	200,900	2.19	2.20
Rolf Eriksson	48,100	192,200	2.10	2.10
Agneta Eriksson	49,600	178,100	1.99	2.10
Barbro Rosendahl	44,600	178,400	1.95	1.95
Other	1,066,900	3,659,000	41.30	44.71
	2,289,000	**9,156,100**	**100.00**	**100.00**

Administration report 2011

Ostnor AB (publ.) registered number 556051-0207

GROUP

The Board of Directors and CEO of Ostnor AB, based in Mora, hereby submit the annual report and consolidated accounts for the 2011 financial year.

Operations

The Group conducts product development, manufacturing and sales of water faucets under the strong and well-established brands FM Mattsson and Mora Armatur.

Operations and manufacturing are concentrated in Mora in Sweden, where the Group's headquarters are also located. The Nordic countries are the main market, of which 75 (72) percent refers to Sweden and 17 (19) percent refers to the other Nordic countries. In Sweden, Ostnor has a strong position among clients in the dominant wholesale sector. Ostnor also has a smaller, non-Nordic export share of 8 (9) percent.

Events during 2011

Market Development

Demand on Ostnor's markets during 2011 was characterised by a strong overall performance during the first five months, which decreased during the remainder of the year. The reason was largely the financial turmoil in Europe. Market growth is driven by new constructions and renovations, conversions and extensions, which is, in Sweden, termed the 'ROT' sector. This sector represents the highest share of sales. The ROT sector is, in turn, driven by increases in house prices and the so-called Consumer Confidence Index (CCI). This applies for Sweden, but also in several of Ostnor's other priority markets.

Design and Product Development

Ostnor engaged in intensive development work during 2011. During the year, a 40 cc thermostat series of the FMM 9000E range, Mora MMIX Care, Mora Cera Safe and FMM Telescopic shower were launched. The following projects were completed during the year: FMM 9000E Single-lever (Laundry, Dishwashing), FMM 9000E Thermostat (160 cc) Mora MMIX (Laundry, Dishwashing), Mora MMIX Thermostat (160 cc) and Mora shower system. Mora MMIX and FMM 9000E represent a mix series that is based on a common technological platform.

Design work for the next generation mixer began during the year, as did technology development within key strategic areas. Material issues have been given an increased focus during 2011. Development process indicators have improved, the proportion of new products is 29 percent (27), "time-to-market" was 12 months (12) and launching precision was 87 percent (76).

Production

The implementation of Ostnor's Production System, which is an application of Lean Production, continued during 2011 and positively affected the key ratios. Quality defect costs were 9 percent lower than in 2010. The number of implemented improvements has more than doubled to 1,773, dispatch precision has also improved compared to 2010. Development of productivity key figures was, overall, unchanged during 2011, with a positive development during the first half of the year, followed by a worsening trend in the second half, due to loss of orders and inventory reductions. During August and September, 20 temporary employees left the company as part of an adaptation to a lower production rate, due to reduced demand. Ostnor was nominated for the finals of the Swedish Lean award.

Sales and marketing organisation with customer focus

During the year, a new Sales and Marketing Director was recruited to Ostnor, who started work in September. The sales and marketing organisation's primary goal is to create value for its customers and to create conditions for profitable growth for the company Ostnor AB, with its two brands Mora Armatur and FM Mattsson. The cooperation between sales and brand organisations have been structured to maximize synergies within the Group when it comes to marketing and PR. Efforts to develop marketing plans continued during autumn 2011 and will be further developed in 2012.

Net sales and earnings

Key ratios

MSEK	2011	2010	2009
Net sales, external	918.6	936.0	915.0
Operating income excluding financial instruments, brass	79.9	116.4	68.2
Operating income including financial instruments, brass	69.6	113.5	91.7
Operating margin, %	7.6	12.1	10.0
Profit after financial items	64.9	110.8	92.2
Cash flow after investments	85.3	115.3	104.3
Return on equity, %	13.6	26.3	28.6

Net sales

MSEK	2011	2010	2009
Sweden	688.8	678.6	658.3
Other Nordic countries	152.0	175.4	171.2
International	77.8	82.0	85.5
Group total	**918.6**	**936.0**	**915.0**

Operating income

MSEK	2011	2010	2009
Sweden	86.1	119.2	109.9
Other Nordic countries	–1.0	0.1	–8.7
International	–9.3	–10.5	–9.5
Non-recurring items	–6.2	4.7	–
Group total	**69.6**	**113.5**	**91.7**

Operating margin

%	2011	2010	2009
Sweden	12.5	17.6	16.7
Other Nordic countries	–0.7	0.1	–5.1
International	–11.9	–12.8	–11.1
Group total	**7.6**	**12.1**	**10.0**

Net sales amounted to MSEK 918.6 (936.0). The volume of sales decreased -3.6 percent compared to the same period last year. The first quarter of 2011 showed good growth in volume, corresponding to 5.7 percent compared to the same period last year. During the other quarters, a gradual decline in sales volumes has been observed, which is explained by the decline of the market development for all reportable segments over the year. Despite a weak market performance during the year, Ostnor believes that the Company retained its market share. Exchange rate fluctuations have affected net sales by MSEK –12.8.

Operating income amounted to MSEK 69.6 (113.5). The operating margin was 7.6 percent (12.1). Valuation of financial instruments, IAS 39, for brass futures amounted to MSEK –10.3 (–2.9). Operating income is charged with one-off costs of MSEK 6.2 related to preparations for the upcoming IPO. Last year, operating income was positively impacted by the sale of subsidiaries with office premises in Malmö of MSEK 7.1 and expenses for a special examination of MSEK –1.8, as well as termination costs for the office module in Mora of MSEK –0.6. Adjusting operating income for the valuation of brass futures and non-recurring items results in underlying operating income of MSEK 86.1 (111.7). The underlying result is lower in 2011 compared to 2010, due to increased brass costs of approximately MSEK 23 and lower sales and production volume. To compensate for the increased cost of production, increases have been made before 2012. In order to adapt the organisation to the lower production volume, personnel reductions have been carried out and contracts signed with IF Metall for varied working hours to be more flexible, to tie in with seasonal variations. In addition, costs for research and development were MSEK 7.1 higher in 2011 compared to 2010, due to a higher proportion of studies and small projects, which are not capitalised, as well as increased depreciation.

SEGMENT REPORTING

Sweden

This segment includes sales on the Swedish market and common Group functions, such as production, research and development, and administration. The Swedish market represents 75 percent of the Group's total sales.

MSEK	2011	2010	2009
Net sales, external	688.8	678.6	658.3
Operating income	86.1	119.2	109.9
Operating margin, %	12.5%	17.6%	16.7%

Net sales amounted to MSEK 688.8 (678.6). In terms of volume, sales declined by –1.1 percent. The market development during 2011 is expected to remain broadly unchanged compared to the same period during the previous year. Ostnor believes that the Company will maintain its market share during the period.

Operating income amounted to MSEK 86.1 (119.2). The operating margin was 12.5 percent (17.6). Operating income was negatively impacted by the market valuation of outstanding brass derivatives at MSEK –10.3 (–2.9). Excluding these valuation differences, operating income amounted to MSEK 96.4 (122.1). Since production results are included in the segment, operating income was negatively affected by the lower production volume due to lower sales volumes in Sweden and in export markets. In addition, brass costs increased by approximately MSEK 23 compared to 2010. In order to meet this trend, price increases have been implemented and the organisation was adapted to the lower volumes and flexible working hours introduced in order to manage existing seasonal variations. Costs for research and development were MSEK 7.1 higher in 2011 than 2010, because of a higher proportion of studies and small projects, which are not capitalised, as well as increased depreciation.

Other Nordic countries

This segment includes sales on the markets Norway, Denmark and Finland. Sales of the Company's products take place via wholly-owned subsidiaries and represent 17 percent of the Group's total sales.

MSEK	2011	2010	2009
Net sales, external	152.0	175.4	171.2
Operating income	–1.0	0.1	–8.7
Operating margin, %	–0.7%	0.1%	–5.1%

Net sales amounted to MSEK 152.0 (175.4). In terms of volume, sales declined by –13.4 percent. The market development has been negative during 2011, compared to the same period during the previous year. The Norwegian operations showed weaker performance compared with other Nordic operations. In order to meet this development, the organisation of the Norwegian company will be adjusted to achieve an increased focus on sales. Changes in exchange rates affected net sales by MSEK –6.3.

Operating income amounted to MSEK -1.0 (0.1). The operating margin was negative. The decrease in operating income is a result of lower net sales compared to the same period during the previous year. Exchange rate fluctuations impacted operating income by MSEK 0.1.

International

The segment includes sales on the markets in Russia and Germany via wholly-owned subsidiaries, as well as other European markets in which sales are conducted via local suppliers. The segment represents 8 percent of the Group's total sales.

MSEK	2011	2010	2009
Net sales, external	77.8	82.0	85.5
Operating income	–9.3	–10.5	–9.5
Operating margin, %	–11.9%	–12.8%	–11.1%

Net sales amounted to MSEK 77.8 (82.0). In terms of volume, sales declined by –3.6 percent. Exchange rate fluctuations impacted net sales by MSEK –3.5.

Operating income amounted to MSEK –9.3 (–10.5). The operating margin was negative. Overheads, which include the cost of future investments, are high relative to current sales and have increased over the year for the segment. The Company will put a greater focus on active marketing and sales measures in order to take advantage of past efforts and, thereby, address the international market further. Dissolution of the reserve for Russia has taken place at an amount of MSEK 2 (–5). The remaining reserve amounts to MSEK 5. Exchange rate fluctuations impacted operating income by MSEK –1.3.

FINANCIAL POSITION

Financial instruments, brass derivatives

The market valuation of outstanding brass derivatives during the period affected income by MSEK –10.3 (–2.9). The London Metal Exchange's price of brass at the end of the year was SEK 36.25 per kg (SEK 45.74). Hedge accounting will be implemented starting from 1 January 2012. The Company meets the requirements for hedge accounting, which implies that the market valuation of brass derivatives will not affect operating income, provided that the hedges made are sufficiently effective.

Financial items

Net financial items amounted to MSEK –4.7 (–2.7), mainly due to exchange rate fluctuations.

Cash Flow

Cash flow from operating activities was MSEK 108.3 (137.2). The decrease is due to the lower level of income. Cash flow for the fourth quarter however, improved to MSEK 45.8 (20.3), thanks to the positive development of working capital. Tax payments amounted to MSEK –25.0 (–23.4). Cash flow after investments amounted to MSEK 85.3 (115.3). Sales of subsidiaries gave a purchase price of MSEK 7.7 in 2010. Cash flow from investing activities amounted to MSEK –23.0 (–22.0). Dividends of MSEK 45.8 (14.3) have been paid.

Investment

In total, the Group's investments in tangible fixed assets amounted to MSEK 12.2 (16.4). In addition, assets have been leased for MSEK 7.4 (8.6). The Group's investments in intangible fixed assets amounted to MSEK 11.7 (18.2), and were primarily related to the capitalisation of development costs.

Balance Sheet

Net liabilities amounted to MSEK 17.6 (46.4). Cash and cash equivalents, including current investments, amounted to MSEK 98.8 (77.6). During the second quarter of 2011, a cash dividend was paid to shareholders of MSEK 45.8 (14.3). Repayment of loans and financial leases were made as planned in an amount of MSEK 16.7 (15.6).

Total assets at year-end were MSEK 692.3 (705.2). Inventories amounted to MSEK 152.6 (165.7). Current assets amounted to MSEK 125.6 (131.7) including accounts receivable, MSEK 109.1 (116.1).

The equity/assets ratio was 48.6 percent (47.7).

Shareholders' equity at the end of the period amounted to MSEK 336.3 (336.3), corresponding to SEK 29.39 per share (29.38).

Return on equity was 13.6 percent (26.3).

Employees

At the end of the period, the number of full-time employees was 487 (504). The average number of employees during the period was 504 (510).

Group structure

The consolidated accounts for 2011 include the Swedish Parent Company and its wholly-owned subsidiaries:

- Ostnor Finland OY, Finland
- Ostnor Danmark A/S, Denmark
- Ostnor Norge AS, Norway
- Mora GmbH, Germany
- Mora Armatur Ltd, Russia

PARENT COMPANY

The majority of Ostnor's operations take place in the Swedish Parent Company. In addition to production, research and development, sales on the Swedish market, some foreign markets as well as to subsidiaries, the Parent Company also provides services within management, administration and IT to subsidiaries in the Group.

Net sales in the Parent Company amounted to MSEK 859.2 (855.4), of which export of goods constitutes MSEK 159.4 (170.1). Operating income amounted to MSEK 52.0 (91.9). The Parent Company 's investment in fixed assets amounted to MSEK 10.7 (16.4).

Proposed appropriation of profits

The following profits are at the disposal of the Annual General Meeting (Amounts in SEK):

Non-restricted equity, Page 40	124,907,630.35
The Board of Directors proposes that the profits available be appropriated as follows:	
Distributed to the shareholders as dividends, SEK 4.00 per share:	45,780,400.00
To be carried forward:	79,127,230.35
	124,907,630.35

For further information regarding the results of the Group's and the Parent Company's operations during 2011, as well as the position at the end of the financial year, 31 December 2011, refer to the following income statement and balance sheets, with accompanying Notes.

Financial statements

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The notes on pages 42-81 form an integral part of the annual report and consolidated accounts.

Consolidated Statement of Comprehensive Income

TSEK	Note	2011	2010	2009
Net sales	5, 6	918,569	936,019	914,975
Cost of sales	9, 10	–624,339	–608,734	–611,410
Gross profit/loss		**294,230**	**327,285**	**303,565**
Selling expenses	9, 10	–170,337	–176,431	–190,568
Administrative expenses	8, 9, 10	–26,777	–27,120	–25,816
Research and development expenses	9, 10	–25,409	–18,264	–10,642
Other operating income	11	10,281	11,690	15,387
Other operating expenses	11	–5,554	–7,861	–13,707
Other gains / losses - net	12	3,500	0	–10,000
Financial instruments, brass	21	–10,303	–2,838	23,447
Income from participations in Group companies			7,053	
Operating income	5	**69,631**	**113,514**	**91,666**
Financial income	13	3,995	4,218	8,343
Financial expenses	13	–8,717	–6,960	–7,768
Financial items – net	13	**–4,722**	**–2,742**	**575**
Profit before tax		**64,909**	**110,772**	**92,241**
Income tax	14	–19,160	–30,797	–24,496
Profit/loss for the year		**45,749**	**79,975**	**67,745**
Other comprehensive income				
Exchange rate differences		85	–509	1,039
Other comprehensive income for the year, net after tax		**85**	**–509**	**1,039**
Total comprehensive income for the year		**45,834**	**79,466**	**68,784**
Earnings per share (in SEK per share)				
Earnings per share (basic and diluted)	15	4.00	6.99	5.92

Total comprehensive income is attributable to the shareholders of the Parent Company.

Consolidated Balance Sheet

TSEK	Note	31 Dec 2011	31 Dec 2010	31 Dec 2009
ASSETS				
Non-current assets				
Intangible Assets	16			
Intangible assets under development		50,812	51,743	45,724
Other intangible assets – IT		3,186	4,067	3,283
Goodwill		92,604	92,817	92,838
Total intangible assets		**146,602**	**148,627**	**141,845**
Property, plant and equipment	17			
Land and buildings		52,902	50,574	54,235
Plant and machinery		69,848	76,155	76,337
Equipment, tools, fixtures and fittings		28,823	33,511	38,381
Construction in progress		4,731	5,631	8,930
Total property, plant and equipment		**156,304**	**165,871**	**177,883**
Financial non-current assets				
Financial assets available for sale		2	2	2
Other receivables	20	4,866	5,802	6,746
Total financial non-current assets		**4,868**	**5,804**	**6,748**
Deferred tax assets	18	7,655	9,825	11,018
Total non-current assets		**315,429**	**330,127**	**337,494**
Current assets				
Inventory				
Raw materials and consumables		10,875	13,666	10,794
Goods in progress		81,418	85,682	89,183
Finished goods and commodities		60,291	66,351	67,376
Total inventories		*152,584*	*165,699*	*167,353*
Accounts receivable	20, 22	109,070	116,056	126,942
Tax receivables		7,610	–	–
Other receivables	20	2,208	3,481	4,169
Prepaid expenses and accrued income		6,039	5,717	5,948
Derivative instruments	20, 21	662	6,467	9,129
Cash and cash equivalents	20, 23	98,752	77,611	3,941
Total current assets		**376,925**	**375,031**	**317,482**
TOTAL ASSETS		**692,354**	**705,158**	**654,976**

Consolidated Balance Sheet *cont.*

TSEK	Not	31 Dec 2011	31 Dec 2010	31 Dec 2009
EQUITY				
Equity attributable to Parent Company shareholders	24			
Share capital		11,445	11,445	11,445
Reserves		615	530	1,039
Retained earnings including comprehensive income for the year		324,265	324,296	258,628
Total equity		**336,325**	**336,271**	**271,112**
LIABILITIES				
Non-current liabilities				
Borrowings	20, 25	25,992	36,427	50,683
Derivative instruments	20, 21	240	–	–
Deferred tax liabilities	18	50,805	50,741	43,091
Pension obligations	26	77,397	74,362	71,825
Provisions	28	22,952	27,292	27,553
Total non-current liabilities		**177,386**	**188,822**	**193,152**
Current liabilities				
Borrowings	20, 25	17,841	18,440	29,927
Accounts payable	20	62,743	58,123	57,791
Current tax liabilities		1,112	1,569	3,027
Derivative instruments	20, 21	4,814	1,388	654
Other liabilities	20	14,333	15,214	16,536
Accrued expenses and deferred income	29	77,800	85,331	82,777
Total current liabilities		**178,643**	**180,065**	**190,712**
TOTAL EQUITY AND LIABILITIES		**692,354**	**705,158**	**654,976**
Pledged assets	30	80,855	81,208	82,577
Contingent liabilities	31	1,294	1,140	1,056

Consolidated Statement of Changes in Equity

TSEK	Note	Share capital	Reserves	Retained earnings	Total equity
Opening balance as of 1 January 2009 (in accordance with previous GAAP)		**11,445**	**173,939**	**10,452**	**195,836**
Correction of errors	40	–	–	1,800	1,800
Opening balance according to GAAP, adjusted		**11,445**	**173,939**	**12,252**	**197,636**
Change of accounting principles to IFRS	40	–	–173,939	178,631	4,692
Opening balance IFRS, 1 January 2009		**11,445**	**–**	**190,883**	**202,328**
Comprehensive Income					
Net profit/loss for the year		–	–	67,745	67,745
Other comprehensive income					
Exchange rate differences		–	1,039	–	1,039
Total comprehensive income		**–**	**1,039**	**67,745**	**68,784**
Opening balance as of 1 January 2010		**11,445**	**1,039**	**258,628**	**271,112**
Comprehensive Income					
Net profit/loss for the year		–	–	79,975	79,975
Other comprehensive income					
Exchange rate differences		–	–509	–	–509
Total comprehensive income		**–**	**–509**	**79,975**	**79,466**
Transactions with shareholders					
Dividends	37	–	–	–14,307	–14,307
Closing balance as of 31 December 2010		**11,445**	**530**	**324,296**	**336,271**
Opening balance as of 1 January 2011		**11,445**	**530**	**324,296**	**336,271**
Comprehensive income					
Net profit/loss for the year		–	–	45,749	45,749
Other comprehensive income					
Exchange rate differences		–	85	–	85
Total comprehensive income		**–**	**85**	**45,749**	**45,834**
Transactions with shareholders					
Dividends	37	–	–	–45,780	–45,780
Closing balance as of 31 December 2011		**11,445**	**615**	**324,265**	**336,325**

Consolidated Statement of Cash Flows

TSEK	Note	2011	2010	2009
Cash flow from operating activities				
Operating income before financial items		69,631	113,514	91,666
Depreciation	10	42,632	39,676	37,960
Other non-cash items	36	3,188	–7,475	2,403
Interest received		4,006	3,674	8,223
Paid interest		–8,477	–6,073	–6,721
Income taxes paid		–24,993	–23,432	–2,921
Cash flow from operating activities before changes in working capital		**85,987**	**119,884**	**130,610**
Cash flow from working capital changes				
Increase / decrease in inventories		13,115	1,654	56,503
Increase / decrease in operating receivables		14,404	13,258	–22,179
Increase / decrease in operating liabilities		–5,180	2,450	–24,987
Total change in working capital		**22,339**	**17,362**	**9,337**
Cash flow from operating activities		**108,326**	**137,246**	**139,947**
Cash flow from investing activities				
Investments in intangible assets	16	–11,678	–18,194	–19,524
Investments in property, plant and equipment	17	–12,246	–16,435	–17,089
Sales of property, plant and equipment	17	0	3,389	388
Sales of subsidiaries			7,677	
Investments of other financial assets		936	1,592	549
Cash flow from investing activities		**–22,988**	**–21,971**	**–35,676**
Cash flow after investing activities		**85,338**	**115,275**	**104,271**
Cash flow from financing activities				
Change in bank overdraft facilities		–1,698	–11,684	–95,185
Repayment of debt		–16,719	–15,614	–15,071
Dividend paid		–45,780	–14,306	0
Cash flow from financing activities		**–64,197**	**–41,604**	**–110,256**
Decrease / increase in cash and cash equivalents		**21,141**	**73,671**	**–5,985**
Cash and cash equivalents at beginning of year	23	77,611	3,941	9,926
Cash and cash equivalents at year-end	23	**98,752**	**77,612**	**3,941**

Parent Company Income Statement

TSEK	Note	2011	2010	2009
Net sales	5, 6, 7	859,229	855,374	828,233
Cost of sales	9, 10	–628,155	–598,024	–604,651
Gross Income		**231,074**	**257,350**	**223,581**
Selling expenses	9, 10	–114,844	–110,885	–118,344
Administrative expenses	8, 9, 10	–41,734	–35,014	–32,275
Research and development expenses	9, 10	–20,780	–21,364	–18,456
Other operating income	11	10,127	11,674	15,302
Other operating expenses	11	–5,078	–7,066	–13,195
Other gains / losses – net	12	3,500	0	–10,000
Financial instruments, brass	21	–10,303	–2,838	23,447
Operating income		**51,962**	**91,857**	**70,061**
Income from financial items				
Income from participations in Group companies			7,053	–4,118
Income from other securities and receivables that are accounted for as non-current assets	34	–251	–817	–569
Financial income	13	4,060	4,345	8,549
Financial expenses	13	–7,209	–5,121	–5,522
Total income from financial items		**–3,400**	**5,460**	**–1,660**
Income after financial items		**48,562**	**97,317**	**68,401**
Allocations	35	–27,844	–22,229	–14,894
Tax on profit/loss for the year	14	–8,022	–20,822	–17,029
Net profit/loss for the year		**12,696**	**54,266**	**36,478**

Parent Company Statement of Comprehensive Income

	2011	2010	2009
Net profit/loss for the year	**12,696**	**54,266**	**36,478**
Total comprehensive income	**12,696**	**54,266**	**36,478**

Parent Company Balance Sheet

TSEK	Note	31 Dec 2011	31 Dec 2010	31 Dec 2009
ASSETS				
Non-current assets				
Goodwill	16	***72,762***	***79,376***	***85,990***
Property, plant and equipment	17			
Land and buildings		52,902	50,575	53,620
Plant and machinery		41,442	49,113	45,722
Equipment, tools, fixtures and fittings		26,696	33,004	37,367
Other fixed assets				82
Construction in progress and advance payments		4,731	5,631	8,930
Total property, plant and equipment		**125,771**	**138,323**	**145,721**
Financial non-current assets				
Participations in Group companies	19	8,178	8,178	8,895
Receivables from Group companies		5,926	6,846	8,567
Deferred tax assets	18	4,546	4,669	5,043
Other non-current receivables		4,600	5,541	6,454
Total financial non-current assets		**23,250**	**25,234**	**28,959**
Total non-current assets		**221,783**	**242,933**	**260,670**
Current assets				
Inventories				
Raw materials and consumables		10,875	27,252	21,122
Goods in progress		81,418	79,447	80,652
Finished goods and commodities		51,212	52,899	47,681
Total inventories		**143,505**	**159,598**	**149,455**
Current receivables				
Accounts receivable		81,179	83,794	94,139
Receivables from Group companies		22,944	22,059	28,077
Other receivables including derivatives	21	9,756	8,238	10,757
Prepaid costs and accrued income		4,821	5,594	5,874
Total current receivables		**118,700**	**119,685**	**138,847**
Cash and cash equivalents	23	**85,008**	**72,517**	**132**
Total current assets		**347,213**	**351,800**	**288,434**
TOTAL ASSETS		**568,996**	**594,733**	**549,104**

TSEK	Note	31 Dec 2011	31 Dec 2010	31 Dec 2009
EQUITY AND LIABILITIES				
Equity	24			
Restricted equity				
Share capital		11,445	11,445	11,445
Statutory reserve		45,844	45,844	45,844
Total restricted equity		**57,289**	**57,289**	**57,289**
Non-restricted equity				
Retained earnings		112,211	103,726	81,555
Net profit/loss for the year		12,696	54,266	36,478
Total unrestricted equity		**124,907**	**157,992**	**118,033**
Total equity		**182,196**	**215,281**	**175,322**
Untaxed reserves	33	**135,802**	**107,958**	**85,729**
Deferred tax liabilities	18		**7,283**	**7,424**
Provisions				
Provisions for pensions and similar obligations	27, 28	69,568	62,827	59,566
Guarantee commitments	28	14,700	14,500	14,600
Other provisions	28	6,500	10,000	10,000
Total provisions		**90,768**	**87,327**	**84,166**
Non-current liabilities				
Liabilities to credit institutions	25	7,500	17,500	27,500
Other	21	240		
Total non-current liabilities		**7,740**	**17,500**	**27,500**
Current liabilities				
Liabilities to credit institutions	25	10,000	10,000	10,000
Accounts payable		58,363	54,340	52,435
Bank overdraft facilities (pre-approved credit TSEK 120,000 (TSEK 120,000))				8,880
Liabilities to Group companies		2,908	8,021	9,712
Tax liabilities			306	2,628
Other liabilities, including derivatives	21	16,192	13,616	13,995
Accrued costs and prepaid income	29	65,027	73,101	71,313
Total current liabilities		**152,490**	**159,384**	**168,963**
TOTAL EQUITY AND LIABILITIES		**568,996**	**594,733**	**549,104**
Pledged assets	30	80,855	81,208	82,577
Contingent liabilities	31	24,377	23,524	27,153

Parent Company Statement of Changes in Equity

TSEK	Note	RESTRICTED EQUITY Share capital	RESTRICTED EQUITY Restricted reserves	NON-RESTRICTED EQUITY Retained earnings	NON-RESTRICTED EQUITY Net profit/loss for the year	Total equity
Opening balance as of 1 January 2009		**11,445**	**45,844**	**74,558**		**131,847**
Correction of errors	39	–	–	–11	–	–11
Opening balance according to previous GAAP, adjusted		**11,445**	**45,844**	**74,547**		**131,836**
Effect of change in accounting principles related to RFR 2	39			7,034		7,034
Opening balance as adjusted in accordance with the new principle		**11,445**	**45,844**	**81,581**		**138,870**
Comprehensive income						
Total comprehensive income for the year					36,478	36,478
Transactions with shareholders						
Group contributions				–26		–26
Closing balance as of 31 December 2009		**11,445**	**45,844**	**81,555**	**36,478**	**175,322**
Opening balance as of 1 January 2010		**11,445**	**45,844**	**118,033**		**175,322**
Comprehensive Income						
Total comprehensive income for the year					54,266	54,266
Transactions with shareholders						
Dividends	37			–14,307		–14,307
Closing balance as of 31 December 2010		**11,445**	**45,844**	**103,726**	**54,266**	**215,281**
Opening balance as of 1 January 2011		**11,445**	**45,844**	**157,992**		**215,281**
Comprehensive Income						
Total comprehensive income for the year					12,696	12,696
Transactions with shareholders						
Dividends	37			–45,781		–45,781
Closing balance as of 31 December 2011		**11,445**	**45,844**	**112,211**	**12,696**	**182,196**

Parent Company Cash Flow Statement

TSEK	Note	2011	2010	2009
Cash flow from operating activities				
Operating income before financial items		51,962	91,857	70,061
Depreciation	10	29,378	29,630	30,059
Adjustments for items not affecting cash flow	36	8,269	–5,055	2,819
Interest received		4,060	3,256	8,430
Interest paid		–7,460	–5,938	–6,091
Income tax paid		–23,098	–22,911	–1,898
Cash flow from operating activities before working capital changes		**63,111**	**90,839**	**103,380**
Cash flow from working capital changes				
Increase / decrease in inventories		16,093	–10,143	51,266
Increase / decrease in accounts receivable		5,064	25,652	–8,632
Increase / decrease in accounts payable		4,023	1,905	–3,161
Increase / decrease in operating liabilities		–10,313	1,225	–20,667
Total change in working capital		**14,867**	**18,639**	**18,806**
Cash flow from operating activities		**77,978**	**109,478**	**122,186**
Investing activities				
Investments in property, plant and equipment	17	–10,660	–16,435	–17,020
Sales of property, plant and equipment	17	12	3,389	388
Group companies sold			7,770	
Investments in Group companies				–3,195
Decrease in other financial assets		941	1,369	1,179
Cash flow from investing activities		**–9,707**	**–3,907**	**–18,648**
Financing activities				
Change in bank overdraft facilities			–8,880	–93,443
Repayment of debt		–10,000	–10,000	–10,000
Dividends paid		–45,780	–14,306	
Cash flow from financing activities		**–55,780**	**– 33,186**	**–103,443**
Cash flow for the year		**12,491**	**72,385**	**95**
Cash and cash equivalents at beginning of year	23	**72,517**	**132**	**37**
Cash and cash equivalents at year-end	23	**85,008**	**72,517**	**132**

Notes

NOTE 1 GENERAL INFORMATION

On 28 February 2012, these consolidated accounts and annual report were approved by the Board for publication.

All amounts are in thousands of Swedish krona (TSEK), unless otherwise indicated. Figures in parentheses refer to the previous year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The most important accounting principles applied in these consolidated accounts are presented below. These principles have been applied consistently to all years presented, unless otherwise indicated.

2.1 Basis for the preparation of the report

This report is Ostnor AB's first annual report prepared in accordance with IFRS (International Financial Reporting Standards). Historical financial information has been recalculated from 1 January 2009, which is the date of transition to IFRS reporting. Explanations for the transition from the previously applied GAAP to IFRS and the impact the conversion has had on the income statement and equity are described in Note 40. As these accounting principles differ, compared with those applied in previous published annual reports, descriptions of the important principles are listed below.

The consolidated accounts for the Ostnor Group have been prepared in accordance with IFRS as adopted by the EU, as well as RFR 1 Supplementary Accounting Rules for Groups and the Swedish Annual Accounts Act. The consolidated accounts have been prepared in accordance with the cost method, and derivative instruments are measured at fair value through profit or loss. The major accounting principles applied in these consolidated accounts are presented below. These principles have been applied consistently to all years presented, unless indicated otherwise.

The Parent Company's financial statements are prepared in accordance with RFR 2, Accounting for Legal Entities and the Swedish Annual Accounts Act. In the case that the Parent Company applies different accounting principles than the Group, this is indicated separately at the end of this note.

The preparation of financial statements in accordance with IFRS requires the application of certain critical accounting estimates. Furthermore, management must make certain judgments about the application of the Group's accounting principles, see Note 4.

Standards, amendments and interpretations to existing standards that have not yet entered into force and have not been early adopted by Ostnor

In preparing the consolidated accounts as of 31 December 2011, several standards and interpretations have been published which have not yet entered into force and which are applicable for Ostnor. Below is a preliminary assessment of the effects from the standards deemed to be relevant for Ostnor:

- IFRS 9 "Financial Instruments" addresses the classification, valuation and accounting of financial liabilities and assets. IFRS 9 was published in November 2009 regarding financial assets and in October 2010 regarding financial liabilities and replaces the parts of IAS 39 which are related to the classification and measurement of financial instruments. IFRS 9 stipulates that financial assets are to be classified in two different categories: valued at fair value or valued at amortised cost. Classification is determined at initial recognition according to the company's business model and the characteristics in the contractual cash flows. For financial liabilities, there will be no major changes compared with IAS 39. The largest change addresses changes to liabilities which are valued at fair value. To such liabilities, the following is applied: the portion of the change in fair value which is attributable to the company's own credit risk is to be recognised in Other comprehensive income instead of Net profit/loss, so long as this does not result in an accounting mismatch. Ostnor intends to apply the new standard no later than the financial year beginning on 1 January 2013 and has not yet evaluated the effects. The standard has not yet been adopted by the EU.
- IFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. Ostnor intends to apply IFRS 10 for the financial year beginning on 1 January 2013 and has not yet evaluated the effects on the financial statements. The standard has not yet been adopted by the EU.
- IFRS 12 "Disclosures of Interests in Other entities" includes disclosure requirements for subsidiaries, joint arrangements, associated companies and "structured entities" which have not been consolidated. Ostnor intends to apply IFRS 12 in the financial year starting on 1 January 2013 and has not yet evaluated the effects on the financial statements. The standard has not yet been adopted by the EU.
- IFRS 13 "Fair Value Measurement" aims at more consequent and less complex fair value valuations by providing an exact definition and a common source in IFRS for valuations at fair value and associated disclosures. The requirements do not extend to the area of application for when the fair value should be applied but provides guidance regarding the manner in which it should be applied in areas where other IFRSs already require or allow valuation at fair value. Ostnor has not yet assessed the full effect of IFRS 13 on the financial statements. The Group intends to apply the new standard in the financial year starting on 1 January 2013. The standard has not yet been adopted by the EU.
- IAS 1, "Presentation of Financial Statements", amendment regarding other comprehensive income. The most important change in the amended IAS 1 is the requirement that items reported in other comprehensive income be presented in two groups. The distribution between these groups is based on whether or not the items could be reclassified into the income statement (reclassification adjustments). The amendment does not address the matter of which items are to be included in other comprehensive income. Ostnor intends to apply the new standard in the financial year beginning 1 January 2013. The standard has not yet been adopted by the EU.

2.2 Consolidated accounts

Subsidiaries comprise all the companies in which the Group has the right to govern financial and operating policies (controlling influence) in a manner normally associated with a shareholding of more than fifty percent of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The purchase method is used to account for the Group's business combinations. Consideration for the acquisition of a subsidiary comprises the fair value of the transferred assets, liabilities and the equity interests issued by the Group. The purchase consideration also includes the fair value of any assets or liabilities which are the result of an agreement regarding conditional consideration. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value on acquisition date. For each acquisition, the Group determines whether any non-controlling influence in the acquired company is recognised at fair value, or at the holding's proportionate share of the acquired company's net assets.

The amount by which the purchase consideration, any non-controlling influence, as well as fair value on the acquisition date of the previous shareholdings exceeds the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill. If the amount is less than the fair value of the acquired assets, in the event of a so-called "bargain purchase", the difference is recognised directly in the statement of comprehensive income.

Intercompany transactions and balance sheet items and unrealised gains and losses on transactions between Group companies are eliminated. The accounting principles for subsidiaries have been changed, where necessary, to ensure a consistent application of the Group's principles.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the highest executive decision maker. The highest executive decision maker is the function responsible for the allocation of resources and assessment of the operating segments results. In the Group, this function has been specified as the CEO, who makes strategic decisions. Ostnor's internal reporting is specified on the basis of the operating segments: Sweden, Other Nordic countries and International.

2.4 Translation of foreign currency

Functional currency and presentation currency

The various entities within the Group apply the respective local currency as the functional currency, defined as the currency used in the primary economic environment in which the entity mainly operates. In the consolidated accounts, Swedish krona (SEK) is used, which is the Parent Company's functional currency and the Group's presentation currency.

Transactions and balance sheet items

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the date of transaction. Exchange gains and losses resulting from the settlement of such transactions and the translation of monetary assets and liabilities denominated in foreign currencies at closing rate on the balance sheet date, are reported in operating income in the income statement.

Translation of foreign Group companies

The results and financial position of all Group entities having a functional currency other than the presentation currency are translated into the Group's presentation currency. Assets and liabilities for each of the balance sheets presented are translated from the foreign company's functional currency to the Group's presentation currency, Swedish krona, at the exchange rate prevailing on balance sheet date. Income and expenses for each of the income statements are translated to Swedish krona at the average rate existing at the time of each transaction. Translation differences arising from the translation of foreign operations are recognised in other comprehensive income.

2.5 Intangible Assets

Intangible assets under development

Expenses incurred in the research phase are expensed as incurred.

Expenses regarding development projects attributable to the construction and testing of new or improved products and projects for technology and platform development are recognised as intangible assets when they meet the following criteria:

- it is technically possible to finish the product so that it can be used,
- the company intends to finish the product and to use or sell it,
- there are conditions for using or selling the product,
- it can be shown how the product generates probable future economic benefits,
- adequate technical, financial and other resources to complete development and to use or sell the product are available, and
- the expenses attributable to the product during its development can be measured in a reliable manner.

Intangible assets are stated at acquisition cost less accumulated depreciation. The acquisition cost is the sum of the direct and indirect expenses incurred from the date on which the intangible asset complies with the above criteria. Capitalised expenditure is mainly generated internally and includes direct costs for work carried out and the directly attributable share of indirect costs. Depreciation begins when the asset is ready for use and is situated at the location and in the condition management intended, i.e. at the time when commercial production begins. Useful life is assessed based on the period during which the future benefits are expected to benefit the Company, i.e. as long as production is expected to take place. The useful life is usually not assessed to exceed five years and depreciation is carried out on a straight-line basis over this period. Depreciation is included in research and development costs.

Expenditure for research and development, which does not meet the above criteria, is written off as it arises. Expenses for development which have been previously written off are not recognised as an asset in subsequent periods.

Intangible assets – IT

Acquired software licenses, with a maturity of over one year, and expenses for software development which are expected to generate future economic benefits for the Group, are capitalised and depreciated over the estimated useful life. Software licenses are capitalised based on the costs incurred when the software in question was acquired, put into operation and adapted to the Group's operations. The estimated useful life is not expected to exceed 5 years and amortisation is applied on a straight-line basis over this period.

Expenses for the maintenance of software are expensed as incurred.

Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of the Group's share of the acquired subsidiary's identifiable net assets at the time of acquisition. Goodwill arising in connection with the acquisition of subsidiaries is accounted for as an intangible asset. Goodwill is always considered to have an indefinite useful life and is, therefore, tested annually for impairment instead of being continuously written off. Goodwill is recognised at acquisition cost less any accumulated impairment losses. Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to the cash-generating units, determined in accordance with the Group's operating segments, which are expected to benefit from the business combination in which the goodwill item arose.

2.6 Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost less depreciation. The acquisition cost includes expenses that are directly attributable to the acquisition of the asset and the Group's time used for the manufacturing of tools.

Additional costs are added to the asset's carrying amount or recognised as a separate asset, depending on what is appropriate, only when it is probable that the future economic benefits associated with the asset will accrue to Ostnor and the asset's acquisition cost can be measured in a reliable manner. The carrying amount of the replaced element is derecognised. All other repairs and maintenance are expensed in the statement of comprehensive income during the period they arise.

Each element of a tangible fixed asset with an acquisition cost that is significant in relation to the asset's total acquisition cost is depreciated separately. No depreciation is made on land.

Depreciation on other assets takes place on a straight-line basis as follows:

Industrial buildings	25 years
Other buildings	25–50 years
Land improvementsr	20–26 years
Plant and machinery	5–10 years
Equipment, tools, fixtures and fittings	3–10 years
Other fixed assets	20 years

The assets' residual value and useful life are reviewed at each reporting period and adjusted if necessary. An asset's carrying amount is immediately impaired to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less selling expenses and value in use.

Gains and losses on disposals of property, plant and equipment are determined by comparing the sale proceeds and the carrying amount and are recognised in other operating income and other operating expenses, respectively, in the statement of comprehensive income.

2.7 Impairment of non-financial fixed assets

Assets having an indefinite useful life, such as goodwill, or assets that are not yet ready for use, are not depreciated, but tested annually for impairment. Assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling expenses and its value in use. In assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impairment testing of goodwill has been conducted at the operating segment level.

2.8 Financial instruments

2.8.1 Classification

The Group classifies its financial assets and liabilities in the following categories: financial assets and liabilities measured at fair value through profit or loss, loan receivables and accounts receivable, and other financial liabilities. Classification depends on the purpose for which the financial asset or liability was acquired.

Financial assets and liabilities are measured at fair value through profit or loss

Financial assets and liabilities measured at fair value through profit or loss are financial instruments held for trading. Derivative instruments are classified as held for trading unless they are designated as hedges. The Group designates derivative instruments (hedging of commodities, currency futures and interest rate swaps), as well as endowment insurances, in this category.

Loans receivable and accounts receivable

Loans receivables and accounts receivable are financial assets that are not derivatives with fixed or determinable payments and that are not quoted on an active market. They are included in current assets, except for items maturing more than 12 months after the balance sheet date, which are classified as fixed assets. The Group's "loan receivables and accounts receivable" consist of accounts receivable, cash and cash equivalents and the financial instruments that are recognised among other receivables.

Other financial liabilities

The Group's borrowings, accounts payable and the portion of other current liabilities which relates to financial instruments are classified as other financial liabilities.

2.8.2 Recognition and Measurement

Purchases and sales of financial assets are recognised on the transaction date, the date on which the Group commits to purchasing or selling the asset. Financial instruments are initially recognised at fair value plus transaction costs, which applies for all financial instruments not recognised at fair value through profit or loss. Financial assets and liabilities measured at fair value through profit or loss are initially recognised at fair value in the balance sheet, while attributable transaction costs are recognised in the income statement. Financial assets are derecognised from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred, and the Group has transferred all significant risks and benefits associated with the ownership. Financial liabilities are derecognised when the contractual obligation has been fulfilled or otherwise terminated.

Financial assets measured at fair value through profit or loss are, after the time of acquisition, carried at fair value. Loan receivables and accounts receivables as well as other financial liabilities are, after the time of acquisition, carried at amortised acquisition cost by applying the effective interest method.

Gains and losses arising from changes in fair value with regards to the category financial assets and liabilities measured at fair value through profit or loss (derivative instruments and endowment insurances), are accounted for in the results of the operations in the period in which they occur and are included in operating income or net financial items in the income statement, depending on the nature of the item undergoing financial hedging. Financial hedges of interest payments are recognised within net financial items and financial hedges of transactions within the business are reported within operating income.

2.8.3 Offsetting of financial instruments

Financial assets and liabilities are offset and recognised by a net amount in the balance sheet, only when there is a legal right to offset the recognised amounts and there is the intention to settle them by a net amount, or, simultaneously, realise the asset and settle the liability.

2.8.4 Impairment of financial instruments

Assets recognised at amortised cost (loans receivable and accounts receivable)

The Group assesses at each reporting period's end whether there is objective evidence that a need for impairment exists for a financial asset or a group of financial assets. A financial asset or group of financial assets has an impairment requirement and is impaired only if there is objective evidence of an impairment requirement as a result of one or more events occurring after the recognition of the asset, and that this event has an impact on the predicted future cash flows of the financial asset or group of financial assets that can be estimated in a reliable manner.

Impairment is calculated as the difference between the asset's carrying amount and the present value of predicted future cash flows discounted to the financial asset's original effective interest rate. The asset's carrying amount is impaired and the impairment charges are recognised in the consolidated income statement. If the impairment requirement decreases in a subsequent period and the decrease can be objectively attributed to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.8.5 Derivative instruments

Derivative instruments are recognised on the transaction date and are measured at fair value both initially and in subsequent revaluations. The gain or loss arising from revaluation is recognised in the income statement when the requirements for hedge accounting are not met.

The full fair value of a derivative instrument is classified as a fixed asset or non-current liability when the hedged item's remaining maturity is greater than 12 months, and as a current asset or current liability when the hedged item's remaining maturity is less than 12 months. Derivative instruments held for trading are always classified as current assets or current liabilities.

Hedging of commodity prices

The Group purchases brass (consisting of copper and zinc) for its own production. The commodity price of brass is financially hedged to a large extent through copper and zinc futures. The Group does not meet the requirements for hedge accounting, which is the reason why any changes in fair value are reported under other gains / losses in the income statement within operating income. Hedge accounting will be introduced from 1 January 2012.

Hedging of variable interest payments

Ostnor secures interest payments through interest rate swaps in which floating interest payments are exchanged for fixed interest payments. The Group does not qualify for hedge accounting, which is the reason why changes in fair value are recognised in net financial items in the income statement.

Hedging of foreign currency transactions

Transactions denominated in EUR, USD and NOK are hedged financially through forward currency contracts. Ostnor does not qualify for hedge accounting. The changes in fair value are reported in the item other income and charges in the income statement, within operating income.

2.9 Inventories

Inventories comprise raw materials and supplies, work in progress and finished goods. Finished goods are recognised at the lower of acquisition cost and net realisable value. Cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related indirect costs (based on normal production capacity). Borrowing costs are not included. The acquisition cost is determined using the first-in, first out method (FIFO). Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses. Raw materials, components and other supplies held for use in the manufacturing of goods is not written down below their acquisition cost if the finished product in which they are included is expected to be sold at a price that equals or exceeds the acquisition cost.

2.10 Accounts receivable

Accounts receivable are amounts due from customers for products sold in the ongoing operations. If payment is expected within one year or sooner, they are classified as current assets. If not, they are reported as fixed assets.

Accounts receivable are recognised initially at fair value and, subsequently, at amortised cost by applying the effective interest method, less any provisions for impairment.

2.11 Cash and cash equivalents

Cash and cash equivalents are, in both the balance sheet and in the statement of cash flows, comprised of cash, bank balances and current investments.

2.12 Accounts payable

Accounts payable are obligations to pay for goods and services acquired in the ongoing operations from suppliers. Accounts payable are classified as current liabilities if they fall due within one year or sooner. If not, they are reported as non-current liabilities.

Accounts payable are recognised at nominal value. The carrying amount of accounts payable is assumed to be equal to its fair value, as this item is short-term in nature.

2.13 Current and deferred tax

Tax costs for the period include current and deferred tax. The current tax expense is calculated on the basis of the tax rules which, at balance sheet date, have been decided upon or substantively enacted in the countries in which the Parent Company and its subsidiaries operate and generate taxable income.

Deferred tax is accounted for, using the balance sheet method, on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated accounts. The deferred tax is, however, not recognised if it arises from a transaction which constitutes an initial recognition of an asset or liability that is not a business combination and that, at the time of the transaction, affects neither accounting nor taxable income. Deferred income tax is calculated using the applicable tax rates adopted or enacted by the balance sheet date, and which are expected to apply when the deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax assets on loss carry-forwards are recognised to the extent it is probable that future taxable profit will be available against which the deficit can be utilised.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets and liabilities and when the deferred tax assets and liabilities relate to taxes charged by the same taxation authority on either the same taxable subject or different tax subjects, where there is an intention to settle balances through net payments.

2.14 Borrowings

Borrowings are initially recognised at fair value, net after transaction costs. Borrowings are subsequently recognised at amortised cost and any difference between proceeds (net of transaction costs) and the redemption amount is recognised in the income statement, allocated over the term of the loan, by applying the effective interest method.

2.15 Remuneration to employees

Pension obligations

The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the legal entity does not hold sufficient assets to pay all employee benefits relating to the employees' service in current or prior periods. A defined benefit pension plan is a pension plan that is has no defined contributions. A special feature of the defined benefit plans is that these plans specify the pension benefit that an employee will receive after retirement, usually dependent on one or more factors such as age, seniority and salary.

The liability recognised in the balance sheet for defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, with adjustments for unrecognised actuarial gains and losses, as well as adjustments for unaccounted costs regarding service during previous periods. The defined benefit obligation is calculated annually by independent actuaries using the so-called projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rate for first class corporate bonds that are denominated in the currency in which the benefits will be paid, with maturities comparable to the current pension obligations.

Changes in the present value of obligations caused by changes in actuarial assumptions as well as differences between expected and actual return on plan assets are treated as actuarial gains or losses and are allocated over the employees' expected average remaining service period according to the so-called 'corridor' method.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions are paid. Contributions are recognised as personnel costs when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction of future payments can benefit the Group.

Termination benefits

Termination benefits are payable when an employee's employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for such benefits. The Group recognises severance pay when it is demonstrably committed to terminate employment according to a detailed formal plan without possibility of withdrawal. In the event that an offer was made to encourage voluntary redundancy, severance pay is calculated based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a provision when there is a legal obligation or an informal obligation due to past practices.

2.16 Provisions

Provisions are recognised when the Group has a legal or informal obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be calculated in a reliable manner.

Provisions are valued at the present value of the amount expected to be required to settle the obligation. In making this valuation, a discount rate before tax is applied which reflects an actual market assessment of the time value of money and the risks associated with the provision. The increase to a provision attributable to the passing of time is reported as an interest expense.

2.17 Revenue recognition

Revenue comprises the fair value of what is received or will be received for goods sold in the Group's operating activities. Revenue is recognised excluding VAT and discounts, as well as after elimination of intra-company sales. The Group's revenue is entirely attributable to sales of faucets. Revenue from the sale of such faucets is recognised when the risks and benefits associated with the ownership are transferred from the Group, when the Group no longer exercises effective control over the divested units, revenues and associated costs can be estimated reliably and it is probable that the economic benefits associated with the sale of the units accrues to the Group. Therefore, sales revenues are recognised on the basis of the price specified in the sales contract and as sales upon the delivery of products to customers in accordance with the terms of sale.

Assessments of discounts, for example, are based on historical results, taking into account the type of customer, type of transaction and particular circumstances in each individual case.

Interest income

Interest income is recognised allocated over the term, by applying the effective interest method.

2.18 Leasing

The Group holds leasing agreements regarding cars, trucks, machinery, office premises, servers and telephone switchboards.

Leasing, in which a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made during the leasing period are expensed in the income statement over the leasing period.

The Group leases certain tangible fixed assets. Leasing agreements in which the Group, in all material aspects, assumes all of the financial risks and receives all of the benefits associated with the ownership of the object are classified as finance leases. At the beginning of the lease period, financial leases are recognised at the lower of the leased object's fair value and the present value of minimum lease payments. Contracts that are classified as financial lease agreements in the Group refer to machinery.

Each lease payment is allocated between the amortisation of debt and financial expenses. The corresponding payment obligation, after the deduction of financial expenses, is included in the balance sheet items, borrowings (long-term or current). The interest portion of the financial costs is recognised in the income statement allocated over the leasing period so that each accounting period is charged an amount corresponding to the fixed interest rate for the recognised liability during the respective period. Fixed assets held in accordance with financial lease agreements are depreciated by applying the same useful life as for owned assets of a similar nature.

2.19 Statement of Cash Flows

The Statement of Cash flows is prepared in accordance with the indirect method. This implies that operating income is adjusted for transactions that have not resulted in cash payments during the period and for any income and expenses attributable to investing or financing activities' cash flows.

2.20 The Parent Company's accounting principles

In conjunction with the transition to IFRS reporting in the consolidated accounts, the Parent Company has changed to applying RFR 2, Accounting for Legal Entities. The effect of transition to accounting in accordance with RFR 2 is described below in Note 39.

The Parent Company applies different accounting principles than the Group as regards the following:

Presentation

The income statement and balance sheet follow the presentation of the Swedish Annual Accounts Act. The income statement is divided into two components, one comprising a standard income statement and one comprising a statement of comprehensive income. The statement of changes in equity follows the Group's presentation, but will also contain the columns stated in the Swedish Annual Accounts Act. The presentation form for the Parent Company has differences in designations, compared to the consolidated accounts, primarily relating to financial income and expenses, provisions, and items within equity.

Shares in subsidiaries

Shares in subsidiaries are recognised at acquisition cost less any impairment. The acquisition cost includes acquisition-related costs and any contingent consideration.

When there is an indication that shares in subsidiaries have decreased in value, an estimate of the recoverable amount is made. If this amount is lower than the carrying amount, impairment is made. Impairment losses are recognised in the items "Income from participations in Group companies".

Lease agreements

All lease agreements, whether financial or operational, are classified as operational lease agreements.

Intangible assets

Expenses for product development

All product development expenses and consulting expenses for the adaptation and installation of software licenses are charged to the Parent Company.

Goodwill

Goodwill in the Parent Company refers to the acquisition of goodwill recognised in the Parent Company after a merger. Goodwill is written off on a straight-line basis over the estimated useful life of 20 years.

Segment reporting

Information is presented only for the net revenue breakdown by business segments and geographic markets.

Group contributions

Group contributions provided from Parent Company to subsidiary are recognised as an expense in the income statement.

Group contributions which the Parent Company receives from subsidiaries are recognised according to the same principles as standard dividends from subsidiaries, impying that the Group contribution is reported as financial income.

Guarantee commitments / Financial guarantees

The Parent Company has signed guarantee commitments for the benefit of subsidiaries. Such an obligation is classified in accordance with IFRS as a financial guarantee agreement. For these agreements, the Parent Company applies the relief rule in RFR 2 (IAS 39, page 2), and, consequently, reports the guarantee commitment as a contingent liability. When the Parent Company deems it likely that a payment will be required to settle an obligation, a provision is made.

Pension obligations

The Parent Company's pension obligations are recognised in accordance with FAR RedR4. Certain pension obligations are covered through insurance taken out with insurance companies. Other pension obligations are not secured through insurance. The capital value of these consists of the present value of future liabilities and is calculated in accordance with actuarial principles. The capital value is recognised as a provision in the balance sheet. The interest portion of the pension liability's change is reported as financial costs. Other pension costs are charged to operating income.

Deferred income taxes

Amounts allocated to untaxed reserves constitute taxable temporary differences. However, due to the relationship between accounting and taxation, the deferred tax liability on untaxed reserves is recognised in a legal entity as part of the untaxed reserves. Also, the appropriations in the income statement are recognised including the deferred tax.

NOTE 3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

Through its operations, the Group is exposed to a number of financial risks: market risks (substantial currency risk, interest rate risk and price risk), credit risk and liquidity risk. All these risks are managed in accordance with Ostnor's financial policy. The Group's overall strategy focuses on decreasing the potential, unfavourable effects on the Group's financial performance. The Group uses derivative instruments to decrease a certain amount of the risk.

a) Market risk

(i) Currency risk

Transaction risk

Transaction risk refer to the risk that the Group's net profit and cash flow is impacted due to changes in value in commercial flows in foreign currency following fluctuations in exchange rates. Ostnor's currency policy is to minimise the impact on the Group's performance of fluctuations in exchange rates against SEK by concentrating the currency exposure to the Parent Company, as well as by hedging a certain portion of the foreign currency used in purchases and sales through forward currency contracts. Ostnor has an inflow of NOK and a net outflow of EUR and USD. This means that the Group is continuously exposed to transaction risk. 50% of the contracted flows and / or forecasted flows during a rolling period of 12 months are financially hedged per currency. Financial exposure on the currency accounts held by Ostnor AB cannot, according to the policy, exceed the counter value of MSEK 5 per currency and total net exposure cannot exceed MSEK 10.

Translation risk

The Group is exposed to a risk when translating foreign subsidiaries' net assets to the consolidation currency, the Swedish Krona (SEK). Foreign subsidiaries exist in Denmark (DKK), Norway (NOK), Russia (RUB), Germany and Finland (EUR).

The Group is affected by the fact that the income statements in the foreign subsidiaries are translated into SEK. This exposure is not hedged.

Exchange rate differences reported in the income statement amount to:

	2011	2010	2009
Other operating income/expenses	2,269	1,059	513
Net financial income	–746	2,156	6,563
Comprehensive income (translation difference)	85	–509	1,039
Total	**1,608**	**2,706**	**8,115**

The Group has the following translation exposure for accounts receivable and other receivables:

	2011	2010	2009
NOK	14,763	21,977	15,450
DKK	5,804	4,684	3,603
EUR	10,510	10,689	14,630
USD	34	24	36
Other currencies	2,471	2,204	7,490
Total	**33,582**	**39,578**	**41,209**

NOTE 3 CONT.

The Group has the following translation exposure for accounts payable and other liabilities:

	2011	2010	2009
NOK	3,261	2,904	3,448
DKK	320	300	810
EUR	16,860	11,800	14,811
USD	987	773	1,004
Other currencies	283	903	400
Total	**21,711**	**16,680**	**20,473**

The Group has the following translation exposure for cash and cash equivalents and bank overdraft facilities:

	2011	2010	2009
NOK	10,828	12,397	8,267
DKK	4,103	4,022	830
EUR	4,837	–6,773	–15,524
USD	–102	–1,294	6,583
Other currencies	1,921	1,523	1,603
Total	**21,587**	**9,875**	**1,759**

Forward currency contracts per currency

Local currency 1,000	Forecast flow 2012	Hedged 31 Dec 2011	Hedged 31 Dec 2010	Hedged 31 Dec 2009
EUR	–5,000	–2,500	–2,500	
USD	–1,800	–900	–1,200	
NOK	40,000	20,000	20,000	23,000

Sensitivity analysis operating profit / loss

TSEK	Total net flow	Effect on profit of a 10% change against SEK with a 50% hedge
EUR	–45,000	–2,250
USD	–12,000	–600
NOK	46,000	2,300

(ii) Interest rate risk

The Group has interest-bearing financial assets and liabilities whose fluctuations linked to market rates impact profit and cash flow from operating activities. Interest rate risk refers to the risk that changes in the general interest rates impact the Group's net profit negatively. The Group's interest-rate risk arises due to long-term borrowing. Borrowing undertaken at a variable interest rate exposes the Group to interest rate risk with regards to the cash flow, which is partly neutralised by cash assets with a variable interest rate. During 2011, 2010 and 2009, the Group's borrowing at variable interest rates was undertaken in SEK.

Ostnor's interest rate risk policy aims to reduce the negative impact of exchange rate fluctuations on the Group's profit. Investments are to be made at a fixed interest rate and with a term of a maximum of 1 year. When new loans are raised, the Board of Directors determines the manner in which the interest rate risk is to be managed. The interest rate risk is analysed with regards to new borrowings, leasing and variable interest rates. According to Ostnor's policy, interest rate risk is to be limited such that it does not have a negative effect on profit of over MSEK 1.

The Group manages the interest rate risk with regards to the cash flow by using interest swaps, with the financial implication that borrowings are converted from variable to fixed interest rates for a part of the borrowings. The Group usually raises long-term loans at a variable interest rate, and converts these into interest rate swaps at a fixed interest rate, which is lower than if the borrowing had been undertaken at a fixed interest rate at the initial agreement. The interest swaps mean that the Group agrees with other parties, at specified intervals, presently each quarter, to swap the difference between the interest rate amount, according to a fixed contract rate and the variable interest rate amount, calculated based on the contracted nominal amount.

The interest from interest-bearing liabilities to credit institutions is financially hedged, partly through interest swaps (variable to fixed interest rate) of MSEK 35 (2010: MSEK 48, 2009: MSEK 20) of the interest bearing liability of approximately MSEK 44 (2010: MSEK 55, 2009: MSEK 81). The Group is, consequently, exposed to a certain interest rate risk. Moreover, there is a risk that the bank may change its terms with consideration of the higher borrowing cost.

Sensitivity analysis

The Group has analysed its sensitivity to changes in the interest rate. The completed analysis shows that the effect on profit of an increase of 1 percent in the interest rate would imply a maximum increase in liquid assets of TSEK 988 (2010: TSEK 776, 2009: TSEK 39), respectively, a decrease of TSEK 89 (2010: TSEK 71, 2009: TSEK 606) regarding borrowing.

Interest attributable to provisions for pensions is not taken into account.

(iii) Raw material price risk

Of Ostnor's total costs for direct materials, approximately one third is comprised of the metal used in components produced or purchased by the Group. In all material aspects, the cost for raw metal materials refers to the alloy brass, which is comprised of about 60% copper and about 40% zinc. Ostnor, therefore, has a substantial risk exposure to changes in the prices of these metals. The consumption of brass is about 2,200 tonnes per year. Of this amount, about 1,000 tonnes come from the recycling of metal shavings and scrap metal in the Group's own production. The remaining 1,200 tonnes are purchased at market price.

Risk management regarding raw material prices is focused on the avoidance of speculation risks and attempts to predict the need for the coming year. This is undertaken through short delivery agreements and financial hedges covering approximately 75% of the needs for the coming year.

For the coming year, Ostnor requires 300 tonnes of brass that are not covered by the financial hedging, which means that price changes on copper of 100 USD / tonne correspond to a change in the operating income of approximately TSEK 120 per year. The corresponding value for zinc is approximately TSEK 80 per year. Ostnor has, in recent years, seen large fluctuations in the market prices of metals, and for Ostnor, mainly in copper. In the longer term, over one year, Ostnor therefore has a substantial risk to manage. Ostnor's complete consumption of 1,200 tonnes, plus the approximately 700 tonnes of brass which are included in the components purchased externally, is, subsequently, exposed to the development of the metals market.

b) Credit risk

Credit risk or counterparty risk is the risk that the counterparty in a financial transaction cannot fulfil its obligations on the required date. Ostnor's credit risk includes bank balances, financial investments and accounts receivable. Ostnor's investment policy is to minimise credit risk by investing only in approved liquid instruments, to select counterparties with a high credit rating and to use instruments with a high level of liquidity. Investments can be undertaken in Swedish treasury bills or K1, respectively A1 papers for state companies, Swedish banks and Swedish municipalities.

The counterparty risk regarding bank assets and derivatives is very low, as Nordic commercial banks are used.

The predominant financial risk in the Group is the credit risk for outstanding accounts receivable. The Group's credit control means that before a credit is granted, a credit check is undertaken. For earlier customers, the present financial situation, as well as the historical performance, is analysed. In the case that credit information and the payment history shows deficiencies, the Group offers the client delivery after an advance payment has been received.

For the Group's credit losses, see note 22. No material credit risk exists.

c) Liquidity risk

Liquidity risk refers to the risk that the Group lacks the necessary liquid assets to fulfil its financial obligations. To assure sufficient payment capacity for the operations, the Parent Company is to make certain that liquid funds are available. The liquidity requirement is calculated by means of liquidity forecasts. Ostnor's strategy is to reduce external borrowing, minimise working capital and to create a liquidity reserve. The Group's liquidity reserve can be created from, among other things, confirmed credit facilities and is to amount to at least 10% of sales, as well as be sufficient to cover liquidity requirements for the coming 12 months, at a minimum.

As per 31 December 2011, the Group has liquid assets amounting to TSEK 98,752 (2010: TSEK 77,611, 2009: TSEK 3,941) which consist of bank balances, including short-term investments. The Group has credit facilities and external borrowings. Future liquidity requirements, in general, regard accounts payable and other current liabilities. Future liquidity requirements are monitored through ongoing forecasts.

The Group has the following unutilised credit facilities:

	2011	2010	2009
Variable interest:			
– maturity within one year (bank overdraft)	135,679	136,351	137,391
– maturity after more than a year	21,261		
Fixed interest rate:			
– maturity within one year			
	156,940	**136,351**	**137,391**

The table below illustrates the contractual, undiscounted cash flows of the Group's financial liabilities and net adjusted derivative instruments, comprising financial liabilities, classified by the remaining contractual maturity as of the balance sheet date.

Per 31 December 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings (excl. financial leasing)	10,000	7,500		
Liabilities regarding financial leasing	8,042	8,271	11,192	1,400
Derivative instruments	4,814	79	161	
Accounts payable and other liabilities	62,775			
	85,631	**15,850**	**11,353**	**1,400**

Per 31 December 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings (excl. financial leasing)	11,698	10,000	7,500	
Liabilities regarding financial leasing	7,949	8,042	18,148	2,715
Derivative instruments	1,388			
Accounts payable and other liabilities	58,511			
	79,546	**18,042**	**25,648**	**2,715**

Per 31 December 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings (excl. financial leasing)	23,382	10,000	17,500	
Liabilities regarding financial leasing	6,726	6,726	18,651	2,278
Derivative instruments	654			
Accounts payable and other liabilities	58,050			
	88,812	**16,726**	**36,151**	**2,278**

NOTE 3 CONT.

3.2 Management of capital risk

The Group's objective regarding the capital structure is to ensure the Group's ability to continue operations, so that it can continue to generate a return on investment for its shareholders and benefits for other stakeholders, and to maintain an optimised capital structure to keep the costs of capital at a low level.

The Group assesses the capital on the basis of the debt/equity ratio. This key ratio is calculated as net debt divided by equity. Net debt is calculated as total borrowings (comprising the items short-term borrowings and long-term borrowings in the consolidated balance sheet), less cash and cash equivalents.

	2011	2010	2009
Total borrowings (Note 25)	43,833	54,867	80,610
Pension commitments	72,539	69,103	65,185
Less: cash and cash equivalents (Note 23)	–98,752	–77,611	–3,941
Net liability	**17,620**	**46,359**	**141,854**
Equity	**336,325**	**336,271**	**271,112**
Debt/equity ratio	**5.2%**	**13.8%**	**52.3%**

3.3 Calculation of fair value

The carrying amount, after any possible impairment, of accounts receivable and other receivables as well as of accounts payable and other liabilities, is assumed to correspond to fair value, as these items are short-term in their nature.

The financial assets valued at fair value in the Group consist of derivative instruments. These instruments belong to level 2 in the fair value hierarchy, meaning that there is observable data for the asset or liability, either directly through price listings or indirectly though derived price listings, but for which there are no existing records of prices on active markets for identical assets or liabilities.

NOTE 4 CRITICAL ESTIMATES AND JUDGMENTS

Estimates of the values of balance sheet items and judgments in the application of the accounting principles are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the prevailing circumstances.

Critical accounting estimates and judgments

The Group undertakes estimations and makes assumptions regarding the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of liabilities within the next financial year are outlined below.

Impairment tests for goodwill

The Group tests annually whether there is any impairment of goodwill, in accordance with the accounting principle described in Note 2.5. Recoverable amounts for cash generating units are determined by calculating the value in use. These calculations require the use of estimates. The impairment test is carried out at the operating segment level. Impairment of TSEK 213 has been carried out on goodwill attributable to the acquisition of the Finnish company during 2011.

The testing of goodwill carried out as of 31 December 2010 did not indicate any impairment requirements. A change of 3 % in the discount rate or a reduction of 3% in the operating margin would not change the results of the testing.

Product development projects

Ostnor capitalises costs attributable to product development projects to the extent such costs are deemed to meet the criteria in accordance with IAS 38, page 57 (see 2.5 intangible assets). When a project moves from conception stage (pre-study phase) to the development stage, i.e. is a determined development project, the criteria in IAS 38, page 57 (see 2.5 intangible assets, product development) are deemed to be satisfied. The decision has, thus, been made that expenditure arising from the development project is recognised as an asset.

Pension benefits

The present value of pension obligations is dependent on a number of factors determined on an actuarial basis, using a number of assumptions. The assumptions used in determining the net expenditure (revenue) for pensions include the discount rate. Any change in these assumptions will affect the pension obligations' carrying amount.

The Group determines the appropriate discount rate at the end of each year. This is the rate used to determine the present value of estimated future payments that are expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group takes into account the interest rates of first class corporate bonds denominated in the currency in which the benefits will be paid, and with maturities that match the projections for the pension obligation.

Other key assumptions relating to pension obligations which the management must make in conjunction with the actuarial calculation of pension obligations and pension costs depend on predicted annual increase in income, predicted staff turnover, predicted remaining term of service and predicted annual pension revaluations.

The valuation of loss carry-forwards

The Group tests annually whether any impairment requirement exists for deferred tax assets regarding tax loss carry-forwards. In addition, the Group is investigating whether it is appropriate to capitalise new deferred tax assets related to this year's tax loss carry-forwards. Deferred tax assets are recognised for tax loss carry-forwards when it is likely that these can be utilised against future taxable income and against taxable temporary differences. Ostnor has recorded deferred tax assets for loss carry-forwards that are available in Germany, Finland and Denmark, where it is probable that these loss carry-forwards can be utilised against future profits.

Unrecognised loss carry-forwards, as of 31 December 2011, amount to TSEK 968 (2010: TSEK 256, 2009: TSEK 0), attributable to the Russian company.

Guarantee reserves

The Group continuously tests the value of guarantee reserves in relation to predicted requirements. A provision is made on the basis of historical statistics regarding faulty products. The guarantee reserve amounted to 1.6% of net sales as of as of 31 December 2011 (2010: 1.5%, 2009: 1.6%).

Provisions for the removal and restoration of land

It is probable that Ostnor may, in the future, be required to carry out land cleansing measures, which will require management to make significant assessments regarding costs for the removal and restoration of land. The cost estimate is based on the action plan and cost estimates that Ostnor has carried out at the present time. Should the actual amounts differ from these estimates, future results may be affected.

The provision, as per 31 December 2011, amounts to TSEK 6,500 (2010: TSEK 10,000, 2009: TSEK 10,000) and refers to the cleansing of the Northern factory plot, which will be commenced in the next few years, as the Company no longer engages in operations at the site and intends to sell the Northern factory. Market research has been carried out regarding the Southern factory during 2011. The provision as per 31 December 2010 referred to both factories.

NOTE 5 SEGMENT INFORMATION

The operating segments have been established based on the information used by the most senior executive to make strategic decisions. The most senior executive in Ostnor has been identified as the CEO. The CEO evaluates operations according to the operational segment: Sweden, Other Nordic countries, and International.

The operating segments for which information is to be provided receive their income from the product development, manufacturing and sales of faucets.

Although the International segment does not fulfil the quantitative threshold values requiring the disclosure of an operating segment according to IFRS 8, Company management has decided that the accounting for this segment is to be reported. The reason for this is that the International segment is a potential growth area that is expected to contribute significantly to the Company in the future and is, consequently, closely monitored by the CEO.

The CEO evaluates the profits of the operating segments based on a measurement referred to in the internal reporting as EBITA. EBITA is defined as the operating income. The measurement does not include the impact of non-recurring expenses in the operating segments. Interest income and interest expenses are not allocated to the segments, as these are impacted by arrangements made by the central financial management, which is in charge of the Group's liquid assets.

Verkställande direktören bedömer rörelsesegmentens resultat baserat på ett mått som benämns i den interna rapporteringen som EBITA. EBITA definieras som rörelseresultat. Detta mått exkluderar effekterna av kostnader av engångskaraktär från rörelsesegmenten. Ränteintäkter och räntekostnader fördelas inte på segmenten, eftersom de påverkas av åtgärder som vidtas av den centrala finansförvaltningen, som handhar Groups kassalikviditet.

The segment information for the financial year 2011 is as follows:

	Sweden	Other Nordic countries	International	Total
Segment income	829,852	156,167	78,404	1,064,423
Sales between segments	–141,075	–4,182	–597	–145,854
Income from external clients	**688,777**	**151,985**	**77,807**	**918,569**
EBITA	86,139	–1,034	–9,289	75,816
EBITA includes depreciation/amortisation of	–42,273	–248	–111	–42,632

The segment information for the financial year 2010 is as follows:

	Sweden	Other Nordic countries	International	Total
Segment income	825,652	182,475	83,830	1,091,957
Sales between segments	–147,056	–7,053	–1,829	–155,938
Income from external clients	**678,596**	**175,422**	**82,001**	**936,019**
EBITA	119,208	94	–10,493	108,809
EBITA includes depreciation/amortisation of	–39,335	–210	–131	–39,676

The segment information for the financial year 2009 is as follows:

	Sweden	Other Nordic countries	International	Total
Segment income	799,897	176,634	85,991	1,062,522
Sales between segments	–141,623	–5,432	–492	–147,547
Income from external clients	**658,274**	**171,202**	**85,499**	**914,975**
EBITA	109,878	–8,741	–9,471	91,666
EBITA includes depreciation/amortisation of	–37,509	–299	–152	–37,960

EBITA is reconciled with operating income as follows:

	2011	2010	2009
EBITA for segments for which information shall be provided	75,816	108,809	91,666
Sale of subsidiaries		7,053	
Special examination		–1,770	
Closing of office module		–578	
Preparations for list on the stock market	–6,185		
Operating income	**69,631**	**113,514**	**91,666**
Financial items – net	–4,722	–2,742	575
Profit/loss before tax	**64,909**	**110,772**	**92,241**

NOTE 6 DISTRIBUTION OF NET SALES

Net sales are classified according to geographic market as follows:

GROUP	2011	2010	2009
Nordic countries	846,059	855,933	827,943
Europe, excluding Nordic countries	60,889	61,842	65,403
Other markets	11,621	18,244	21,629
Group total	**918,569**	**936,019**	**914,975**

Net sales are classified according to type of income as follows:

GROUP	2011	2010	2009
Sales of goods	909,533	929,127	906,362
Sales of services	1,148	951	867
Other income	7,888	5,941	7,746
Group total	**918,569**	**936,019**	**914,975**

PARENT COMPANY	2011	2010	2009
Sales of goods	842,332	841,065	812,772
Sales of services	9,210	8,643	9,268
Other income	7,687	5,666	9,193
Parent Company total	**859,229**	**855,374**	**828,233**

NOTE 7 THE PARENT COMPANY'S SALES TO AND PURCHASES FROM GROUP COMPANIES

During the year,the Parent Company has invoiced the subsidiaries TSEK 141,075 (2010: TSEK 147,056, 2009: TSEK 141,655) for goods and common Group services. The Parent Company's purchases from Group companies, amounting to TSEK 879 (2010: TSEK 3,023, 2009: TSEK 2,991) refers to Group services.

NOTE 8 REMUNERATION TO AUDITORS

Audit assignment refers to the examination of the annual report and accounting records, as well as of the administration of the Board of Directors and Managing Director, other assignments which are the responsibility of the company's auditors to execute and providing advisory services or other assistance resulting from observations made during such an examination or the implementation of such other assignments. Any other assignment is classified as other assignments.

GROUP	2011	2010	2009
PwC			
Audit assignment	503	533	416
Audit activities other than audit assignment	321	114	37
Tax consultancy services	167	32	222
Other services	1,988	656	317
Other auditors			
Audit assignment	229	317	342
Audit activities other than audit assignment			
Tax consultancy services	7		
Other services	33	35	43
Group total	**3,248**	**1,687**	**1,377**

PARENT COMPANY	2011	2010	2009
PwC			
Audit assignment	476	500	375
Audit activities other than audit assignment	321	114	37
Tax consultancy services	167	32	222
Other services	1,988	656	317
Other auditors	**–**	**–**	**–**
Parent Company total	**2,952**	**1,302**	**951**

NOTE 9 REMUNERATION TO EMPLOYEES, ETC.

GROUP	2011	2010	2009
Salaries and other remuneration	179,373	188,907	195,849
Social security contributions	52,008	54,188	57,763
Pension costs – defined contribution plans	22,274	19,024	16,994
Group total	**253,655**	**262,119**	**270,606**

Salaries, other remuneration and social security contributions

	2011		2010		2009	
	Salaries and other remuneration (of which bonuses)	Pension costs	Salaries and other remuneration (of which bonuses)	Pension costs	Salaries and other remuneration (of which bonuses)	Pension costs
Members of the Board, Managing Directors and other senior management	12,883	3,311	14,095	3,158	14,464	2,948
	(0)		(2,059)		(1,699)	
Other employees	166,490	18,963	174,812	15,866	181,385	14,046
	(0)		(10,385)		(3,224)	
Group total	**179,373**	**22,274**	**188,907**	**19,024**	**195,849**	**16,994**

Allocation by gender of members of the Board and other senior management in the Group (inc. subsidiaries)

	2011		2010		2009	
	Number on balance sheet date	Of whom men	Number on balance sheet date	Of whom men	Number on balance sheet date	Of whom men
Members of the Board	19	58%	19	63%	19	63%
Managing Director and Other senior management	12	92%	12	92%	13	92%
Group total	**31**		**31**		**32**	

PARENT COMPANY	2011	2010	2009
Salaries and other remuneration	156,083	161,223	164,512
Social security contributions	49,319	51,462	54,720
Pension costs – defined contribution plans	20,632	16,435	13,412
Parent Company total	**226,034**	**229,120**	**232,644**

Salaries, other remuneration and social security contributions

	2011		2010		2009	
	Salaries and other remuneration (of which bonuses)	Pension costs	Salaries and other remuneration (of which bonuses)	Pension costs	Salaries and other remuneration (of which bonuses)	Pension costs
Members of the Board, Managing Directors and other senior management	8,201	2,689	9,304	2,652	8,592	2,215
	(0)		(1,899)		(1,831)	
Other employees	147,882	17,943	151,919	13,783	155,920	11,197
	(0)		(10,582)		(3,515)	
Parent Company total	**156,083**	**20,632**	**161,223**	**16,435**	**164,512**	**13,412**

NOTE 9 CONT.

Average number of employees per country

	2011		2010		2009	
	Average number of employees	Of whom women	Average number of employees	Of whom women	Average number of employees	Of whom women
Sweden	456	138	457	134	495	145
Russia	5	3	6	3	6	5
Total, Parent Company	**461**	**141**	**463**	**137**	**501**	**150**
Subsidiaries						
Denmark	5	1	7	1	9	1
Finland	9	3	10	4	12	3
Norway	11	1	13	2	12	1
Germany	12	4	10	3	13	4
Russia	6	3	7	4	6	1
Total subsidiaries	**43**	**12**	**47**	**14**	**52**	**10**
Group total	**504**	**153**	**510**	**151**	**553**	**160**

Gender distribution in the Parent Company

	2011		2010		2009	
	Number on balance sheet date	Of whom men	Number on balance sheet date	Of whom men	Number on balance sheet date	Of whom men
Members of the Board	9	78%	9	89%	9	89%
Managing Director and Other senior management	6	83%	6	83%	7	86%
Parent Company total	**15**		**15**		**16**	

NOTE 10 DEPRECIATION/AMORTISATION PER FUNCTION

	GROUP			PARENT COMPANY		
	2011	2010	2009	2011	2010	2009
Cost of goods sold	24,300	22,521	22,375	18,281	17,589	17,517
Distribution costs	1,045	1,144	1,332	687	765	838
Administrative expenses	4,241	5,599	6,976	9,834	10,535	11,060
Research and development costs	13,046	10,412	7,277	576	741	644
Total depreciation/amortisation	**42,632**	**39,676**	**37,960**	**29,378**	**29,630**	**30,059**

NOTE 11 OTHER OPERATING INCOME AND OPERATING EXPENSES

	GROUP			PARENT COMPANY		
	2011	2010	2009	2011	2010	2009
Gains on sales of tangible fixed assets		2,727	318		2,727	318
Exchange rate differences	7,550	7,663	13,359	7,457	7,650	13,277
Accounting for government grants and disclosure of government assistance	70	98	520	70	98	520
Forward exchange agreements	967		98	967		98
Other operating income	1,694	1,202	1,092	1,633	1,199	1,089
Other operating income	**10,281**	**11,690**	**15,387**	**10,127**	**11,674**	**15,302**
Losses on sales of tangible fixed assets		–155	–861		–155	–861
Exchange rate differences	–5,281	–6,604	–12,846	–4,813	–5,809	–12,334
Forward exchange agreements		–1,102			–1,102	
Other operating expenses	–273			–265		
Other operating expenses	**–5,554**	**–7,861**	**–13,707**	**–5,078**	**–7,066**	**–13,195**

NOTE 12 OTHER GAINS AND LOSSES – NET

	GROUP			PARENT COMPANY		
	2011	2010	2009	2011	2010	2009
Provision for cleansing	3,500	–	–10,000	3,500	–	–10,000
Total	**3,500**	**–**	**–10,000**	**3,500**	**–**	**–10,000**

NOTE 13 FINANCIAL INCOME / FINANCIAL EXPENSES

	GROUP			PARENT COMPANY		
	2011	2010	2009	2011	2010	2009
Financial income						
Interest income on bank balances	1,989	700	589	1,881	626	534
Interest income from Group companies		–	–	161	201	264
Exchange gains	1,902	2,973	7,132	1,914	2,973	7,131
Fair value of gains on interest swaps	104	544	120	104	544	120
Other financial income		1	502		1	500
Financial income	**3,995**	**4,218**	**8,343**	**4,060**	**4,345**	**8,549**
Financial expenses						
Interest expenses on borrowings	–4,467	–5,047	–5,613	–4,335	–4,925	–5,308
Interest expenses on financial leases	– 832	–683	–845			
Exchange losses	–2,648	–817	–569	–2,648		
Fair value losses on interest swaps	–240					
Other financial expenses	–530	–413	–741	–226	–196	–214
Financial expenses	**–8,717**	**–6,960**	**–7,768**	**–7,209**	**–5,121**	**–5,522**

NOTE 14 INCOME TAX/TAX ON PROFIT FOR THE YEAR

	GROUP			PARENT COMPANY		
	2011	2010	2009	2011	2010	2009
Current tax:						
Current tax on profit for the year	–16,784	–22,149	–15,783	–14,958	–20,586	–15,332
Adjustments of previous years' current tax	–142	175	1,110	–224	–3	727
Total current tax	**–16,926**	**–21,974**	**–14,673**	**–15,182**	**–20,589**	**–14,605**
Deferred tax (see Note 18)	**–2,234**	**–8,824**	**–9,824**	**7,160**	**–233**	**–2,424**
Income tax	**–19,160**	**–30,798**	**–24,497**	**–8,022**	**–20,822**	**–17,029**

NOTE 14 CONT.

Income tax on profit for the year differs from the theoretical amount which would have arisen on the utilisation of a weighted average tax rate for the financial results of the consolidated companies as follows:

	GROUP			PARENT COMPANY		
	2011	**2010**	**2009**	**2011**	**2010**	**2009**
Profit/loss before tax	64,909	110,772	92,241	20,718	75,088	53,507
Income tax calculated according to national tax rates applicable on profit in the respective country. 26.3% for the Parent Company.	27.0%	27.8%	26.9%	26.3%	26.3%	26.3%
Tax effect of:						
Income not subject to tax	–0.9%	–3.1%	–2.0%	–2.3%	–2.3%	–0.2%
Expenses not deductible for tax purposes	2.6%	2.3%	2.7%	12.6%	3.3%	6.7%
Tax deficit for which no deferred tax asset is reported		0.7%	–0.1%			
Adjustment attributable to previous years	0.6%	0.3%	0.2%	1.8%	0.4%	0.4%
Tax charge attributable to previous years	0.2%	–0.2%	–1.1%	0.3%	0.0%	–1.4%
Effective Tax	**29.5%**	**27.8%**	**26.6%**	**38.7%**	**27.7%**	**31.8%**

The weighted average tax rate for the Group is 27.0% (2010: 27.8%, 2009: 26.9%). The tax rate for the Parent Company amounts to 26.3% for all years.

NOTE 15 EARNINGS PER SHARE

Earnings per share before dilution are calculated by dividing the profit attributable to the shareholders of the Parent Company with the weighted average number of outstanding ordinary shares during the period.

	2011	**2010**	**2009**
Profit attributable to the shareholders of the Parent Company	45,749	79,975	67,745
Weighted average number of outstanding ordinary shares before dilution	11,445,100	11,445,100	11,445,100
Earnings per share (SEK)	**4.00**	**6.99**	**5.92**

NOTE 16 INTANGIBLE ASSETS

GROUP	**Intangible assets in development**	**Other intangible assets – IT**	**Goodwill**	**Total**
As per 1 January 2009				
Acquisition cost	38,021	10,995	132,693	181,709
Accumulated amortisation	–3,298	–7,025	–39,837	–50,160
Carrying amount	**34,723**	**3,970**	**92,856**	**131,549**
Financial year 2009				
Opening carrying amount	34,723	3,970	92,856	131,549
Purchases/production	17,635	1,889	–	19,524
Amortisation	–6,634	–2,576	–	–9,210
Exchange rate differences	–	–	–18	–18
Closing carrying amount	**45,724**	**3,283**	**92,838**	**141,845**
As per 31 December 2009				
Acquisition cost	55,656	12,884	132,675	201,215
Accumulated amortisation	–9,932	–9,601	–39,837	–59,370
Carrying amount	**45,724**	**3,283**	**92,838**	**141,845**

GROUP	Intangible assets in development	Other intangible assets – IT	Goodwill	Total
Financial year 2010				
Opening carrying amount	45,724	3,283	92,838	141,845
Purchases/production	15,688	2,505	–	18,193
Amortisation	–9,669	–1,721	–	–11,390
Exchange rate differences	–	–	–21	–21
Closing carrying amount	**51,743**	**4,067**	**92,817**	**148,627**
As per 31 December 2010				
Acquisition cost	71,344	15,389	132,654	219,387
Accumulated amortisation	–19,601	–11,322	–39,837	–70,760
Carrying amount	**51,743**	**4,067**	**92,817**	**148,627**
Financial year 2011				
Opening carrying amount	51,743	4,067	92,817	148,627
Purchases/production	11,540	139		11,679
Amortisation			–213	–213
Exchange rate differences	–12,471	–1,020		–13,491
Closing carrying amount	**50,812**	**3,186**	**92,604**	**146,602**
As per 31 December 2011				
Acquisition cost	82,884	15,528	132,288	230,700
Accumulated amortisation	–32,072	–12,342	–39,684	–84,098
Carrying amount	**50,812**	**3,186**	**92,604**	**146,602**

Goodwill

PARENT COMPANY	31 Dec 2011	31 Dec 2010	31 Dec 2009
As per 1 January			
Acquisition cost	105,832	105,832	105,832
Accumulated amortisation	–26,456	–19,842	–13,228
Carrying amount	**79,376**	**85,990**	**92,604**
During the financial year			
Opening carrying amount	79,376	85,990	92,604
Amortisation for the year	–6,614	–6,614	–6,614
Closing carrying amount	**72,762**	**79,376**	**85,990**

Impairment testing of goodwill

Goodwill is distributed between the Group's cash-generating units identified by operating segment. The Group's goodwill is allocated, in its entirety, to the segment Sweden. Impairment of the remaining goodwill attributable to the acquisition in Finland has taken place during 2011, amounting to TSEK 213.

The recoverable amount for a cash-generating unit is determined based on a calculation of the unit's value in use. These calculations are based on expected future cash flows before tax, derived from financial budgets prepared according to Company management's strategy for the coming five-year period. Cash flows following this five year period are extrapolated with the help of predicted growth. The growth rate does not exceed the long-term growth rate for the industry in which the operating segment Sweden is active.

These assumptions have been applied in the analysis of the cash-generating unit. Management has determined the budgeted operating margin based on earlier results and on Company management's expectations as regards the development of the market. The discount rate is applied before tax and reflects specific risks to which the operating segment is exposed.

The impairment testing indicates no impairment requirements. See Note 4 for the sensitivity analysis.

NOTE 17 PROPERTY, PLANT AND EQUIPMENT

GROUP	Buildings and land	Plant and machinery	Equipment, tools, fixtures and fittings	Constructions in progress	Total
As per 1 January 2009					
Acquisition cost	118,290	409,527	95,177	16,729	639,723
Accumulated depreciation	–62,014	–329,070	–58,079	–	–449,163
Carrying amount	**56,276**	**80,457**	**37,098**	**16,729**	**190,560**
Financial year 2009					
Opening carrying amount	56,276	80,457	37,098	16,729	190,560
Purchases	692	7,895	1,100	7,402	17,089
Sales and disposals	–	–688	–206	–	–894
Reclassifications	–	4,958	10,170	–15,201	–73
Translation differences	–	–	–50	–	–50
Depreciation	–2,733	–16,285	–9,731	–	–28,749
Closing carrying amount	**54,235**	**76,337**	**38,381**	**8,930**	**177,883**
As per 31 December 2009					
Acquisition cost	118,982	416,490	105,651	8,930	650,053
Accumulated depreciation	–64,747	–340,153	–67,270	–	–472,170
Carrying amount	**54,235**	**76,337**	**38,381**	**8,930**	**177,883**
Financial year 2010					
Opening carrying amount	54,235	76,337	38,381	8,930	177,883
Purchases	–	7,939	1,455	8,400	17,794
Sales and disposals	–512	–	–305	–	–817
Sale of Group company	–615	–	–	–	–615
Reclassifications	–	7,478	4,221	–11,699	–
Translation differences	–	–	–88	–	–88
Depreciation	–2,534	–15,599	–10,153	–	–28,286
Closing carrying amount	**50,574**	**76,155**	**33,511**	**5,631**	**165,871**
As per 31 December 2010					
Acquisition cost	117,311	428,554	104,164	5,631	655,660
Accumulated depreciation	–66,737	–352,399	–70,653	–	–489,789
Carrying amount	**50,574**	**76,155**	**33,511**	**5,631**	**165,871**
Financial year 2011					
Opening carrying amount	50,574	76,155	33,511	5,631	165,871
Purchases	1,604	9,562	4,286	4,358	19,810
Sales and disposals		–155	–110		–265
Reclassifications	2,570	1,913	594	–5,258	–181
Translation differences			–2		–2
Depreciation	–1,846	–17,627	–9,456		–28,929
Closing carrying amount	**52,902**	**69,848**	**28,823**	**4,731**	**156,304**
As per 31 December 2011					
Acquisition cost	121,485	438,671	108,894	4,731	673,781
Accumulated depreciation	–68,583	–368,823	–80,071	0	–517,477
Carrying amount	**52,902**	**69,848**	**28,823**	**4,731**	**156,304**

PARENT COMPANY	Buildings and land	Plant and machinery	Equipment, tools, fixtures and fittings	Constructions in progress	Total
As per 1 January 2009					
Acquisition cost	118,290	363,106	90,909	16,729	589,034
Accumulated depreciation	–62,014	–318,143	–55,213		–435,370
Carrying amount	**56,276**	**44,963**	**35,696**	**16,729**	**153,664**
Financial year 2009					
Opening carrying amount	56,276	44,963	35,696	16,729	153,664
Purchases	625	7,895	1,098	7,402	17,020
Sales and disposals	–551	–688	–207		–1,446
Reclassifications		4,979	10,149	–15,201	–73
Depreciation	–2,730	–11,427	–9,287		–23,444
Closing carrying amount	**53,620**	**45,722**	**37,449**	**8,930**	**145,721**
As per 31 December 2009					
Acquisition cost	117,936	370,090	101,364	8,930	598,320
Accumulated depreciation	–64,316	–324,368	–63,915		–452,599
Carrying amount	**53,620**	**45,722**	**37,449**	**8,930**	**145,721**
Financial year 2010					
Opening carrying amount	53,620	45,722	37,449	8,930	145,721
Purchases		6,580	1,455	8,400	16,435
Sales and disposals	–511		–305		–816
Reclassifications		7,478	4,221	–11,699	0
Depreciation	–2,534	–10,667	–9,816		–23,017
Closing carrying amount	**50,575**	**49,113**	**33,004**	**5,631**	**138,323**
As per 31 December 2010					
Acquisition cost	117,311	381,708	100,680	5,631	605,330
Accumulated depreciation	–66,736	–332,595	–67,676		–467,007
Carrying amount	**50,575**	**49,113**	**33,004**	**5,631**	**138,323**
Financial year 2011					
Opening carrying amount	50,575	49,113	33,004	5,631	138,323
Purchases	1,604	2,179	2,519	4,358	10,660
Sales and disposals		–155	–111		–266
Reclassifications	2,570	1,913	594	–5,258	–181
Depreciation	–1,847	–11,608	–9,310		–22,765
Closing carrying amount	**52,902**	**41,442**	**26,696**	**4,731**	**125,771**
As per 31 December 2011					
Acquisition cost	121,485	385,131	102,930	4,731	614,277
Accumulated depreciation	–68,583	–343,689	–76,234		–488,506
Carrying amount	**52,902**	**41,442**	**26,696**	**4,731**	**125,771**

NOTE 17 CONT.

A review of useful lifetimes has been undertaken and, as of 1 January 2010, the useful lifetime for machinery has been changed from 7 years for all machines to periods of between 5-10 years for all separate machines. This change will continue to be reported in the future and has had a positive effect on the cost of goods sold amounting to TSEK 2,060 for the financial year 2011 (2010: 1,801).

The item Plant and machinery includes leased assets which the Group holds on the basis of financial lease agreements as follows:

	2011	**2010**	**2009**
Acquisition costs – capitalized financial leases	47,527	40,144	38,785
Accumulated amortisation	–19,121	–13,103	–8,170
Carrying amount	**28,406**	**27,041**	**30,615**

The Group leases a number of machines on the basis of non-cancellable lease agreements. The terms of these leases are 7 years (see Note 32 Lease agreements).

NOTE 18 DEFERRED TAX

	GROUP			**PARENT COMPANY**		
	2011	**2010**	**2009**	**2011**	**2010**	**2009**
Deferred tax expenses referring to temporary differences	–3,033	–3,890	–10,141	–1,373	–1,269	–6,656
Deferred tax revenue referring to temporary differences	8,122	912	4,232	8,533	1,036	4,232
Untaxed reserves	–7,323	–5,846	–3,916			
Total deferred tax in the income statement	**–2,234**	**–8,824**	**–9,825**	**7,160**	**–233**	**–2,424**

Changes in deferred tax assets and deferred tax liabilities during the year which have been recognised in the income statement, without consideration for offsetting undertaken within the same tax jurisdiction, are stated below:

GROUP

Deferred tax liabilities	**Buildings**	**Intangible assets**	**Derivative financial instruments**	**Inventories**	**Untaxed reserves**	**Other**	**Total**
As per 1 January 2009	3,420	10,177	0	3,086	18,630	176	35,489
Recognised in the income statement	121	2,712	2,400	–1,602	3,916	55	7,602
As per 31 December 2009	**3,541**	**12,889**	**2,400**	**1,484**	**22,546**	**231**	**43,091**
Recognised in the income statement	164	1,790	–773	21	5,846	602	7,650
As per 31 December 2010	**3,705**	**14,679**	**1,627**	**1,505**	**28,392**	**833**	**50,741**
Recognised in the income statement	–3,251	–479	–1,627	–1,430	7,323	–472	64
As per 31 December 2011	**454**	**14,200**	**0**	**75**	**35,715**	**361**	**50,805**

Deferred tax assets	**Buildings**	**Pension commitments**	**Provisions**	**Tax deficit**	**Derivative instruments**	**Other**	**Total**
As per 1 January 2009	582	6,242	0	1,812	3,995	617	13,248
Recognised in the income statement	0	–578	2,630	–127	–3,825	–330	–2,230
As per 31 December 2009	**582**	**5,664**	**2,630**	**1,685**	**170**	**287**	**11,018**
Recognised in the income statement	–109	–594	0	–509	121	–102	–1,193
As per 31 December 2010	**473**	**5,070**	**2,630**	**1,176**	**291**	**185**	**9,825**
Recognised in the income statement		–1,331	–920	–597	863	–185	–2,170
As per 31 December 2011	**473**	**3,739**	**1,710**	**579**	**1,154**	**0**	**7,655**

PARENT COMPANY

Deferred tax liabilities	Buildings	Intangible assets	Derivative financial instruments	Inventories	Untaxed reserves	Other	Total
As per 1 January 2009	3,420			3,086			6,506
Recognised in the income statement	121		2,400	–1,603			918
As per 31 December 2009	**3,541**	**0**	**2,400**	**1,483**	**0**	**0**	**7,424**
Recognised in the income statement	164		–800	20		475	–141
As per 31 December 2010	**3,705**	**0**	**1,600**	**1,503**	**0**	**475**	**7,283**
Recognised in the income statement	–3,705		–1,600	–1,503		–475	–7,283
As per 31 December 2011	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Deferred tax assets	Buildings	Pension commitments	Provisions	Tax deficit	Derivative instruments	Other	Total
As per 1 January 2009	582	1,971			3,995		6,548
Recognised in the income statement	0	–310	2,630		–3,825		–1,505
As per 31 December 2009	**582**	**1,661**	**2,630**	**0**	**170**	**0**	**5,043**
Recognised in the income statement	–109	–386			121		–374
As per 31 December 2010	**473**	**1,275**	**2,630**	**0**	**291**	**0**	**4,699**
Recognised in the income statement		–66	–920		863		–123
As per 31 December 2011	**473**	**1,209**	**1,710**	**0**	**1,154**	**0**	**4,546**

NOTE 19 PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY	2011	2010	2009
Opening acquisition cost	8,178	8,895	9,818
Sales of Group companies		–717	
Investments in Group companies			3,195
Impairment of Group companies			–4,118
Closing carrying amount	**8,178**	**8,178**	**8,895**

The Parent Company has participations in the following subsidiaries:

					CARRYING AMOUNT		
Name	**Corporate Identity Number**	**Registered offices**	**Share of equity**	**Number of shares**	**2011**	**2010**	**2009**
Ostnor Danmark A/S	CVR nr 12758081	Copenhagen, Denmark	100%	40	6,489	6,489	6,489
Ostnor Norge AS	980347745	Oslo, Norway	100%	5,000	537	537	537
Ostnor Finland Oy	FO-nr 1796012-0	Helsinki, Finland	100%	10	924	924	924
Mora GmbH	HRB 4708	Hamburg, Germany	100%		225	225	225
Mora Armatur Ltd	5067847410978	St Petersburg, Russia	100%		3	3	3
Bengt 17 i Malmö AB	556788-7426	Malmö, Sweden	100%	1,000			717
Total					**8,178**	**8,178**	**8,895**

The share of votes corresponds with the share of capital for all companies.

NOTE 20 FINANCIAL INSTRUMENTS BY CATEGORY

GROUP

Assets in the balance sheet	Financial assets held for sale	Financial assets measured at fair value through profit or loss	Loans and receivables	Total
31 Dec 2009				
Accounts receivable			126,942	126,942
Other receivables	5	6,450	2,890	9,345
Derivative instruments		9,129		9,129
Cash and cash equivalents			3,941	3,941
Total	**5**	**15,579**	**133,773**	**149,357**
31 Dec 2010				
Accounts receivable			116,056	116,056
Other receivables	5	5,537	3,050	8,592
Derivative instruments		6,467		6,467
Cash and cash equivalents			77,611	77,611
Total	**5**	**12,004**	**196,717**	**208,726**
31 Dec 2011				
Accounts receivable			109,070	109,070
Other receivables	5	4,595	2,461	7,061
Derivative instruments		662		662
Cash and cash equivalents			98,752	98,752
Total	**5**	**5,257**	**210,283**	**215,545**

GROUP

Liabilities in the balance sheet	Financial liabilities measured at fair value through profit or loss	Other financial liabilities	Total
31 Dec 2009			
Borrowing (excl. financial leases)		50,882	50,882
Liabilities attributable to financial leases		29,728	29,728
Accounts payable – trade		57,791	57,791
Other liabilities		259	259
Derivative instruments	654		654
Total	**654**	**138,660**	**139,314**
31 Dec 2010			
Borrowing (excl. financial leases)		29,198	29,198
Liabilities attributable to financial leases		25,669	25,669
Accounts payable – trade		58,123	58,123
Other liabilities		388	388
Derivative instruments	1,388		1,388
Total	**1,388**	**113,378**	**114,766**
31 Dec 2011			
Borrowing (excl. financial leases)		17,500	17,500
Liabilities attributable to financial leases		26,333	26,333
Accounts payable – trade		62,743	62,743
Other liabilities		32	32
Derivative instruments	5,054		5,054
Total	**5,054**	**106,608**	**111,662**

NOTE 21 DERIVATIVE INSTRUMENTS

GROUP AND PARENT COMPANY	2011 Assets	2011 Liabilities	2010 Assets	2010 Liabilities	2009 Assets	2009 Liabilities
Forward currency contracts	370	407	180	1,184	104	6
Forward cover of raw materials	292	4,407	6,287	100	9,025	–
Interest swaps	–	240	–	104	–	648
Total	**662**	**5,054**	**6,467**	**1,388**	**9,129**	**654**
Short-term portion	**662**	**4,814**	**6,467**	**1,388**	**9,129**	**654**

Derivative instruments are classified as current assets or current liabilities as the maturities of derivative instruments is under 12 months.

(a) Forward currency contracts

The nominal amount for outstanding forward currency contracts amounted, at 31 December 2011, to TSEK 52,136 (2010: TSEK 54,667, 2009: TSEK 28,359). Gains and losses on forward currency contracts, per 31 December 2011, are reported in operating income as other operating income/other operating expenses (Note 11).

(b) Forward cover of raw materials

	2011 Tonnes	2011 Nominal value of outstanding derivatives	2011 Market value, 31 Dec 2011	2010 Tonnes	2010 Nominal value of outstanding derivatives	2010 Market value, 31 Dec 2010	2009 Tonnes	2009 Nominal value of outstanding derivatives	2009 Market value, 31 Dec 2009
Copper	582	34,261	30,929	624	34,454	40,427	528	20,682	27,837
Zinc	388	5,854	5,070	416	6,719	6,933	352	4,660	6,530
	970	**40,115**	**35,999**	**1,040**	**41,173**	**47,360**	**880**	**25,342**	**34,367**
Change in value			–4,116			6,187			9,025
Effect on net profit/loss for the year of financial instruments, brass			–10,303			–2,838			23,447

Hedge accounting was introduced on 1 January 2012.

(c) Interest swaps

The nominal amount for outstanding interest swap agreements amounted, at 31 December 2011, to TSEK 34, 900 (2010: TSEK 47,800, 2009: TSEK 20,000). As per 31 December 2011, fixed interest rates varied between 2.51 % and 2.67% (2010: between 2.51 % and 2.67 %, 2009: between 3.92 % nd 3.92 %). Variable interest is based on STIBOR. Gains and losses on interest swaps are reported under financial items - net (Note 13).

NOTE 22 ACCOUNTS RECEIVABLE

GROUP	2011	2010	2009
Accounts receivable	112,430	122,255	130,348
Less: allocation for impairment of accounts receivable	–3,360	–6,199	–3,406
Accounts receivable – net	**109,070**	**116,056**	**126,942**

As per 31 December 2011, after consideration for the provision for doubtful debts, accounts receivable of TSEK 24,329 were overdue (2010: TSEK 23,410, 2009: TSEK 30,637). The overdue receivables were attributable to a number of clients with no previous record of difficulties in making payments.

The maturity analysis of these accounts receivable is stated below:

	2011	2010	2009
1–30 days	23,992	21,585	27,772
31–60 days	316	920	1,020
> 61 days	21	905	1,845
Total overdue accounts receivable	**24,329**	**23,410**	**30,637**

Changes in the provision for doubtful debts are as follows:

	2011	2010	2009
As per 1 January	**6,199**	**3,406**	**1,904**
Allocation for impairment of accounts receivable	1,263	3,211	1,824
Receivables written off during the year us non-recoverable	–2,713	–411	–322
Reversed unutilised amount	–1,389	–7	0
As per 31 December	**3,360**	**6,199**	**3,406**

Provisions for the respective reversals of reserves for doubtful debts are included in the item selling expenses in the income statement. The maximum exposure to credit risk as per the balance sheet date is represented by the carrying amounts of accounts receivable as above. No collateral or other guarantees have been provided for the accounts receivable outstanding as per the balance sheet date.

NOTE 23 CASH AND CASH EQUIVALENTS/CASH AND BANK BALANCES

Cash and cash equivalents in the balance sheet and the cash flow statement include following items:

GROUP	2011	2010	2009
Current investments	29,815		
Cash and bank funds	68,937	77,611	3,941
Group total	**98,752**	**77,611**	**3,941**

PARENT COMPANY	2011	2010	2009
Current investments	29,815		
Cash and bank funds	55,193	72,517	132
Parent Company total	**85,008**	**72,517**	**132**

NOTE 24 SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

PARENT COMPANY	Number of shares (thousands)	Share capital
As per 1 January 2009	114,451	11,445
As per 31 December 2009	114,451	11,445
As per 31 December 2010	114,451	11,445
As per 31 December 2011	11,445,100	11,445

Share capital consists of 2,289,000 Class A shares and 9,156,100 Class B shares. Class A shares entitle the holder to ten votes per share and Class B shares entitle the holder to one vote per share.
All shares issued by the Parent Company have been paid in full.

NOTE 25 BORROWING

GROUP	2011	2010	2009
Long-term			
Bank loans	7,500	17,500	27,500
Liabilities attributable to financial leases (see Note 32)	18,492	18,927	23,183
Short-term			
Bank loans	10,000	11,698	10,000
Bank overdraft facility (Agreed credit TSEK 137,838 (TSEK 137,920))			13,382
Liabilities attributable to financial leases (see Note 32)	7,841	6,742	6,545
Total borrowings	**43,833**	**54,867**	**80,610**

PARENT COMPANY	2011	2010	2009
Long-term			
Bank loans	7,500	17,500	27,500
Short-term			
Bank loans	10,000	10,000	10,000
Bank overdraft facility (Agreed credit TSEK 120,000 (TSEK 120,000))	0	0	8,880
Total borrowings	**17,500**	**27,500**	**46,380**

NOTE 26 PENSION COMMITMENTS, GROUP

GROUP	2011	2010	2009
Commitments in the balance sheet for:			
Defined benefit pension benefits	72,538	68,513	65,052
Recognised in the income statement attributable to:			
Costs for defined benefit plans	6,386	6,347	5,739

Defined benefit plans
Within the Group there are defined benefit plans in Sweden and Norway, as part of which employees are entitled to remuneration after they have terminated their employment, based on their salary level when they left the company and the period of service.

Pension commitments are guaranteed through provisions in the balance sheet report in combination with pension credit insurance.

GROUP	2011	2010	2009
Present value of commitments for funded plans	7,688	6,464	6,724
Unreported actuarial gains	–738	–357	–499
Fair value of plan assets	–6,339	–6,078	–6,136
Net debt attributable to commitments for funded plans	**611**	**29**	**89**
Present value of commitments for unfunded plans	91,957	74,222	69,529
Unreported actuarial losses	–20,030	–5,738	–4,566
Net liability in the balance sheet	**71,927**	**68,484**	**64,963**

Changes in commitments for defined benefit plans during the year are as follows:

GROUP	2011	2010	2009
At beginning of year	80,686	76,253	66,852
Employment during the current year	3,430	3,392	3,147
Interest expenses	3,285	3,132	2,745
Actuarial gains(+)/losses(–)	14,257	280	4,476
Exchange rate differences	98	–515	645
Remuneration paid	–2,111	–1,856	–1,612
At year-end	**99,645**	**80,686**	**76,253**

Changes in the fair value of plan assets during the year are as follows:

GROUP	2011	2010	2009
At beginning of year	6,078	6,136	4,363
Expected rate of return on plan assets	244	310	262
Actuarial losses(–)/gains(+)	234	–810	–518
Exchange rate differences	–478	–462	578
Employer charges	260	904	1,451
At year-end	**6,338**	**6,078**	**6,136**

The amounts recognised in the income statement attributable to defined benefit plans are as follows:

GROUP	2011	2010	2009
Current service cost	3,440	3,617	3,332
Interest expenses	3,285	3,132	2,745
Expected rate of return on plan assets	–339	–402	–337
Net actuarial losses recognised during the year	–	–	–
Losses on curtailments	–	–	–
Total	**6,386**	**6,347**	**5,740**

The total cost of TSEK 6,386 (2010: TSEK 6,347, 2009: TSEK 5,740) is included in the items selling expenses and administrative expenses.

	2011	2010	2009
Actual return on plan assets:	4.0%	5.20%	5.26%

For 2011, expected return is reported.

The most important assumptions applied are as follows:

	2011	2010	2009
Discount rate, %	3.5–4.0	4.0–4.5	3.8–4.0
Expected rate of return on plan assets, %	5.4	5.7	5.8
Expected rate of salary increases, %	3.0–4.0	3.0–4.5	3.0–4.0
Annual adjustments to pensions, %	1.3–2.0	1.4–2.0	1.5–2.0

Life expectancy

Assumptions regarding life expectancy are based on publicly-available statistics and experience in each respective country.

The average number of years of remaining life expectancy from the pensionable age of 65 is, as per the balance sheet date, as follows:

	2011	2010	2009
Men	23	21	21
Women	25	23	23

Plan assets consist of the following:

GROUP	2011	2010	2009
Shares	406	881	620
Interest-bearing securities	4,614	3,902	4,246
Property	1,115	1,191	1,215
Other	203	104	55
Total	**6,338**	**6,078**	**6,136**

NOTE 27 PENSION COMMITMENTS, PARENT COMPANY

The Company's pension plans are stated in the description provided in Note 3 for the Group.

Specification of amounts recognised in the balance sheet:

	2011	2010	2009
Present value of commitments for unfunded plans (according to Swedish principles)	64,710	56,979	52,793
Net liabilities in the balance sheet (–) (excluding untaxed reserves attributable to pension commitments)	**64,710**	**56,979**	**52,793**

Specification of changes in net liabilities reported in the balance sheet attributable to pensions:

	2011	2010	2009
Net liabilities at beginning of year attributable to pension commitments	56,979	52,793	49,408
Own pension costs recognised in the income statement	9,842	6,042	4,997
Pension benefits paid	–2,111	–1,856	–1,612
Net liability as at year-end	**64,710**	**56,979**	**52,793**

The net liability as above is recognised, in its entirety, under the item Provisions for pensions and similar obligations in the balance sheet.

Provisions for pensions are distributed as follows:

	2011	2010	2009
Statutory provisions for pension liabilities			
– FPG/PRI pension liabilities	64,710	56,979	52,793
– Other	4,858	5,848	6,773
Non-statutory provisions for pension liabilities	0	0	0
Total provisions for pensions	**69,568**	**62 827**	**59,566**

NOTE 27 CONT.

Specification of expenses and income attributable to pensions during the period:

	2011	2010	2009
Own pensions			
Expenses for earning of pensions, etc.	7,104	3,298	3,004
Interest expenses (estimated discount effect)	2,738	2,744	1,993
Effect on profit of redemption of obligations, etc.	0	0	0
Expenses for own pensions excl. taxes	**9,842**	**6,042**	**4,997**
Insured pensions			
Insurance premiums or equivalent	718	917	380
Reported net expenses attributable to pensions, excl. taxes	**10,560**	**6,959**	**5,377**

The reported net expenses are distributed between items in the income statement as follows:

	2011	2010	2009
Cost of goods sold	2,971	1,730	1,389
Selling expenses	3,227	1,745	1,401
Administrative expenses and research and development costs	1,624	740	594
Financial items	2,738	2,744	1,993
Reported net expenses	**10,560**	**6,959**	**5,377**

The actuarial calculations are based on the following principal assumptions:
Discount rate 3.5 % (2010: 4.0 %, 2009: 4.0 %)

The assumptions have been calculated based on salary levels applicable on the respective balance sheet dates.

The expected payments for the next year attributable to defined benefit pension plans amount to TSEK 2,307

NOTE 28 PROVISIONS

GROUP	Guarantees	Removal and cleansing of land	Special employer's contribution pension commitments	Other	Total
As per 1 January 2009	**12,914**	**0**	**2,989**	**4,023**	**19,926**
Recognised in the income statement:					
– Additional provisions	1,686	10,000			11,686
– Reversed unutilised amount					
Utilised during the year			–36	–4,023	–4,059
As per 31 December 2009	**14,600**	**10,000**	**2,953**	**0**	**27,553**
As per 1 January 2010	**14,600**	**10,000**	**2,953**	**0**	**27,553**
Recognised in the income statement:					
– Additional provisions					
– Reversed unutilised amount	–100				–100
Utilised during the year			–161		–161
As per 31 December 2010	**14,500**	**10,000**	**2,792**	**0**	**27,292**
As per 1 January 2011	**14,500**	**10,000**	**2,792**	**0**	**27,292**
Recognised in the income statement:					
– Additional provisions	200				200
– Reversed unutilised amount		–3,500			–3,500
Utilised during the year			–1,040		–1,040
As per 31 December 2011	**14,700**	**6,500**	**1,752**	**0**	**22,952**

GROUP

Provisions consist of:	**2011**	**2010**	**2009**
Long-term portion	22,952	27,292	27,553
Total	**22,952**	**27,292**	**27,553**

PARENT COMPANY	Guarantees	Cleansing of land	Pension commitments	Other	Total
As per 1 January 2009	**11,900**	**0**	**57,321**	**4,023**	**73,244**
Recognised in the income statement:					
– Additional provisions	2,700	10,000	2,245		14,945
– Reversed unutilised amount					
Utilised during the year				–4,023	– 4,023
As per 31 December 2009	**14,600**	**10,000**	**59,566**	**0**	**84,166**
As per 1 January 2010	**14,600**	**10,000**	**59,566**	**0**	**84,166**
Recognised in the income statement:					
– Additional provisions			4,641		4,641
– Reversed unutilised amount	–100		–1,380		–1,480
Utilised during the year					
As per 31 December 2010	**14,500**	**10,000**	**62,827**	**0**	**87,327**
As per 1 January 2011	**14,500**	**10,000**	**62,827**	**0**	**87,327**
Recognised in the income statement:					
– Additional provisions	200		7,731		7,931
– Reversed unutilised amount		–3,500	–990		–4,490
Utilised during the year					
As per 31 December 2011	**14,700**	**6,500**	**69,568**	**0**	**90,768**

PARENT COMPANY

Provisions consist of:	2011	2010	2009
Long-term portion	90,768	87,327	84,166
Total	**90,768**	**87,327**	**84,166**

Guarantees

The Group tests the value of reserves in relation to estimated requirements on an ongoing basis. Reservations are made based on historical statistics regarding faulty products. The guarantee reserve comprised 1.6% (2010: 1.6%, 2009: 1.6%) of net sales as per 31 December 2011. The guarantee periods are from 2 to 5 years.

Removal and cleansing of land

The provision refers to the expenses likely to be payable by Ostnor in the future for the removal and cleansing of land. The estimated expenses are based on the current plan of action which Ostnor has established and the predicted costs associated with this plan. Should the actual expenses deviate from the estimated expenses, profits in the future may be impacted.

NOTE 29 ACCRUED EXPENSES AND DEFERRED INCOME

GROUP	2011	2010	2009
Accrued salaries	5,232	14,575	7,761
Accrued holiday pay	21,213	20,168	21,557
Accrued social security contributions	8,220	10,569	9,065
Accrued interest expenses	35	77	62
Other items incl. customer bonuses and discounts	43,100	39,942	44,332
Group total	**77,800**	**85,331**	**82,777**

PARENT COMPANY	2011	2010	2009
Accrued salaries	4,787	13,811	7,455
Accrued holiday pay	19,339	18,455	18,702
Accrued social security contributions	7,981	10,235	8,668
Accrued interest expenses	35	77	62
Other items incl. customer bonuses and discounts	32,885	30,523	36,426
Parent Company total	**65,027**	**73,101**	**71,313**

NOTE 30 PLEDGED ASSETS

GROUP AND PARENT COMPANY	2011	2010	2009
Relating to provisions for pensions and similar commitments			
– Other long-term receivables	4,595	4,948	6,317
Relating to liabilities to credit institutions			
– Property mortgages	17,750	17,750	17,750
– Floating charges	58,510	58,510	58,510
Group and Parent Company total	**80,855**	**81,208**	**82,577**

NOTE 31 CONTINGENT LIABILITIES

GROUP	2011	2010	2009
Other contingent liabilities	1,294	1,140	1,056
Group total	**1,294**	**1,140**	**1,056**

PARENT COMPANY	2011	2010	2009
Contingent liabilities for the benefit of other Group companies	23,083	22,384	26,097
Other contingent liabilities	1,294	1,140	1,056
Parent Company total	**24,377**	**23,524**	**27,153**

NOTE 32 LEASING AGREEMENTS

Financial leases

The Group's financial lease agreements refer to machinery. No machines are sub-leased.

Obligations to pay future leasing fees are reported as current and non-current liabilities. Minimum leasing fees are distributed between interest expenses and repayment of the outstanding liability. Variable fees are recognised as an expense during the period in which they arise. Interest levels vary according to Stibor 1 month or 3 months.

Future minimum leasing fees for non-cancellable financial lease agreements applicable at the end of the reporting period mature as follows:

GROUP	2011	2010	2009
Within one year	7,841	6,742	6,545
Between one and five years	17,951	18,754	21,251
More than five years	541	173	1,932
Group total	**26,333**	**25,669**	**29,728**

Operating leases

The Group's and the Parent Company's operating leases refer, primarily, to trucks, cars, office premises, servers and telephone exchanges. No sub-leasing takes place. Trucks are leased for a period of five or six years. Cars are normally leased for a period of three years. Leases for cars can be redeemed at any point during the term of the lease. Agreements for cars, office premises, servers and telephone exchanges are automatically extended of the conditions for termination are not met.

Future minimum leasing fees for non-cancellable operating lease agreements applicable at the end of the reporting period mature as follows:

GROUP	2011	2010	2009
Within one year	7,356	7,186	7,109
Between one and five years	9,628	8,097	9,528
More than five years	161	0	510
Group total	**17,145**	**15,283**	**17,147**

Expenses for operating leases in the Group during the financial year amounted to TSEK 13,705 (2010: TSEK 15,757, 2009: TSEK 18,608).

PARENT COMPANY	2011	2010	2009
Within one year	4,029	4,046	3,658
Between one and five years	4,383	4,390	2,739
More than five years	0	0	0
Group total	**8,412**	**8,436**	**6,397**

Expenses for operating leases in the Parent Company during the financial year amounted to TSEK 7,779 (2010: TSEK 8,237, 2009: TSEK 10,190).

NOTE 33 UNTAXED RESERVES

PARENT COMPANY	2011	2010	2009
Accumulated difference between reported depreciation and depreciation according to plan:			
– Buildings and land improvements	19,058	4,365	5,526
– Plant and equipment	32,740	32,447	27,307
Tax allocation reserve	84,004	71,146	52,896
Parent Company total	**135,802**	**107,958**	**85,729**

NOTE 34 INCOME FROM OTHER SECURITIES AND RECEIVABLES ACCOUNTED FOR NON CURRENT ASSETS

PARENT COMPANY	2011	2010	2009
Exchange rate differences	–11	–817	–569
Fair value loss on interest swaps	–240		
Parent Company total	**–251**	**–817**	**–569**

NOTE 35 APPROPRIATIONS

PARENT COMPANY	2011	2010	2009
Difference between recorded depreciation and depreciation according to plan	–14,986	–3,979	–5,758
Transfer to tax allocation reserve	–18,958	–26,091	–19,431
Dissolution of tax allocation reserves	6,100	7,841	10,295
Parent Company total	**–27,844**	**–22,229**	**–14,894**

NOTE 36 OTHER NON-CASH ITEMS

GROUP	2011	2010	2009
Gains/losses on sales of tangible fixed assets	265	–2,573	506
Pension provisions	3,035	2,537	1,316
Other provisions	–4,340	–261	7,627
Derivative instruments	4,392	–5,183	–9,123
Other	–164	–1,995	2,077
Group total	**3,188**	**–7,475**	**2,403**

PARENT COMPANY	2011	2010	2009
Gains/losses on sales of tangible fixed assets	265	–2,573	542
Pension provisions	6,741	2,805	2,161
Other provisions	–3,300	–100	8,677
Derivative instruments	4,392	–5,183	–9,123
Other	171	–4	562
Parent Company total	**8,269**	**–5,055**	**2,819**

NOTE 37 TRANSACTIONS WITH RELATED PARTIES

Priveq owns just under 30% of the shares in Ostnor and is assessed to exercise a controlling influence over Ostnor. Other related parties are all subsidiaries within the Group and senior executives, i.e. Board and management, as well as their family members. Erik Eriksson, CEO of Mattsson Metal AB, is a member of the Board of Ostnor. Mattsson Metal is, consequently, identified as a related party.

The following transactions have occurred with related parties:

(a) Sales of goods

	2011	2010	2009
Sales of goods:			
– Mattsson Metal AB	465	851	918
Total	**465**	**851**	**918**

In addition to the above, goods have been sold to related parties for insignificant amounts, in accordance with current employee purchase policy.

(b) Purchase of goods and services

	2011	2010	2009
Purchases of goods:			
– Mattsson Metal AB	2,255	2,193	2,684
Purchases of services:			
– Related parties to Board members (employees of the Company)	953	924	871
Total	**3,208**	**3,117**	**3,555**

Goods and services have been bought and sold to related parties under normal commercial conditions.

(c) Remuneration to senior management

Employees in senior management positions have received the following remuneration:

	2011	2010	2009
Salaries and other short-term remuneration	8,806	9,837	9,204
Remuneration on completion of employment	2,689	2,652	2,215
Total	**11,495**	**12,489**	**11,419**

Guidelines

The Chairman and members of the Board are remunerated in accordance with the decision of the Annual General Meeting.

Remuneration to the CEO and other senior management consists of basic salary, variable remuneration, other benefits and pensions. Other senior management is defined as the five people plus the CEO who comprise Group Management, see page 24.

The distribution between basic salary and bonus must be established in proportion to the executive's responsibilities and powers. For the CEO, the variable will be a maximum of 50% of basic salary. For other senior executives, the variable remuneration is capped at 25-35% of basic salary. The level of variable remuneration is based on performance in relation to established targets.

Pension benefits and other benefits for the CEO and other senior executives form part of total remuneration.

Conditions for the CEO

The CEO of the Parent Company has a defined contribution pension plan with an annual pension equal to 30% of basic salary. As concerns notice of termination of employment, a notice period of 12 months from the Company and 6 months from the CEO will apply. Upon termination by the Company, the CEO is entitled to salary and other benefits for 12 months, and a severance payment equivalent to 12 monthly salaries.

Remuneration to other senior executives

For other senior executives there are customary pension commitments within the framework of the general pension plan. In addition, additional pension contributions of 5% of basic salary will be made.

Bonus

The CEO's bonus is based to 60% on consolidated operating income and to 40% on Group cash flow. The bonus amount for 2011 corresponded to 0% of basic salary (2010: 49%, 2009: 50%).

For other senior executives, bonuses are based to 60% on consolidated operating income and to 40% on Group cash flow. The bonus amount for other senior executives for 2011 corresponds to 0% of basic salary (2010: 23%, 2009: 25%).

NOTE 37 CONT.

Remuneration and other benefits 2011

	Basic salary/ Board fees	Variable remuneration*	Other benefits**	Pension costs	Total
Chairman of the Board Christer Lenner	383				383
Board member Erik Eriksson	117				117
Board member Magnus Hardmeier	197				197
Board member Hans Åke Norås	197				197
Board member Torbjörn Wallin (until May 2011)	37				37
Board member Mats Hermansson	117				117
Board member Pernilla Wigren	117				117
Board member Eva-Lotta Kraft (from May 2011)	70				70
CEO Håkan Olson	2,004	0	159	676	2,839
Other senior executives (5 people)	4,962	0	445	2,013	7,420
Total	**8,201**	**0**	**604**	**2,689**	**11,494**

Remuneration and other benefits 2010

	Basic salary/ Board fees	Variable remuneration*	Other benefits**	Pension costs	Total
Chairman of the Board Christer Lenner	397				397
Board member Erik Eriksson	110				110
Board member Magnus Hardmeier	110				110
Board member Hans Åke Norås	110				110
Board member Torbjörn Wallin	90				90
Board member Mats Hermansson	110				110
Board member Pernilla Wigren	110				110
CEO Håkan Olson	1,856	864	119	677	3,516
Other senior executives (5 people)	4,512	1,035	414	1,975	7,936
Total	**7,405**	**1,899**	**533**	**2,652**	**12,489**

Remuneration and other benefits 2009

	Basic salary/ Board fees	Variable remuneration*	Other benefits**	Pension costs	Total
Chairman of the Board Christer Lenner (from Sept 2009)	188				188
Board member Erik Eriksson	110				110
Board member Magnus Hardmeier	100				100
Board member Hans Åke Norås (from June 2009)	63				63
Board member Torbjörn Wallin (from Sept 2009)	63				63
Board member Mats Hermansson	110				110
Board member Pernilla Wigren	100				100
Board member Vilhelm Laurén (until May 2009)	37				37
Board member Lennart Lundh (until May 2009)	47				47
CEO Håkan Olson	1,706	822	120	660	3,308
Other senior executives (5 people)	4,237	1,009	492	1,555	7,293
Total	**6,761**	**1,831**	**612**	**2,215**	**11,419**

Remuneration is stated exclusive of social security contributions.

For 2011, extra remuneration has been paid to Board members for additional work in the stock exchange Listing Committee of the following amounts: Christer Lenner SEK 140,000, Hans-Åke Norås SEK 70,000 and Magnus Hardmeier SEK 70,000. The Chairman, Christer Lenner, has, in addition to Board work and his work on the Listing Committee, received SEK 70,000 (2010: SEK 237,000, 2009: SEK 91,000) for extra work and travel expenses.

During the period February 2010 to August 2011, the position of Marketing and Sales Director was staffed by a consultant. The cost for this is not included in the above summary.

* Variable remuneration refers to bonuses recorded as an expense.
** Other benefits are in the form of a company car.

NOTE 38 EVENTS AFTER THE BALANCE SHEET DATE

Hedge accounting has been introduced as per 1 January 2012 regarding raw materials derivatives. The Company fulfills the requirements for hedge accounting, implying that the market valuation of brass derivatives will not impact operating income as long as the hedges entered into are sufficiently effective.

NOTE 39 EFFECTS OF TRANSITION TO IFRS FOR THE PARENT COMPANY

The Parent Company transferred to accounting in accordance with RFR 2 on 1 January 2009, which is the same date as the Group's date for transition to IFRS reporting. The transition has had the following effects on the Parent Company's equity. For detailed information see Note 40, Effects of transition to IFRS reporting.

Amounts in TSEK	**1 Jan 2009**
Opening shareholders' equity in accordance with the adopted balance sheet	**131,847**
Correction of errors	–11
Effect of change in accounting principles to RFR 2 (including deferred tax):	
Component depreciation, buildings	9,582
Revaluation of inventories	8,647
Fair value, derivative instruments	–11,195
Total effect of change in accounting principles	**7,023**
Opening shareholders' equity adjusted in accordance with the new principles	**138,870**

NOTE 40 EFFECTS OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

This is the first annual report for the Ostnor Group prepared in accordance with IFRS. The accounting principles presented in Note 2 have been applied in the preparation of the consolidated accounts as of 31 December 2011 and for the comparative information presented as of 31 December 2010 and 2009, as well as in the preparation of the report for the period's opening financial position (Opening IFRS balance sheet) as of 1 January 2009 (the Group's date for transition to IFRS). The Group has voluntarily chosen to present an additional comparison year.

When the opening IFRS balance sheet is prepared in accordance with IFRS, amounts are adjusted that in previous financial statements were reported in accordance with the general recommendations of the Swedish Accounting Standards Board. An explanation of how the transition from the previous accounting principles to IFRS has affected the Group's results, financial position and cash flow is shown in the tables below and the associated Notes.

Choices made in the transition to IFRS reporting

he transition to IFRS is reported in accordance with IFRS 1 First time adoption of IFRS. The general rule is that all applicable IFRS and IAS standards, which entered into force and are approved by the EU, should be applied retroactively. IFRS 1, however, contains transitional provisions giving companies a certain degree of choice.

The exemptions from full retrospective application of all standards, permitted in IFRS, which the Group has chosen to apply in its transition from the previous accounting principles to IFRS, are shown below.

Exemptions for business combinations

The standard IFRS 1, which governs how a transition to IFRS is to be made, offers the possibility to apply the principles in the standard IFRS 3 Business Combinations, either prospectively from the date of transition to IFRS or from a specific point in time before the transition date. This provides relief from a complete retrospective application which would require recalculation of all business combinations prior to the transition date. The Group has chosen to apply IFRS 3 prospectively to business combinations occurring after the date of transition to IFRS. Business combinations that occurred prior to transition date have not been restated.

Exemptions for accumulated translation differences

IFRS 1 provides permission for accumulated translation differences recognised in equity to be reset as per the transition date. This implies a relief compared to determining the accumulated translation differences in accordance with IAS 21, Effects of Changes in Foreign Exchange Rates, from the time a subsidiary or associated company is formed or acquired. The Group has chosen to reset all accumulated translation differences in the translation reserve and reclassify these to retained earnings at the time of transition to IFRS.

Employee benefits

IFRS 1 provides relief from retrospective application of IAS 19, Employee Benefits, for recognition of actuarial gains and losses. In accordance with the exemption, the Group has chosen to recognise all cumulative actuarial gains and losses that existed for the defined benefit plans in the opening balance of retained earnings at the transition date. The Group will apply the corridor approach for actuarial gains and losses that arise at a later date.

Reconciliation between previously applied accounting principles and IFRS

According to IFRS 1, the Group must display a reconciliation of shareholders' equity and total comprehensive income as recognised in accordance with the previous accounting principles for earlier periods with the corresponding items in accordance with IFRS. The Group's transition had no effect on cash flows generated by the Group. The adjustment items which comprise the difference between reporting in accordance with the previous accounting principles and in accordance with IFRS have had no net effect on cash flow. The following tables show the reconciliation between previously applied accounting principles and IFRS for each period for equity and total comprehensive income.

The transitional information provided previously, in the interim report for the period January - June 2011, has been adjusted after a more thorough analysis of the values of inventories was conducted. As a result of this adjustment, equity as per 1 January 2009 has been increased by TSEK 21,505, and net profit for the year has been decreased by an equivalent amount. Closing equity as per 31 December 2009 remains unchanged. In addition, a reclassification of the item named "Other gains/losses – net" has been undertaken. This item is now named "Financial instruments, brass" and now only contains adjustments of brass futures.

NOTE 40 CONT.

Reconciliation of equity per 1 January 2009 and 31 December 2009

TSEK	Notes	1 JANUARY 2009 Opening balance (after adjustment for correction of errors) in accordance with previous accounting principles (a)	Total effect of transition to IFRS	In accordance with IFRS	Notes	31 DECEMBER 2009 Closing balance (after adjustment for correction of errors) in accordance with previous accounting principles (a)	Total effect of transition to IFRS	In accordance with IFRS
ASSETS								
Intangible assets – IT	(b)	2,895	1,075	3,970	(b)	966	2,317	3,283
Intangible assets in development	(c)	22,747	11,976	34,723	(c)	27,992	17,732	45,724
Goodwill		92,856	–	92,856	(d)	86,176	6,662	92,838
Land and buildings	(e)	43,274	13,002	56,276	(e)	40,774	13,461	54,235
Plant and machinery	(f), (g)	44,984	35,473	80,457	(f), (g)	45,722	30,615	76,337
Other tangible fixed assets		53,827	–	53,827		47,311	–	47,311
Financial non-current assets		7,861	–	7,861		6,748	–	6,748
Deferred tax assets	(h)	4,983	8,265	13,248	(h)	4,215	6,803	11,018
Inventories	(i)	212,123	11,733	223,856	(i)	161,711	5,642	167,353
Accounts receivable and other receivables		127,979	–	127,979		131,111	–	131,111
Prepaid expenses and accrued income	(f)	6,605	–551	6,054	(f)	6,443	–495	5,948
Derivative instruments	(j)	–	6	6	(j)	–	9,129	9,129
Cash and cash equivalents		9,926	–	9,926		3,941	–	3,941
Total assets		**630,060**	**80,979**	**711,039**		**563,110**	**91,866**	**654,976**

Reconciliation of equity per 1 January 2009 and 31 December 2009

TSEK	Notes	1 JANUARY 2009 Opening balance (after adjustment for correction of errors) in accordance with previous accounting principles (a)	Total effect of transition to IFRS	In accordance with IFRS	Notes	31 DECEMBER 2009 Closing balance (after adjustment for correction of errors) in accordance with previous accounting principles (a)	Total effect of transition to IFRS	In accordance with IFRS
LIABILITIES AND EQUITY								
Equity attributable to owners of the Parent Company	(k)				(k)			
Share capital		11,445	–	11,445		11,445	–	11,445
Reserves		173,939	–173,939	–		185,418	–184,379	1,039
Retained earnings, including profit/loss for the year		12,252	178,631	190,883		50,907	207,721	258,628
Total equity		**197,636**	**4,692**	**202,328**		**247,770**	**23,342**	**271,112**
Non-current liabilities								
Borrowing	(f)	37,500	28,254	65,754	(f)	27,500	23,183	50,683
Derivative instruments	(j)	–	768	768	(j)	–	–	–
Deferred income tax liabilities	(h)	25,374	10,115	35,489	(h)	30,161	12,930	43,091
Pension commitments	(l)	57,321	13,188	70,509	(l)	59,566	12,259	71,825
Provisions	(l), (m)	16,937	2,989	19,926	(l), (m)	14,600	12,953	27,553
Current liabilities								
Borrowing	(f)	118,567	6,545	125,112	(f)	23,382	6,545	29,927
Accounts payable and other liabilities (incl. accrued expenses and deferred income)		176,725	–	176,725		160,131	–	160,131
Derivative instruments	(j)	–	14,428	14,428	(j)	–	654	654
Total equity and liabilities		**630,060**	**80,979**	**711,039**		**563,110**	**91,866**	**654,976**

Reconciliation of equity per 31 December 2010

TSEK	Notes	31 DECEMBER 2010 Closing balance (after adjustment for correction of errors) in accordance with previous accounting principles (a)	Total effect of transition to IFRS	In accordance with IFRS
ASSETS				
Intangible assets – IT	(b)	–	4,067	4,067
Intangible assets in development	(c)	30,724	21,019	51,743
Goodwill	(d)	79,498	13,319	92,817
Land and buildings	(e)	36,491	14,083	50,574
Plant and machinery	(f), (g)	47,312	28,843	76,155
Other tangible fixed assets		39,142	–	39,142
Financial non-current assets		5,804	–	5,804
Deferred tax assets	(h)	3,136	6,689	9,825
Inventories	(i)	159,976	5,723	165,699
Accounts receivable and other receivables		119,537	–	119,537
Prepaid expenses and accrued income	(f)	6,242	–525	5,717
Derivative instruments	(j)	–	6,467	6,467
Cash and cash equivalents		77,611	–	77,611
Total assets		**605,473**	**99,685**	**705,158**

Reconciliation of equity per 31 December 2010

TSEK	Notes	31 DECEMBER 2010 Closing balance (after adjustment for correction of errors) in accordance with previous accounting principles (a)	Total effect of transition to IFRS	In accordance with IFRS
LIABILITIES AND EQUITY				
Equity attributable to owners of the Parent Company	(k)			
Share capital		11,445	–	11,445
Reserves		219,860	–219,330	530
Retained earnings, including profit/loss for the year		70,934	253,362	324,296
Total equity		**302,239**	**34,032**	**336,271**
Non-current liabilities				
Borrowing	(f)	17,500	18,927	36,427
Derivative instruments	(j)	–	–	–
Deferred income tax liabilities	(h)	36,472	14,269	50,741
Pension commitments	(l)	62,827	11,535	74,362
Provisions	(l), (m)	14,500	12,792	27,292
Current liabilities				
Borrowing	(f)	11,698	6,742	18,440
Accounts payable and other liabilities (incl. accrued expenses and deferred income)		160,237	–	160,237
Derivative instruments	(j)	–	1,388	1,388
Total equity and liabilities		**605,473**	**99,685**	**705 158**

NOTE 40 CONT.

Reconciliation of total comprehensive income per 2009 and 2010

Total comprehensive income TSEK	Notes	2009 Income Statement (after adjustment for correction of errors) in accordance with previous accounting principles (a)	2009 Total effect of transition to IFRS	2009 In accordance with IFRS	Notes	2010 Income Statement (after adjustment for correction of errors) in accordance with previous accounting principles (a)	2010 Total effect of transition to IFRS	2010 In accordance with IFRS
Net sales	(n)	954,496	–39,521	914,975	(n)	985,848	–49,829	936,019
Cost of goods sold	(f), (g), (n)	–641,416	30,006	–611,410	(f), (g), (n)	–646,351	37,617	–608,734
Gross profit/loss		**313,080**	**–9,515**	**303,565**		**339,497**	**–12,212**	**327,285**
Distribution costs	(l), (n)	–195,823	5,255	–190,568	(l), (n)	–191,707	15,276	–176,431
Administrative expenses	(b), (d), (e), (l)	–34,888	9,072	–25,816	(b), (d), (e), (l)	–37,061	9,941	–27,120
Research and development expenses	(c)	–16,398	5,756	–10,642	(c)	–21,551	3,287	–18,264
Other operating income		15,289	98	15,387		11,690	–	11,690
Other operating expenses		–13,707	–	–13,707		–6,759	–1,102	–7,861
Other gains/losses - net	(m)	–	–10,000	–10,000				
Financial instrument s, brass	(i), (j)	–	23,447	23,447	(i), (j)	–	–2,838	–2,838
Result from participations in Group companies		–	–	–		7,053	–	7,053
Operating income		**67,553**	**24,113**	**91,666**		**101,162**	**12,352**	**113,514**
Net financial items	(f), (j)	1,779	–1,204	575	(f), (j)	–2,534	–208	–2,742
Profit/loss before tax		**69,332**	**22,909**	**92,241**		**98,629**	**12,144**	**110,773**
Income tax	(h)	–20,225	–4,271	–24,496	(h)	–29,346	–1,451	–30,797
Net profit/loss for the year		**49,107**	**18,638**	**67,745**		**69,282**	**10,693**	**79,975**
Other comprehensive income (exchange rate differences)		**–**	**1,039**	**1,039**			**–509**	**–509**
Total comprehensive income for the year		**49,107**	**19,677**	**68,784**		**69,282**	**10,184**	**79,466**

Effect of the transition to IFRS on Operating income and Comprehensive income for full years 2009 and 2010

TSEK	Note	JANUARY–DECEMBER 2009 Operating income	JANUARY–DECEMBER 2009 Total comprehensive income
In accordance with previously applied principles		**67,574**	**49,255**
Correction of errors	(a)	–21	–148
In accordance with previously applied principles after correction of errors		**67,553**	**49,107**
Capitalised expenditure for IT	(b)	1,242	915
Capitalised expenditure for development work	(c)	5,756	4,242
Reversal of amortisation, goodwill	(d)	6,662	6,662
Component depreciation, buildings	(e)	459	338
Financial leases	(f)	1,114	213
Revaluation of inventories	(i)	–6,091	–4,489
Fair value, derivative instruments	(j)	23,545	17,441
Defined benefit pensions	(l)	1,426	686
Provision for dismantling & removal	(m)	–10,000	–7,370
Reclassifications of income	(n)	–	–
Total effect of transition for the year		**24,113**	**18,638**
Net profit/loss for the year in accordance with IFRS		**91,666**	**67,745**
Exchange rate differences		–	1,039
Total comprehensive income in accordance with IFRS		**91,666**	**68,784**

TSEK	Note	JANUARY–DECEMBER 2010 Operating income	Total comprehensive income
In accordance with previously applied principles		**101,275**	**69,903**
Correction of errors	(a)	–113	–621
In accordance with previously applied principles after correction of errors		**101,162**	**69,282**
Capitalised expenditure for IT	(b)	1,750	1,290
Capitalised expenditure for development work	(c)	3,287	2,423
Reversal of amortisation, goodwill	(d)	6,657	6,657
Component depreciation, buildings	(e)	622	458
Financial leases	(f)	1,139	329
Amendment to useful life, machinery	(g)	1,801	1,327
Revaluation of inventories	(i)	81	60
Fair value, derivative instruments	(j)	–3,940	–2,503
Defined benefit pensions	(l)	955	652
Reclassifications of income	(n)	–	–
Total effect of transition for the year		**12,352**	**10,693**
Net profit/loss for the year in accordance with IFRS		**113,514**	**79,975**
Exchange rate differences			–509
Total comprehensive income in accordance with IFRS		**113,514**	**79,466**

Effect of the application of IFRS on Consolidated Equity

TSEK	Note	1 Jan 2009	31 Dec 2009	31 Dec 2010
Equity in accordance with previously applied principles in accordance with adopted Balance Sheet		**195,836**	**246,118**	**301,208**
Correction of errors	(a)	1,800	1,652	1,031
Equity in accordance with previously applied principles after correction of errors		**197,636**	**247,770**	**302,239**
Cumulative effect of transition to IFRS in previous periods			**4,692**	**23,342**
Effect of transition to reporting in accordance with IFRS incl. deferred tax				
Capitalised expenditure for IT	(b), (h)	792	915	1,290
Capitalised expenditure for development work	(c), (h)	8,826	4,242	2,423
Reversal of amortisation, goodwill	(d)	–	6,662	6,657
Component depreciation, buildings	(e), (h)	9,582	338	458
Financial leases	(f), (h)	–54	213	329
Amendment to useful life, machinery	(g), (h)	–	–	1,327
Revaluation of inventories	(i), (h)	8,647	–4,489	60
Fair value, derivative instruments	(j), (h)	–11,195	17,441	–2,503
Defined benefit pensions, incl. exchange rate differences	(l), (h)	–11,906	698	650
Provision for dismantling and removal	(m), (h)	–	–7,370	–
Total effect of transition on retained earnings, including profit/loss for the year, for the period		**4,692**	**18,650**	**10,691**
Total effect of transition to IFRS on equity		**4,692**	**23,342**	**34,033**
Equity in accordance with IFRS		**202,328**	**271,112**	**336,271**

NOTE 40 CONT.

NOTES TO THE RECONCILIATION BETWEEN THE PREVIOUSLY APPLIED ACCOUNTING PRINCIPLES AND IFRS

a) Correction of errors according to the previously applied accounting principles

i) Measurement of loss carry-forwards

At the time of transition to accounting in accordance with IFRS, the subsidiaries in Finland, Denmark and Germany have loss carry-forwards which have not been measured and recognised as deferred tax assets according to the previously applied accounting principles. Ostnor has deemed it possible that the deficiencies can be set off against future profits, which is the reason why a deferred tax asset is recognised at the transition to accounting in accordance with IFRS. The assessment that should have been made, according to the previously applied accounting principles, does not differ from the assessment to be made according to IFRS.

ii) Measurement of endowment insurance

Endowment insurance which has previously not been recognised has been identified. The fair value of this endowment insurance has been recorded as a non-current liability and as a provision. In addition, a special employer's contribution has been recognised. Due to the fact that the non-current liability and allowance are always recognised at the same amount, the difference in retained earnings consists of the change in the special employer's contribution.

The overall impact of the correction of errors:

TSEK	(i) Loss carry-forwards (deferred tax assets)	ii) Endowment insurance	Retained earnings
Opening balance	**1,812**	**–12**	**1,800**
Net change in deferred tax assets/additional special employer's contribution 2009	–127	–21	–148
Balance per 31 December 2009	**1,685**	**–33**	**1,652**
Net change in deferred tax assets/additional special employer's contribution 2010	–509	–112	–621
Balance per 31 December 2010	**1,176**	**–145**	**1,031**

b) Intangible assets– IT

According to the previously applied accounting principles, expenditure for software that had been developed or that could, in a comprehensive manner, be adapted to the Group's operations was capitalised if such software had probable economic benefits that would, after one year, exceed the costs. According to IFRS, no assessment shall be made of the point in time at which the economic benefits exceed the costs, but rather an assessment shall be made, for each separate acquired asset, of whether the asset meets the criteria in IAS 38. Ostnor has separately acquired assets in the form of licenses and consulting fees for the adaptation of software which meet the criteria to be recognised as intangible assets according to IAS 38.

At the transition to accounting according to IFRS, the expenses for licenses and consulting fees amounted to TSEK 1,075, net after amortisation. In addition, a deferred tax liability, amounting to TSEK 283, is added, which provides an overall impact on retained earnings amounting to TSEK 792.

In 2010, expenses amounting to TSEK 2,505 (2009: TSEK 1,889) have been identified, and additional amortisation on all additional capitalised and separately acquired assets amount to TSEK -755 (2009: TSEK -647). This provides a total adjustment of intangible assets per 31 Dec 2010 amounting to TSEK 4,067 (1,075+1,242+1,750= TSEK 4067) and per 31 Dec 2009 amounting to TSEK 2,317 (1,075+1,242= TSEK 2,317).

A deferred tax liability is added to the net amount whilst capitalised expenses and additional amortisation amount to TSEK 460 (2009: TSEK 327). This impacts retained earnings per 31 Dec 2010 in an amount of TSEK 1,707 (2009: TSEK 792) and impacts comprehensive income in an amount of TSEK 1,290 (2009: TSEK 915). The overall impact on equity per 31 Dec 2010 amounts to TSEK 2,997 (2009: TSEK 1,707).

c) Capitalised expenditure for development

All expenditure for the development of new or improved products, not capitalised according to the previously applied accounting principles, has been tested to identify whether or not it meets the criteria for capitalisation stated in IAS 38. According to IFRS, such expenditure for development shall be capitalised if the stated criteria are met. At the transition to accounting according to IFRS, various development projects have been capitalised, and, in part, further directly attributable expenses have been identified. The hourly rate used as a basis for the calculation of capitalised expenses now includes all directly attributable expenses, as well as indirectly attributable expenses to be added due to the fact that the Group conducts development activities.

Intangible assets, regarding expenses for development, have been changed as follows due to the transition to accounting according to IFRS:

TSEK	1 Jan 2009	31 Dec 2009	31 Dec 2010
Opening adjustment from previous periods		**11,976**	**17,732**
Reversal of development expenditure previously recognised as an expense	13,513	8,528	7,385
Additional amortisation	–1,537	–2,772	–4,098
Change for the period (comprehensive income)	**11,976**	**5,756**	**3,287**
Intangible assets	**11,976**	**17,732**	**21,019**
Opening adjustment from previous periods	**–**	**3,150**	**4,664**
Changes during the year	–	1514	864
Deferred income tax liabilities	**3,150**	**4,664**	**5,528**
Change for the period (comprehensive income)	**–**	**4,242**	**2,423**
Retained earnings incl. comprehensive income	**8,826**	**13,068**	**15,491**

d) Reversal of amortisation, goodwill

According to the previously applied accounting principles, goodwill was amortised in the period during which it was assessed to provide economic benefits. According to IFRS, goodwill shall not be amortised but, rather, an annual impairment test shall be performed. The performed annual impairment tests have demonstrated that no impairment requirements exist for goodwill. The impairment of goodwill that has been recognised prior to the time of transition to accounting according to IFRS remains, as Ostnor has chosen to apply the exemption in IFRS 3 and to refrain from recalculating previous business combinations. The reversal of amortisation of goodwill is, therefore, performed for the first time for the financial year 2009. The amortisation reversed for the financial year 2009 amounted to TSEK 6,662 and, in 2010, it amounted to TSEK 6,657. This provides a total adjustment of goodwill per 31 Dec 2010 amounting to TSEK 13,319 (2009: 6,662).

e) Land and buildings

According to IFRS, each component of a tangible fixed asset with an acquisition cost that is significant in relation to the total acquisition cost of the assets, shall be depreciated separately. This is usually named component depreciation and was not applied according to the previously applied accounting principles. In terms of Ostnor's tangible fixed assets, component depreciation is applicable to buildings. The application of component depreciation has resulted in the adjustment of depreciation periods for buildings so that depreciation periods have become longer in total, which has resulted in the increase of the carrying value of the buildings and the decrease of the administration expenses in the income statement.
A deferred tax liability is recognised for this adjustment.

The value of the buildings, deferred tax, equity, administration expenses and comprehensive income have been affected as follows:

TSEK	Land and buildings	Deferred income tax liabilities	Equity	Administrative expenses	Comprehensive income
Total impact on opening balance	**13,002**	**3,420**	**9,582**	**–**	**–**
Reversal of depreciation	459	121	338	459	338
Total impact, 31 Dec 2009	**13,461**	**3,541**	**9,920**		
Reversal of depreciation	622	164	458	622	458
Total impact, 31 Dec 2010	**14,083**	**3,705**	**10,378**		

f) Financial lease agreements

At the transition to accounting according to IFRS, all significant leasing agreements shall be classified as operational or financial. According to the previously applied accounting principles, all leasing agreements have been classified as operational. The leasing agreements assessed as financial are those regarding leasing on machinery. These leasing agreements shall, at the transition to accounting according to IFRS, be recognised in the balance sheet as a tangible fixed asset or financial liability, and in the statement of comprehensive income, depreciation, amortisation and interest expenses shall be recognised instead of leasing fees. Leasing fees as a whole have previously been recognised as cost of goods sold. Deferred tax is added for this adjustment.

NOTE 40 CONT.

The following items in the balance sheet have been affected by the accounting of financial leases.

TSEK	Plant and machinery	Prepaid expenses (reversal of leasing fees)	Non-current financial liabilities	Current financial liabilities	Deferred income tax liabilities	Equity
Total impact on opening balance	**35,473**	**–551**	**28,254**	**6,545**	**177**	**–54**
Impact 2009 (Repayments of borrowings/ amortisation)	–4,858	56	–5,071	–	56	213
Total impact 31 Dec 2009	**30,615**	**–495**	**23,183**	**6,545**	**233**	**159**
Impact 2010 (Repayments of borrowings, amortisation, additional agreements)	–3,573	–30	–4,256	197	127	329
Total impact 31 Dec 2010	**27,042**	**–525**	**18,927**	**6,742**	**360**	**488**

Financial leases, impact on comprehensive income	2009	2010
KSV, reversal of leasing fees	5,973	6,071
KSV, amortisation	–4,858	–4,932
Total impact KSV	**1,115**	**1,139**
Interest expenses	–846	–683
Deferred tax	–56	–127
Total impact on comprehensive income	**213**	**329**

g) Amended useful life – machinery

An overview of the useful life of machinery has been conducted, which resulted in an amended assessment of the useful life of the machinery. The new assessment is that the useful life for machinery is 5-10 years. The new useful life is prospectively reported as of 1 January 2010. The alteration of useful life has not had an effect on the opening balance, the period of 2009 and the balance per 31 December 2009. During 2010, the alteration had a positive effect on the cost of goods sold for the full year, amounting to TSEK 1,801. In addition, a deferred tax liability for the whole year amounting to TSEK 474 is added. The overall impact on total comprehensive income for 2010 amounts to TSEK 1,327. Deferred tax liabilities are added as the fiscal value of the machinery has not yet been affected by the altered depreciation periods.

h) Deferred tax

Deferred tax is recognised on all IFRS adjustments in the case that the adjustments result in temporary differences in the balance sheet. This is the case for all adjustments, with the exception of goodwill. Deferred tax is recognised at 26.3 % for all adjustments, with the exception of certain pension obligations in Norway, for which the tax rate is 28 %.

Deferred tax assets and deferred income tax liabilities are attributable to the following IFRS adjustments.

Deferred tax assets TSEK	1 Jan 2009	31 Dec 2009	31 Dec 2010
Fair value, derivative instruments (j)	3,995	170	291
Defined benefit pensions (l)	4,270	4,003	3,768
Provisions (m)	–	2,630	2,630
Total	**8,265**	**6,803**	**6,689**
Total impact on comprehensive income	**–**	**–1,462**	**–114**

Deferred tax liabilities TSEK	1 Jan 2009	31 Dec 2009	31 Dec 2010
Capitalised expenditure for IT (b)	283	610	1,070
Capitalised expenditure for development (C)	3,150	4,664	5,528
Component depreciation, buildings (e)	3,420	3,541	3,705
Financial leases (f)	177	233	360
Revaluation of inventories (i)	3,086	1,484	1,505
Fair value, derivative instruments (j)		2,400	1,627
Amended useful life – machinery (g)	–	–	474
Total	**10,116**	**12,932**	**14,269**
Total impact on comprehensive income		**–2,816**	**–1,337**

Deferred tax liabilities and tax assets are changed in line with changes to the underlying item to which the tax is attributable. Income tax in the statement of comprehensive income is attributable to the following IFRS adjustments.

Deferred tax income and expenses **TSEK**	**2009**	**2010**
Capitalised expenditure for IT (b)	–327	–460
Capitalised expenditure for development (C)	–1,514	–864
Component depreciation, buildings (e)	–121	–164
Financial leases (f)	–56	–127
Amended useful life – machinery (g)	–	–474
Revaluation of inventories (i)	1,602	–21
Fair value, derivative instruments (j)	–6,224	893
Defined benefit pensions (l)	–262	–234
Provision for dismantling and removal (m)	2,630	–
Total income tax	**–4,272**	**–1,451**

i) Inventories

Ostnor does not meet the requirements for hedge accounting according to IAS 39. Inventories are to be measured at the lower of non-hedged acquisition cost and net realisable value (replacement cost excluding forward effect). All raw materials included in the inventory are utilised in the manufacture of goods and is not written down under the acquisition value if is expected that the final product in which the raw material is used is expected to be sold at a price which corresponds with or exceeds the acquisition value. Copper and zinc futures shall be separately recognised at fair value through profit or loss. According to the previously applied accounting principles, the futures are recognised as a part of the value of the inventories. The value of the inventories has been affected in the transition to IFRS as follows:

TSEK	**Inventories**	**Deferred tax (+asset/–liability)**	**Equity**	**Comprehensive income**
Total impact on opening balance	**11,733**	**–3,086**	**8,647**	**–**
Disclosure of forward agreements (raw materials inventory recognised at acquisition value)	–6,091	1,602	–4,489	–4,489
Total impact, 31 Dec 2009	**5,642**	**–1,484**	**4,158**	
Disclosure of forward agreements (raw materials inventory recognised at acquisition value)	81	–21	60	60
Total impact, 31 Dec 2010	**5,723**	**–1,505**	**4,218**	

j) Derivative instruments

Derivative instruments are to be recognised at fair value. According to the previously applied accounting principles, derivative instruments were not recognised in the balance sheet. In the opening balance, the changes in fair value are adjusted against retained earnings, thereafter accounting at fair value affects total comprehensive income.

Ostnor has forward exchange agreements, copper and zinc futures, as well as interest swaps that are recognised at fair value in the income statement. These are recognised as derivative instruments and classified as current and non-current receivables or liabilities depending on the fair value and maturity date. Deferred tax is recognised on these adjustments.

Ostnor does not meet the requirements for hedge accounting according to IAS 39. In the income statement, interest swaps are recognised in net financial items, as these transactions result from financing operations, forward exchange agreements are recognised inother operating income&expenses and the forward cover of raw materials is recognised in financial instruments, brass in operating income, as these are part of the operating activities.

NOTE 40 CONT.

TSEK	Derivative instruments (current assets)	Derivative instruments (non-current liabilities)	Derivative instruments (current liabilities)	Deferred tax (Net, +asset/ –liability)	Equity	Total profit/loss
Copper and zinc futures	6		14,428	3,793	–10,629	–
Interest rate swap		768		202	–566	–
Total impact on opening balance	**6**	**768**	**14,428**	**3,995**	**–11,195**	**–**
Copper and zinc futures	9,025	–	–	–2,374	6,651	17,280
Forward exchange agreements	104	–	6	–26	72	72
Interest rate swaps	–	–	648	170	–478	88
Total impact, 31 Dec 2009	**9,129**	**–**	**654**	**–2,230**	**6,245**	**17,440**
Copper and zinc futures	6,287	–	100	–1,627	4,560	–2,092
Forward exchange agreements	180	–	1,184	264	–740	–812
Interest rate swap	–	–	104	27	–77	401
Total impact, 31 Dec 2010	**6,467**	**–**	**1 388**	**–1,336**	**3,743**	**–2,503**

k) Reclassifications within equity

At the transition to accounting according to IFRS, equity is no longer divided into restricted equity and non-restricted equity. Restricted and non-restricted reserves are, therefore, reclassified as retained earnings including comprehensive income for the year. The Group has chosen to reset the exchange rate differences regarding the recalculation of subsidiaries, which is the reason for the reserves amounting to SEK zero at the transition to accounting according to IFRS. The amount constituting reserves from 31 December 2009 will consist entirely of exchange rate differences with regarding the recalculation of subsidiaries.

Reclassifications within equity:

TSEK	Equity, format in accordance with previously applied accounting principles	Reclassifications	Equity, format in accordance with IFRS (before IFRS adjustments and correction of errors)	Reclassified amount per equity component
Share capital	11,445	–	Share capital	11,445
Restricted reserves	116,952	–116,952	Retained earnings, including comprehensive income for the year	184,391
Non-restricted reserves	56,987	–56,987		
Net profit/loss for the year	10,452	–10,452		
			Reserves (exchange rate differences)	
Equity per 1 Jan 2009	**195,836**			**195,836**

l) Pensions

Ostnor has defined benefit pension plans which shall be recognised according to IAS 19. The fair value of the liability is confirmed annually through the execution of actuarial calculations. Defined benefit pensions exist in Sweden and Norway. Deferred tax is added at a rate of 26.3% in Sweden and 28 % in Norway.

TSEK	Pension liability	Special employer's contribution (provision)	Deferred tax assets	Equity	Comprehensive income	Other comprehensive income (exchange rate differences)
Total impact on opening balance	**13,188**	**2,989**	**4,270**	**11,907**		
Change in pension liability	–929	–36	–267	698	686	12
Total impact, 31 Dec 2009	**12,259**	**2,953**	**4,003**	**12,605**	**–**	**–**
Change in pension liability	–724	–161	–235	650	652	–2
Total impact, 31 Dec 2010	**11,535**	**2,792**	**3,768**	**13,255**		

m) Provision for dismantling and removal

A provision has been recognised according to IFRS for the removal and restoration of land regarding the northern and southern factories. Ostnor's assessment has, according to the previous accounting principles, been that these expenses would be covered by the profit from the sale of the northern factory, and a provision has, therefore, not been made. An informal obligation, forming the basis for the provision, is assessed to have arisen in 2009 against Mora municipality. The provision amounts to TSEK 10,000 and has affected other operating expenses in the statement of comprehensive income. Due to the provision, deferred tax is also recognised amounting to TSEK 2,630. During other periods, no adjustments attributable to this provision have been made.

n) Reclassifications of income

"Commissions", i.e. discounts to indirect customers, have, according to the previously applied accounting principles, been recognised as a cost of sales rather than as a reduction of net sales. According to IFRS, these commissions shall be equated with other discounts granted by Ostnor.

Sales of shavings and repurchases of refined brass are to be considered transactions which, according to IFRS, constitute a business transaction, the financial implications of which cannot be comprehended without taking into account the whole series of transactions. Therefore, these transactions are recognised jointly. According to the current accounting principles, these transactions have been recognised gross. At the transition to accounting according to IFRS, net sales and the cost of goods sold decreases by the same amount.

Reclassification of income has the following impact on total comprehensive income.

TSEK	2009	2010
Net sales, commissions	–4,538	–15,233
Net sales, sale of shavings	–34,983	–34,596
KSV, sale of shavings	34,983	34,596
Gross profit/loss	**–4,538**	**–15,233**
Distribution costs, commissions	4,538	15,233
Total impact on operating income	**–**	**–**

RECLASSIFICATIONS IN ACCORDANCE WITH IAS 1

The balance sheet

Re-titling has taken place regarding the following items in the balance sheet; "Cash and bank balances" is renamed "Cash and cash equivalents" and "Provisions for deferred tax" is renamed "Deferred tax liabilities". Provisions shall, according to IFRS, be recognised as a non-current or current liability, and not under a separate item named "Provisions".

Equity shall now be recognised according to UFR 8, Accounting for Group equity. Equity is no longer divided into restricted equity and non-restricted equity. Certain reclassifications have been made within equity. Equity is divided into share capital, reserves, and retained earnings including net profit/loss for the period. Presently, no items are included in the other contributed capital.

The income statement

Income from securities and receivables that are accounted for as fixed assets shall be recognised as financial expenses or income according to IFRS. Income from shares in Group companies is recognised in operating income when the sold company was acquired to be part of Ostnor's operations.

Re-titling has taken place regarding the following items in the statement of comprehensive income; "Other interest income and similar profit/loss items" is renamed "Financial income", and "Interest expenses and similar profit/loss items" is renamed "Financial expenses". Furthermore, the item "Tax on net profit/loss for the year" is renamed "Income tax". Ostnor has chosen to present the Group's income in a statement of comprehensive income. Translation differences are recognised in other comprehensive income according to IAS 1, rather than, as previously, in equity. According to IFRS, only transactions with shareholders are recognised in equity.

The consolidated income statement and balance sheet will be presented for adoption at the annual general meeting held on 14 May 2012.

The Board of Directors and the CEO confirm that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards, IFRS, and provide a true and fair view of the Group's financial position and results. The annual report has been prepared in accordance with generally accepted accounting principles and provides a true and fair view of the Parent Company's financial position and results.

The administration report for the Group and the Parent Company provides a true and fair view of the development of the Parent Company's and the Group's operations, financial positions and results, and also describes material risks and uncertainties faced by the Parent Company and the companies included in the Group.

Mora, 28 February 2012

Christer Lenner
Chairman of the Board of Directors

Håkan Olsson
CEO

Erik Eriksson
Board member

Magnus Hardmeier
Board member

Mats Hermansson
Board member

Eva-Lotta Kraft
Board member

Hans Åke Norås
Board member

Pernilla Wigren
Board member

Per-Olof Wallin
Employee representative

Staffan Gryting
Employee representative

Our audit report was submitted on 12 March 2012.

Öhrlings PricewaterhouseCoopers AB

Magnus Brändström
Authorised Public Accountant

Audit Report

To the annual general meeting of Ostnor AB (publ.) Corporate Identity Number 556051-0207

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Ostnor AB (publ.) for the year 2011. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 28–82.

Responsibilities of the Board of Directors and the CEO for the annual accounts and consolidated accounts

The Board of Directors and the CEO are responsible for the preparation and fair presentation of annual accounts in accordance with the Annual Accounts Act and for the preparation and fair presentation of consolidated accounts in accordance with international financial reporting standards, IFRS, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the CEO 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 CEO, 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 opinion.

Opinion

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 2011 and of its financial performance and cash flows for the year then ended, in accordance with the Annual Accounts Act, and 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 2011 and of its financial performance and cash flows for the year then ended, in accordance with IFRS, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual general meeting adopt the income statements and the balance sheets for the parent company and 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 examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the CEO of Ostnor AB (publ.) for the year 2011.

Responsibilities of the Board of Directors and the CEO

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

As a 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 CEO is liable to the company. We also examined whether any member of the Board of Directors or the CEO has, in any other way, acted in contravention of the Swedish 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 opinion.

Opinion

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

Mora, 12 March 2012
Öhrlings PricewaterhouseCoopers AB

Magnus Brändström
Authorised Public Accountant

History

Frost Matts Mattsson grew up in the village of Östnor, just outside Mora, in the mid 19th Century. At that time, there was a long tradition of crafts, above all the casting of brass. Items as diverse as buckles, mountings and motifs, Mora Clocks and sewing machines were all made.

Frost Matts became a founder (founding brass) and, in 1865, registered a small foundry where he principally worked on clock wheels for Mora Clocks. When the Mora Clock found itself in a crisis period due to growing competition, a new source of income was needed.

In 1876, Frost Matts made his first faucet, a brass faucet for a hand basin. Being industrious, he was sure to involve other villagers in his new project. The operations grew, and when Frost Matts died in 1914, his legacy to his sons, Karl and Anders, was a small factory, FM Mattsson AB, with around 20 employees.

1865
FM Mattsson founded

1876
First faucet cast

FM Mattsson founded

19th century

1915

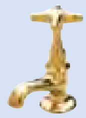
1920

1927
Mora Armatur founded

Mora Armatur founded

20th century

1935



1967

1968
Mora Armatur produces Sweden's first single-lever mixer

1972
Mora Armatur produces Sweden's first thermostat mixer

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