OSTNOR

Annual Report 2014

Mora MMIX Tronic basin mixer tap.

This is Ostnor

Ostnor is the market leader in taps and thermostatic mixers in the Nordics. It sells products under its strong, well-established brands, Mora Armatur, FM Matsson and Damixa. In-house development and manufacturing are the foundation of its attractive design, technological leadership, high quality and sustainable functionality.

Clean water

Ostnor aims to be a global premium supplier and to provide clean water in an energy efficient way, using sustainable, modern design with Scandinavian roots.

Nordic leader

With its brands Mora Armatur, FM Mattsson and Damixa, Ostnor is the market leader in the Nordics.

Broad market coverage

A product range with attractive design, high product quality, leading-edge technology and eco-smart functionality provides broad-based market coverage in the mid and premium segments.

Interest in design

The premium product market is expanding thanks to growing consumer interest in interior decor and design.

Sustainable innovation

Ostnor is an innovation leader with eco-smart products that save water and energy, involve responsible materials choices and are made with sustainable production.

Production excellence

Lean production and a shared modular and platform strategy provide efficiency, rapid product development and economies of scale.

A driver of the sector's structural transformation

Ostnor develops strategic partnerships with store chains and premium kitchen and bathroom suppliers. With proactive initiatives, this can increase volumes, strengthen competitiveness and ensure profitability.

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Acquisition of Damixa a milestone

In many ways, 2014 was a pioneering year for Ostnor. The purchase of the Danish brand Damixa with development and manufacturing in Denmark is a milestone and the Group's largest acquisition ever.

It significantly strengthens our position on the Danish market at the same time as it contributes to increasing our growth. The acquisition, which was a part of Ostnor for the last eight months of the year, increased our sales by a full 17 percent for 2014.

Another major effort is the transition to lead-free brass in the production in Mora. We aim to be on the forefront of development and showcase our major focus on the environment and sustainability. The move is an extensive change that has given us important knowledge that we can benefit from and it has involved virtually every part of the organisation. This transition is an important issue for the future of Ostnor and we are now well prepared to meet our customers' demand for lead-free products.

This is not the only effort we are making regarding the environment. Major parts of the production process is environmentally certified in accordance with ISO 14001 and we have a large number of products that save both energy and water. For example, in cooperation with the Copenhagen Airport, we have installed new mixers, leading to a reduction in hot water consumption by 66 percent. Our production takes place close to the customer, which also contributes to reducing our environmental impact.

Overall, we see that Ostnor's operating income for 2014 dropped from SEK 70 million to SEK 48 million. Of course these are not results we are satisfied with, but a large part of this is attributable to non-recurring costs in connection with the acquisition and production change-over. Adjusted for this, we achieve a profit on a par with last year.

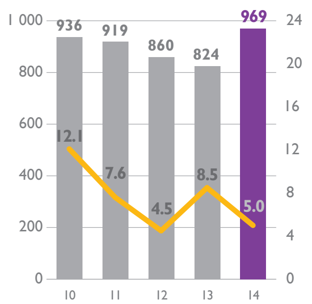
Pleasingly, our three brands Mora Armatur, FM Mattsson and Damixa remain strong, and we have further strengthened our position on the Danish and Norwegian markets. In Sweden, we have long been well established as the market leader. In 2015, we will continue to work on further positioning our brands in the various segments. We will also increase coordination to be able to leverage economies of scale, primarily in purchasing and development projects. We note higher customer demand in terms of modern design, sustainability and energy efficiency. This places considerable demand on our organisation to continue delivering high-quality products that are good value for money and meet this demand. Our long tradition and our skilled craftsmen show that we know what we are doing and do it well.

We are now building Ostnor for the future

In 2015, we can celebrate that Ostnor has had the best and most innovative taps on the market for 150 years. In connection with this, we will be conducting several exciting activities for our customers, suppliers, employees and other partners. We are a part of Swedish industrial history and we will emphasize this in a good way.

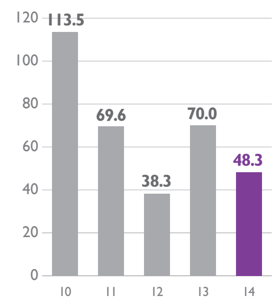
Both the acquisition of Damixa and the transition to lead-free products strengthens our strategic position. I am convinced that we will see improvements in our KPI's already in 2015.

NET SALES AND OPERATING MARGIN



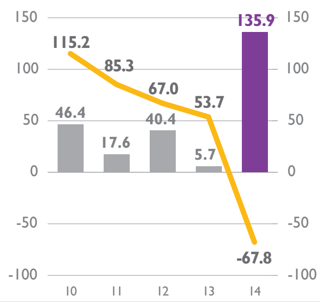
- Net sales, MSEK
- Net sales 2014, MSEK
- Operating margin, %

OPERATING INCOME



- Operating income, MSEK
- Operating income 2014, MSEK

NET DEBT AND CASH FLOW AFTER INVESTMENTS



- Net debt, MSEK
- Net debt 2014, MSEK
- Operating cash flow after investments, MSEK

In 2015, Ostnor will also focus on higher cost-efficiency, synergies in the organisation, economies of scale in production and continued investments in innovation. Every year, we invest nearly SEK 50 million in research and development, which is something we consider important in order to be on the forefront of technical development and be able to offer innovative new products – preferably with several launches a year.

I would like to take this opportunity to thank all of our employees for a year well done! We are now looking forward to an exciting 2015 with several new launches on the way.

Claes Seldeby
President and CEO, Ostnor

THE YEAR IN BRIEF

- Damixa was acquired
- Lead-free brass was introduced to production in Mora
- Launch of proprietary electronic mixer taps
- Net sales were MSEK 969.0 (823.7)
- Operating income was MSEK 48.3 (70.0)
- Profit after tax was MSEK 49.5 (51.7)
- Earnings per share were SEK 4.33 (4.51)
- The operating margin was 5.0 percent (8.5)
- Cash flow after investments was MSEK -67.8 (53.7)
- The Board of Directors proposes a dividend of SEK 3.00 per share (3.00)

KEY RATIOS

Group, MSEK	2014	2013	2012
Net sales	969.0	823.7	860.5
Operating income	48.3	70.0	38.3
Profit/loss after financial items	42.8	67.5	34.7
Operating margin, %	5.0	8.5	4.5
Total assets	775.8	673.7	669.4
Equity/assets ratio, %	44	50	45
Cash flow after investments	-67.8	53.7	67.0
Return on capital employed, %	10	16	9
Return on equity, %	15	16	10
Average number of employees	553	452	459

Vision, business concept and strategies

VISION

Ostnor aims to be a global premium supplier and to provide clean water in an energy efficient way, using sustainable, modern design with Scandinavian roots.

BUSINESS CONCEPT

Our business concept is based on developing, manufacturing and providing solutions for kitchens and bathrooms as well as service and support of high customer value. Our offering to the market and our customers is based on attractive design, eco-friendly and health-friendly products, coupled with high quality and innovation.

CORE VALUES

The company's shared core values consist of three components: Customer value, commitment and respect.

STRATEGIES

Ostnor prioritizes four strategic areas to be able to generate customer value, be an attractive employer and on the long term achive the vision to provide clean water:

Growth and profitability

Growth and profitability will be achieved organically by further developing, strengthening and clearly positioning the brands Mora Armatur, FM Mattsson and Damixa. Ostnor offers the market a broad-based, competitive range with high customer value. Market coverage is increased through strategic partnerships, long-term strategic efforts in e-channels, cooperation in the value chain and coordination between product ranges. Acquisitions may be considered to strengthen the presence on existing markets.

Efficiency

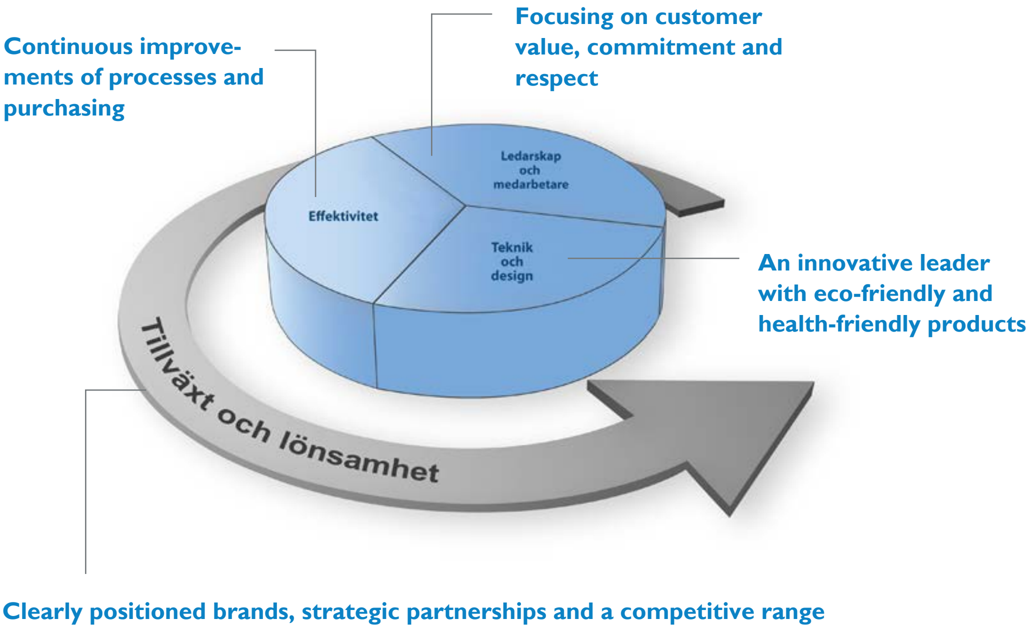
Effective production and high capacity make Ostnor's growth scalable, enabling increased profitability. Work on rationalizing operations permeates the whole organization. Flexible working methods and continuous improvements to processes, purchasing and logistics will increase productivity and capacity utilization. IT support for optimal follow-up and measurability of the processes is a high priority.

Technology and design

Ostnor aims to be an innovative leader with products on the cutting edge of technology in electronics, energy and water saving, integrated technology and component technology. Its products should exceed the customers' high expectations. In-house designers and collaboration with selected external designers ensure attractive design with high customer value. The rate of launches should be high with rapid product and technology development. Ostnor seeks to be the market leader in eco-friendly and health-friendly products.

Leadership and people

A high priority is placed on developing an attractive workplace, where competent people enjoy their work and progress. Work on the collective core values is based on customer value, commitment and respect, and is brought to life in the daily work of all employees at all levels. Leadership and leadership development focus on motivating, inspiring and promoting good performance to ensure that our people get the best possible potential to do good work and enjoy their jobs.



Design and technology increasingly important

Two main trends are driving the market: the tap as a part of the interior design and demand for efficient use of resources.

Mora MMIX K5 kitchen tap.

Every day, we use taps: in the kitchen, the laundry room, the shower, at work and at the gym. Buyers can be private individuals, plumbers, public and private construction projects for use in homes, offices, factories, schools, hospitals and elsewhere. Trends on the market clearly indicate a higher demand for design, innovation functionality, water and energy savings, electronics and new eco-friendly materials.

The Nordics are Ostnor's main market

Most of Ostnor's sales are in the Nordic countries at 88 percent. Ostnor estimates the value of the Nordic mixer tap market at SEK 2.4 billion, and expects the market to be in modest growth through the next three years.

The mixer tap market is indirectly affected by macroeconomic factors, such as the GNP, development of the housing market, home prices, the building situation, disposable household income and consumer confidence. The part of the building market designated as ROT (construction, renovation, conversion and extension) is the prime determinant of progress. This includes sales of replacement mixer taps. In the Nordics, this segment represents some 85 percent of all mixer tap sales. New construction is also an important factor to market growth.

When prices are rising on the housing market, new construction and household willingness to execute ROT projects rises, because investing in homes is profitable, and their value can be expected to increase more than the build cost.

Drivers

The mixer tap market follows kitchen and bathroom trends, with products increasingly viewed as lifestyle items. The mixer tap becomes a part of the interior design that should fit a certain style. This makes design an increasingly important issue for Ostnor. At the same time, customers demand more technical content and more value for money.

Environmental issues are also having a greater impact on the choice of mixer taps. Customers and consumers are more aware that energy consumption can be sharply reduced with new resource-efficient mixer taps. For example, one-fifth of the energy consumed by a family house is for hot water, and the share is higher in apartments. Growing numbers of customers also want lead-free materials to be able to show their high level of environmental awareness. Several environmental classification systems for this have been established, especially in Sweden, and are gaining acceptance among customers. On projects, the total environmental impact of the building is becoming an increasingly important factor, as are eco-friendly buildings with low energy consumption.

Own manufacturing most common

The players on the mixer tap market are mainly manufacturers that sell products under their own brand names. There are also a few companies that purchase mixer taps and market them on a white-label basis. In all of the Nordic countries, there are also wholesalers that sell mixer taps under their own brand names. In general, mixer taps with "private label brands" are most often positioned in the economy segment, meaning that they are more basic and the price is lower than the market average.

The players are often local, but there are also a few global players that are gradually increasing their efforts to enter the Nordic market. There has been some consolidation in recent years, with several acquisitions conducted.

Many different sales channels

In the Nordics, wholesalers have very strong positioning, and maintain inventories and offer logistics solutions for customers. They supply consumer channels like plumbing stores and builders' merchant superstores, as well as the professional and project market with mixer taps. Some building supply chains also buy and sell taps under their own brand names alongside of the the well-established brands. Increasingly, they are also offering complete solutions including assembly for consumers and the project market.

New channels like e-commerce and DIY stores are growing fast, often with integrated offerings where store chains also have an online store.

Ostnor's brands are in the premium and mid segments. The premium mixer tap shown in the photo is a part of the minimalist and at the same time functional Mora Rexx series, which is a major sales success.

PREMIUM, MID AND ECONOMY

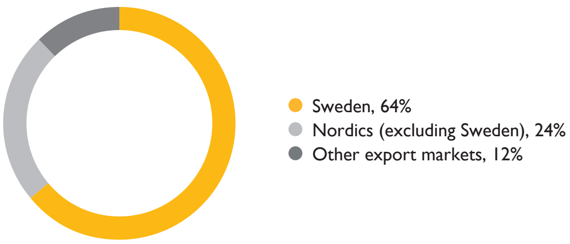
The mixer tap market can be described based on quality, technical content and design, which is usually reflected in pricing. The distribution channel also affects the price level. On the Nordic market, the mid segment is the largest by far, with around 70 percent, while the economy segment is the smallest.

- **Premium segment**
  Mixer taps that are contemporary and innovative, with special functionality, and perceived as unique.

- **Mid segment**
  Good quality mixer taps that match the needs of broad customer groups.

- **Economy**
  More basic mixer taps where the price is lower than the market average. These are often sold outside the wholesale sector or under the resellers' own brands.

SALES BY REGION



Ostnor is well-established in the Nordic countries and is the market leader in Sweden, Denmark and Iceland. In Norway and Finland, the company is second on the market.

The Swedish market accounts for 64 percent of sales while the other Nordic countries account for 24 percent. Ostnor addresses selected markets outside Sweden and the Nordics. Other export markets account for 12 percent of sales.

Clear market leader in the Nordics

One of Ostnor's greatest assets is the Group's strong brands. Their brand recognition is very high in Sweden and Denmark and all three are well-established in the other Nordic countries.

Among consumers in Sweden, Mora Armatur and FM Mattsson have the highest figure in the industry for positive overall impression with more than 90 percent and half of all consumers can spontaneously mention the brands by name. The position on the Swedish professional market is even stronger, where more than 80 percent of the players spontaneously mention both of the brands by name first. Damixa is correspondingly the strongest brand in Denmark.

High quality and low environmental impact

Ostnor's broad product portfolio includes products with high technical performance, electronic content, design and eco-friendliness. The company's long tradition and demonstrable innovative capabilities ensure care in every context, and its products are associated with high quality.

Environmental and energy savings are an important part of all three of the brands' identity. They represent environmental awareness throughout product life-cycles. This includes a reduced environmental burden in production facilities, intelligent materials choices and energy-smart functionality that generates energy and water savings. The ambition is to increase consumer knowledge of the high environmental and financial savings potential.

Clear positioning

At the same time, within the scope of these overall similarities, it is important to develop the brands to optimize breadth and market coverage and access attractive new customer segments. FM Mattsson's already very strong position in the mid segment will be further strengthened while Mora Armatur gradually migrates to the upper mid segment and the premium segment. FM Mattsson will be the leading mixer tap brand in the Nordics through its strong position with professionals, and associated with safety, sustainability and functionality, while Mora Armatur should adopt clear positioning towards consumers, and be associated with design, modernity and originality. The Group's newest brand Damixa will continue to be clearly associated with good design and quality, but with a product breadth that enables positioning in different segments.

Ostnor devotes a great deal of energy to clearly positioning the three brands in an optimal way on prioritized markets. Systematic brand communication is applied throughout the Nordic region. In other countries where Ostnor's brands are present, communication and positioning are adapted to the conditions on the respective market.

Market leader in the Nordics

Ostnor is well-established in the Nordic countries and is the market leader in Sweden, Denmark and Iceland. In Norway and Finland, the company is second on the market. The company is represented in existing sales channels and is a priority supplier for the largest wholesalers and installers. All brands are well established, have relationships lasting many years and stable customer bases.

Sales companies

Sweden
Norway
Denmark
Finland
Germany
Belgium
Netherlands
Hong Kong
Singapore
China

Outside the Nordic region, Ostnor is an international niche player with its own sales companies and collaboration with local distributors.

Consumer influence is growing

Sales to consumers gradually gain in significance and consumer influence is also growing in projects and other sales through professionals. This is why Ostnor is increasing near-consumer market communication for its three brands and redoubling efforts to establish closer, integrated collaboration with resellers. In 2014, new packaging was introduced for both Mora Armatur and FM Mattsson with clear, expanded consumer information and work will continue in 2015. Introduction of a new market-adapted store concept consisting of new packaging and displays will strengthen the position towards the consumer. In 2015, new product programmes will be launched with more exclusive designs, lead-free mixer taps and advanced electronics that will increase the possibilities of taking market share.

Digital communications are another area that is gaining in importance. Eight out of ten consumers gather information online before the purchase. Ostnor is therefore investing in selling, informative websites and digital tools. In 2014, FM Mattsson launched a new website with responsive design and greater functionality and user friendliness both for professional customers and consumers. Mora Armatur will have a corresponding launch in 2015.

Niche player internationally

Outside the Nordic region, Ostnor is a fast-moving niche player with a sales strategy focusing on specific customer segments. In 2014, operations outside the Nordics generated 12 percent of Ostnor's sales.

The strategy is mainly to cooperate with local distributors in countries where Ostnor has no sales company of its own.

Ostnor has its own sales companies in attractive markets, such as Germany, Belgium, Hong Kong, Singapore and China. In 2014, a new sales office was established in the Netherlands where Scandinavian design and quality are very sought after. This office targets the Benelux market with all brands in a common organisation.

Ostnor has a strong position in the healthcare sector, especially in Germany and Australia, with special solutions for nursing homes and hospitals. On this competitive market, high standards are set on safety, function and hygiene, which creates good possibilities for Ostnor. In several international markets, work is focused on projects, including construction of sports facilities, aquatics centres and schools.

MIXER TAPS FROM FM MATTSSON TO CHILDREN'S HOSPITAL IN AUSTRALIA

In 2014, FM Mattsson supplied safety mixer taps to a new children's hospital in Perth, Australia. The company won the contract in competition with several of other major manufacturers.

The requirements for mixer taps at hospitals in Australia are rigorous and among the toughest in the world, where very hot water is in the pipes, placing high demands on safety.

The hospital chose FM Mattsson safety mixer taps mainly thanks to the thermostat's unique technical functions that compensate for both temperature and pressure variations in the water systems.

Mora Armatur – the original that challenges and surprises

Under the motto ”Crafted by hand in Mora”, Mora Armatur’s well-known products are marketed with contemporary Scandinavian design combined with technical precision, environmental thinking and craftsmanship that guarantees quality.

Mixer taps are a rarely purchased item, but half of Sweden’s consumers are nonetheless familiar with Mora Armatur, which makes the brand the strongest on the Swedish consumer market. Mora Armatur strives to challenge and surprise with contemporary Scandinavian design combined with advanced technical energy and environmental saving functions and high quality. It should be easy to buy, own and like a mixer tap from Mora Armatur. It is quite simply the original with craftsmanship in its genes.

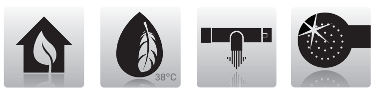
The target group is design-aware and value-guided without necessarily wanting to compromise on the price and environment when choosing a mixer tap. It consists of modern and lifestyle-oriented buyers, such as architects, interior designers and the growing group of design-interested consumers.

Of Ostnor’s three brands, Mora Armatur should be the one perceived as most exclusive. Through systematic work with broadening and development, Mora Armatur is gradually moving from today’s position in the mid and premium segments to become an international premium brand. This way, a broader market can be addressed and new customer groups can be attracted by Ostnor’s offering.

In recent years, the rate of new product launches has increased, which increased sales and had a positive impact on how the brand is perceived. Market communication will continue to be developed towards a more experience-based direction to fully deliver on the customer promise of “Crafted by hand in Mora”. In January 2014, the popular series Mora MMIX in lead-free brass was launched, which was followed up in August by the sensor-controlled mixer tap Mora MMIX Tronic. Ostnor has thereby taken a major, important step in the company’s long-term environment work.

SHOWER ENERGY-EFFICIENTLY

In 2014, a system for energy labelling of thermostat mixer taps with showers was launched. Anyone who chooses to buy an A-class Cera thermostat mixer tap with a shower will be able to save a great deal of energy and hot water, without affecting comfort and the experience of the shower. In the classification, both water and energy consumption are measured.



Mora Eco | Comfort Shower | Express Fill | EasyClean

CUSTOMER BENEFIT: The products are safe, worth buying and attractive. They are not the least expensive to buy, but the least expensive to own. Mora Armatur takes responsibility for sustainability and safety for the benefit of the family and the home.

THE OFFER: ”Crafted by hand in Mora”. Mora Armatur emphasizes local aspects to become a part of the global setting. The products are original and craftsmanship is in their genes.

FOR WHOM? The design-interested consumer, architect or interior decorator who values contemporary Scandinavian design combined with advanced technical energy and environmental saving functions and high quality.

MORA MMIX – AN ECO-SMART FAVOURITE

Mora MMIX has become one of Mora Armatur's most appreciated series. The unique environmental concept EcoSafe™ forms the basis of the development work and contributes to low energy consumption and long-term consideration of the environment. In January 2014, another step was taken in the environmental efforts when Mora MMIX began to be delivered in lead-free brass.

NEW SELLING PACKAGING

In-store activities and sign materials are of major significance to consumer purchasing decisions. Mora Armatur's packaging has therefore received a "face lift". At the end of 2014, the launch was begun of Mora Armatur's new, more informative packaging and the concept "Crafted by hand in Mora". This is a part of strengthening the origins of the brand and emphasizing the care devoted to every product in the factory in Mora. The roll-out of new packaging will be finished in 2015.

FM Mattsson – the plumber's choice

FM Mattsson is the leading brand in the Nordics, the market leader in Sweden and well-established in the other Nordic countries. FM Mattsson stands for safety, sustainability and high quality and offers everyday-smart design to a broader audience and has its strongest base among the professionals.

FM Mattsson has a very strong position among resellers, wholesalers and installers, which generates recommendations to consumers. Nearly every two mixer taps sold in Sweden come from FM Mattsson. The strong position in Sweden is based on close, long-term customer relationships. The fact is that ever since 1865, when FM Mattsson was founded by Frost Matts Mattsson, the company has been an industry leader.

Of course this is something to live up to and the brand's high quality and reliability are renowned. Plumbers appreciate the good service, installation reliability, innovative technical solutions, robust product quality, safe and eco-smart functions and functional design. The policy to provide spare parts for as long as ten years after a product has been removed from the range bears witness to the high level of quality and level of service.

FM Mattsson is on the forefront with technically driven product development and its own technical patents, and provides innovative solutions that make it easier for the user. Its design philosophy builds on functional design and sustainable, smart solutions to everyday problems.

The brand's target group is people who seek good value for money. In Sweden, FM Mattsson has a clear position as the first choice in private homes, property companies and public settings.

The product range is both broad and deep. Together with accessories and installation products, most needs for mixer taps in both homes and public buildings are covered. Special sanitary fittings for healthcare facilities and the disabled also provide niche opportunities on the international market.

FM MATTSSON 9000E BASIN MIXER TAP. WE DON'T BELIEVE OUR MIXER TAPS SAVE ENERGY. WE KNOW THEY DO.

Our energy-classed mixer taps have a double effect. By reducing consumption of water and energy, you save both money and the environment. The basin mixer tap in our 9000E series is energy classed according to the objective Swedish labelling system with the best results: A

5 ÅRS TRYCK GARANTI | soft closing | ecosafe | cold start | eco flow | easy to use | energiklass

CUSTOMER BENEFIT: A broad product range with functional design and high quality that is environmentally and energy efficient and offers excellent value for money.

THE OFFER: The plumber's choice – professionally oriented identity with tradition and craftsmanship since 1865 and reliable, safe products.

FOR WHOM? By professionals, for professionals and everyone who wants to be professional.

FM Mattsson

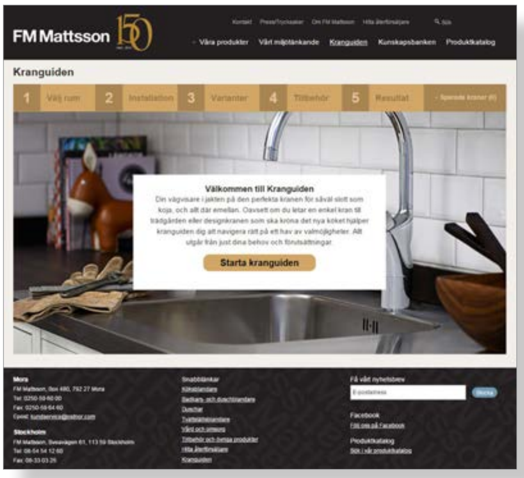
FM MATTSSON 9000E HEAD SHOWER PACKAGE

For the vast majority of people, the mixer tap might be just an attractive part of the interior design that should provide water and contribute to comfort in kitchens and bathrooms. For FM Mattsson with 150 years of experience, it is about so much more. This is also why plumbers themselves choose and recommend FM Mattsson's mixer taps.

150

1865 - 2015

Since 1865, when FM Mattsson was founded by Frost Matts Mattsson, the company has been an industry leader. Generations of industry professionals have chosen and continue to choose FM Mattsson over any other brand.



TAP GUIDE MAKES CHOOSING EASIER

Most consumers want help and support when they choose a mixer tap. It comes natural to ask a plumber, which of course benefits FM Mattsson, considering its strong position among professionals. But even if most purchases take place in the store or through a reseller, there is also a strong trend to seek information and inspiration through digital channels.

Therefore, FM Mattsson launched a new, informative website with an expanded information bank in 2014. Among other things, it has a tap guide - an aid in the hunt for the perfect mixer tap. The idea is that, regardless of whether somebody is looking for a basic solution for the garden or a designer tap to top off the new kitchen, the tap guide will help navigating in a sea of choices. All based on the customer's own needs and requirements.

Damixa – market leader in Denmark

Everyone loves good design. But what does it mean? Damixa's motto "When design makes sense" stands for a philosophy that in practice means that form and function go hand in hand.

Damixa has its strongest base in Denmark, where it is the market leader with a strong position among installers, wholesalers and consumers. The brand is associated with well-known Danish design and high quality. The product range is one of the market's broadest and offers complete series for bathrooms and kitchens with a design language that extends from minimalist to more traditional, and it covers all price segments, from economy to the upper premium segment.

The width of the product program also means that the brand is in most of the market's sales channels, from premium stores with integrated kitchen and bathroom solutions to DIY stores and e-commerce. The considerable width of the range and channel presence is a conscious choice and has been a successful strategy to be able to address the competitive Danish market with a mixer tap for every need, meaning the right product mix in every channel.

Damixa is also represented in the other Nordic countries, the Benelux countries and Germany. On the project market, besides the design, Damixa's water- and energy-saving functions are what are most appreciated.

There is a high rate of innovation in Damixa with frequent product launches. In January, the popular Clover series was complemented with an environmentally adapted range with water-saving functions to meet the project market's demand. In February 2015, the new Fern series was launched, offering water-savings of 40-50 percent without compromising comfort. The consumer chooses whether or not to save a lot of water in every situation with a simple, user friendly turn and save function, the first of its kind on the market.

Rub Clean

360°

A-PEX

The well-known Danish designer Anders Hermansen is behind the award-winning A-Pex tap that continues to bear the banner of the proud Danish design tradition. A-Pex has been called the tap of the future with its different function compared with traditional taps: Water pressure and temperature are controlled on the top of the tap. This means that the water drops straight down into the basin without dirt, water or lime deposits gathering around the tap.

CUSTOMER BENEFIT: User-friendliness and a broad product range with mixer taps for every need. Functional design where the design language and function go hand in hand.

THE OFFER: "When design makes sense". Danish design with innovative solutions where form and function gain significance.

FOR WHOM? Everyone can find the right product with Damixa.

damixa™
When design makes sense

FERN

The latest addition to the Damixa family is the FERN series with a contemporary, basic design. With the innovative and unique turn and save function, the user determines with a simple adjustment whether a lot or a little water is to be used.

GOLD RAIN FOR GOOD DESIGN AND FUNCTIONALITY

Damixa is known for good design. The water taps of the future are developed through cooperation with trend-setting Danish and international designers. Cutting-edge taps that both meet and exceed consumer expectations. Over the years, the products have enjoyed acclaim and been rewarded with many international prizes and awards.

reddot award 2015
winner

product
design
award
2006

interior
innovation
award
2014
Winner

German
Design Award
SPECIAL
MENTION 2015

Red Dot Design Award Damixa has received the prestigious Red Dot Design Award, among the biggest design awards in the world, no less than eight times. In competition with thousands of products from around the world, Damixa won for its series Merkur, Arc, G-Typ,
Clover Easy and Apex, to name a few. Most recently, it was the FERN kitchen mixer tap that won the award in March 2015.
iF Product Design Award Damixa has received the iF product design award, sought after by all design firms, for its Arc and Illusion series.
Interior Innovation Award The most prestigious award in the interior design industry arranged by the German Design Council. In 2014, Damixa won for the A-Pex series.
The German Design Award aims to identify and reward pioneering, high-quality international products and projects. In 2015, Damixa won for the A-Pex basin mixer tap.

150 years of innovation and product development

A high rate of product and technical development with frequent product launches is a prerequisite for Ostnor's competitiveness and continued growth.

Extensive professional expertise

As early as 1865, Frost Matts Mattsson founded the first of Ostnor's brands: FM Mattsson. Ever since then, the products have been pioneers for the entire industry with their combination of modern technology, attention to detail and extensive professional expertise. Ostnor is one of the world's leading manufacturers of mixer taps with a product range on the very forefront of technology in terms of new materials, electronics and the environment, energy and water savings. The company is actively driving the technical shift that entails a reduction and removal from the products of compounds being phased out. During the year, the development department in Mora focused extensively on the introduction of lead-free brass to production.

Since the acquisition of Damixa, knowledge and experience exchange in the area of product development has been a major focus. The intention is to establish a well-conceived modular and platform strategy that provides faster product development and more efficient production by utilizing a shared technical platform strategy. Component use will be considered as early as the development phase to be able to leverage economies of scale in both purchasing and production. This work will take place with retained or strengthened technical differentiation, which will support the positioning of the various brands.

High launch rate

The product life cycles are getting ever shorter, not least because mixer taps have become more of a lifestyle product with more consumer influence in the purchase. This makes it important for competitiveness to be visible with new products, new technology and new concepts. Ostnor therefore works very consciously to launch new product series at a high pace to thereby occupy a place in customer awareness. At the same time, it is important to phase out old product series. Product development is conducted with the goal that 30 percent of sales should come from products that are newer than three years-old and to launch a new series for each brand every 18 months. Key performance indicators like the rate of innovation and launch precision are measured continuously.

FROST MATTS MATTSSON founded his company in 1865 and cast the first water tap in 1876.

Design and offering for customer value

Design content and the breadth of the offering increasingly play a central role in brand work, positioning and identity both for individual products and for the company. Design work is conducted on a goal-oriented and structured basis. The focus is to develop design and form both with Ostnor's own resources and in cooperation with Scandinavian designers. There is also a great deal to learn here between the brands and potential for coordination and optimization of the design processes and mapping of future customer needs. Ostnor's product portfolio should offer attractive, unique Scandinavian design for every customer category.

Ostnor also has several close cooperative relationships with universities, including several years of cooperation with the Master's programme in advanced product design at the Umeå Institute of Design. This cooperation serves as a source of inspiration for Ostnor at the same time that interest in the design of these kinds of products increases among the students and they have the opportunity to work with concrete assignments.

MORA ARMATUR, FM MATTSSON AND DAMIXA ALL HAVE NUMEROUS TECHNICAL INNOVATIONS TO BE PROUD OF. THE LIST BELOW IS JUST A FEW OF THEIR PIONEERING NEW FUNCTIONALITY:

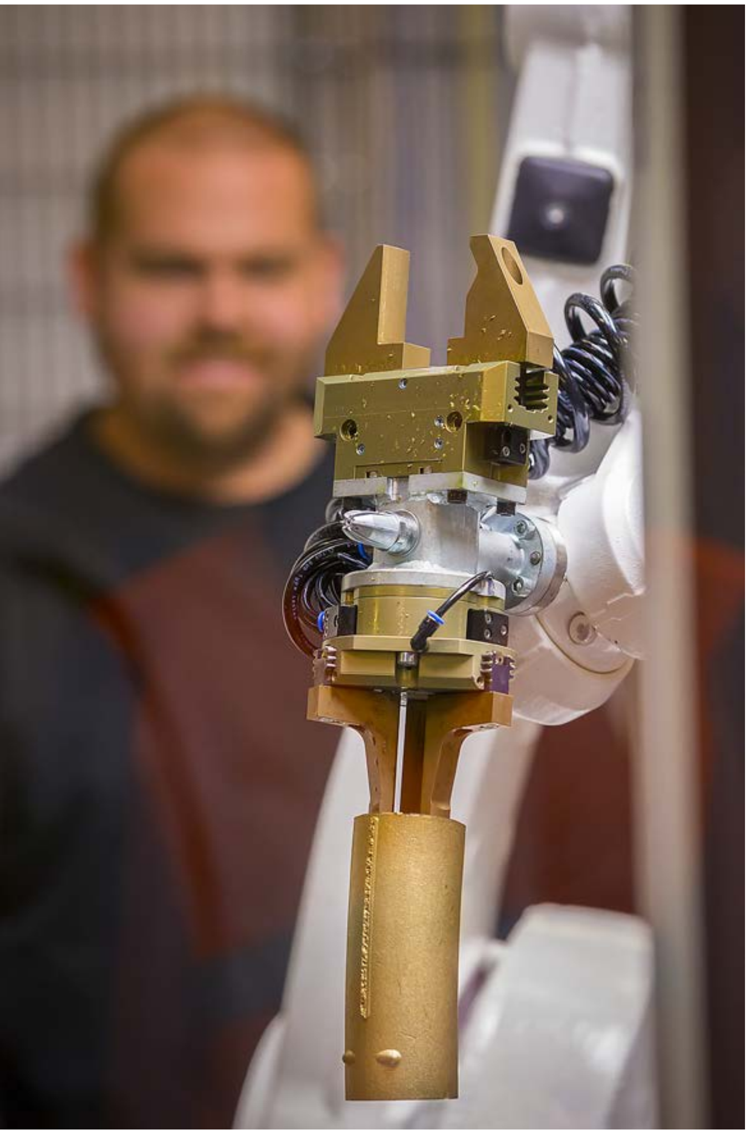
• First single-lever mixer • First thermostat mixer • First to use ceramic seals • First soft-closing mixer tap • First to use red and blue marking for hot and cold water • First frost-proof garden tap • First safety mixer tap • Proprietary energy-saving system • Attachment system for easy mixer tap replacement • Carbonated water straight from the tap • Electronic shower head with a control unit for automatic anti-legionnaire's disease rinsing • Tronic - proprietary technology platform for sensor-controlled touch-free mixer taps combined with new zinc casing technology • Lead-free mixer taps

Right from me - minimizes waste

Converting to lead-free and a focus on purchasing and component coordination for greater competitiveness.

Within the Ostnor Group, there are two efficient and well-organized production facilities. Ostnor's own production of cast components and assembly take place in Mora. In connection with the acquisition of Damixa in May 2014, production in Odense consisting of an assembly plant was also incorporated.

Efficient production for stronger competitiveness through value-generating and efficient processes is a strategic focus area. The Group has access to an extensive product range with a number of technical platforms and modules. This opens opportunities for active coordination and economies of scale as well as targeted differentiation of the products. The work on constant improvement is conducted in parallel as an important part of the efficiency improvements.



The work of reviewing and coordinating Group purchases to leverage economies of scale began immediately after the acquisition. A new purchasing organization has been formed to conduct the Group-wide work on component coordination and synergies in purchasing. Focus is initially on leveraging economies of scale for cost optimization of purchased materials and to reduce the total number of suppliers, which will also facilitate the work on quality assurance of supplies in both Asia and Europe. A prioritised effort that will be completed in the first half of 2015 has been to integrate Damixa into the Group's business system, which is a prerequisite for efficiency in both purchase coordination and product management.

Transition to lead-free

During the year, pioneering change work was conducted in production in Mora when lead-free brass was introduced as a part of the work of removing compounds slated to be phased out. Lead-free brass is a relatively untried alloy and the transition was somewhat of a pioneering effort with initial introduction problems and higher production costs. The work led to greater focus on quality, more systematic approaches and refined process control. Altogether, the introduction of lead-free brass has entailed a learning process that has had positive effects on all production. It has also increased Ostnor's competitiveness and ability to supply products that meet market demand for environmentally adapted solutions and materials.

Focus on production control

Ostnor works very consciously with control processes to optimize and improve production efficiency. The aim is to increase resource utilization and minimize waste while maintaining or improving the level of quality. All employees are involved in the work and the concept of "Right from me" is a guide in every step of the process.

The 'Daily Control' concept was further defined, covering three stages, which in combination, offer a clear view of production each day. Stage one is a morning meeting for all working teams, where safety, quality, delivery, productivity, disruptions and daily planning are discussed. In stage two, the complete flow of all work teams is summarized. Stage three covers the whole facility, and offers a full overview of production status for the day. This concept improves the production flow and efficiency, making identification and problem resolution easier.

Ostnor's Production system (OPS) is Ostnor's own application of Lean Production as an approach and the foundation of Ostnor's improvement work. Several methods are used for greater process efficiency, including 5S, Kaizen, SMED (single-minute exchange of die) and 6-Sigma. Key principles are:

- Standardized ways of working
- Clarity and visibility
- Minimizing waste
- Right from me
- Production against order
- Continuous improvements

The work of further developing OPS continued during the year. Among other efforts, 1,615 improvement steps were taken in Mora and delivery precision was improved by 1.25 percent.

The system of seasonally adapted working hours and a certain proportion of insourced personnel has led to better opportunities for rapid adaptation in volume changes.

Several investments were made in production in Mora. To increase capacity new automated polishing equipment was installed and four cutting process machines (machines for cutting and threading of holes) were changed to robot operation. Production of planned new product series was thereby secured at the same time that monotonous manual work was eliminated and the working environment was improved. In addition to this, investments were made in assembly equipment, a multi-cutter in the pipe workshop and chip centrifuges for handling lead-free metal shavings.

Production facilities

Production in Mora is state-of-the-art and highly automated, well invested in terms of mechanical equipment, while assembly is still largely manual.

Ostnor has one of Europe's most modern brass casting foundries, with two fully automated casting cells. Core manufacture is also automated.

At the plant in Odense, mixer taps have been produced for more than 80 years, and since 2009, it has been focused on assembly. The production is process oriented and characterized by considerable flexibility, adaptive ability, short delivery times and cost efficiency in small series. A major part of the work takes place manually.

COOPERATION WITH TECHNICAL COLLEGE

Ostnor has the ambition to be an attractive employer and at the same time has a need to be able to employ qualified workers locally. Therefore, the company cooperates with a senior high school with a technical specialization in Mora that is certified as a technical college. This means that the students receive training in close cooperation with companies in manufacturing which is so important to the Mora region already in their studies.

Among other things, Ostnor welcomes students who get to "shadow an engineer", which means being at the workplace and learning by watching what the work steps are. The company also offers summer jobs to students attending the technical programme.

Ostnor also participates in the "Technical Leap" initiative conducted by the Royal Swedish Academy of Engineering Sciences (IVA) on behalf of the National Agency for Education to attract more people to become engineers. Here, young people who are between high school studies and higher studies are offered four-month practical placement to test the engineering profession.

Pioneering work in lead-free brass

Ostnor will produce and market environmental and health-friendly products for sustainable development and be the supplier in the industry that is perceived as the leader in environmental and health-friendly solutions. Sustainability work is based on profitability, reduced climate impact and general corporate social responsibility. During the year, lead-free brass was introduced in production in Mora.

CORPORATE SOCIAL RESPONSIBILITY

Ostnor works for corporate social responsibility and the explicit goal is to be the supplier in the industry that is perceived as the leader in eco- and health-friendly solutions. This goal permeates the entire business. The company works systematically and methodically with sustainability issues in terms of its own impact in operations and by developing products and solutions that contribute to sustainability in use. The combination of a stable and profitable business with good relationships with the company's stakeholders creates the potential for responsible business from financial, social and environmental perspectives.

Ostnor has identified five main stakeholders for the Group: customers and consumers, employees, suppliers and other business partners, owners and investors, as well as wider society. Good relationships and ongoing dialogue with stakeholders are a prerequisite for ensuring the company works on the right issues in the sustainability segment.

Customers and consumers

Most of Ostnor's customers are wholesalers, resellers and construction developers. The end users of the company's products are consumers, meaning the private individuals who use them privately or on the job. Other important users and partners include installers, consultants and housing companies, which often constitute a link between customers and end users.

Ostnor has close contact with the market to be able to understand needs and wishes with the goal of continuously improving and developing products and ways of working. The dialogue with wholesalers and resellers mainly takes place through personal meetings while the consumer dialogue mainly takes place over electronic aids and various user surveys.

Employees

Employees, leadership, expertise and skills development are a strategic focus area for Ostnor and business critical to the implementation of the company's strategy. The company should be an attractive employer where skilled employees develop and enjoy their work. Leadership that takes responsibility, motivates and inspires is promoted and is crucial to the company's success.

For more information on employees and leadership, see pages 24-26.

Owners and investors

Long-term sustainable economic value growth is decisive for Ostnor to attract owners that are willing to invest in its operations, and thus, are one of the prerequisites for responsible business.

Clear and continuous external communication and the potential for dialogue ensure that Ostnor is aware of its owners' wishes and demands on the company. The dialogue is mainly conducted through the company's financial reports, press releases, website and the AGM.

Society

Ostnor is one of the major employers in the Municipality of Mora and also a significant employer in Odense. The business has a major impact on its local communities. The company complies with laws, ordinances and standards and actively participates in social development through dialogue with municipalities and authorities and by networking with other local businesses.

Mora Armatur's engagement as a friend of international charity WaterAid is an example of social commitment. Ostnor's vision includes providing clean water – a precondition for human health and livelihood, and something in short supply for most of the world's population. As the largest manufacturer of mixer taps in the Nordics, it is natural for Ostnor to contribute to more people gaining access to clean water.

Suppliers

Ostnor's suppliers are continuously checked and evaluated. Suppliers of direct material undergo audits where quality and technical capacity, above all, are reviewed. Sustainability aspects play a major role in this work. In procurements, factors including supplier openness and willingness to interact, and their ambitions in the environmental area are taken into account. Ostnor's most significant purchase is input materials for production, such as brass, zinc cast goods and plastic components.

The on-going work to increase coordination of purchasing also leads to a gradually decreasing number of suppliers. This in turn will provide more frequent dialogue and cooperation with fewer suppliers, which is expected to provide mutual benefits and increase transparency in the area of sustainability.

In total, Ostnor has around 220 suppliers of direct materials, of which most are based in Europe and about 8 percent are in Asia. A minority of the suppliers represent the majority of the company's purchasing.

COPENHAGEN AIRPORT SAVING WITH NEW TAPS

Intelligent mixer taps from FM Mattsson save large amounts of money at the Copenhagen Airport. Every tap can save between SEK 1,000 and SEK 1,800 per year by reducing water and energy consumption. In 2014, a test conducted in one of the terminals shows major potential: A number of existing basin mixer taps were replaced with FM Mattsson's touch-free 9000E Tronic and Mora Cera single-lever mixer tap with Cold Starting. The measured water savings were 24 percent with a full 66 percent less hot water. The Copenhagen Airport chose to install sensor-controlled mixer taps in most places. Both to minimize the spread of bacteria and to keep water taps from being left on with running water. The latter was previously a major problem at the airport.

Every day, 70,000 people pass through the airport and annual water consumption amounts to more than 326,000 cubic metres, which is a cost of SEK 5 million. Copenhagen Airport, which has extensive savings targets in terms of carbon dioxide emissions, has replaced 250 of the airport's 4,000 mixer taps so far. The payback period for the investment is less than two years.

ENVIRONMENTAL RESPONSIBILITY

Ostnor's environmental impact mainly arises in manufacturing, surface treatment and transports. The business aims to be conducted with as little environmental impact as possible. The areas of highest priority from an environmental perspective are resource management and reduction of hazardous substances.

The use of the end products is also a very important focus area where Ostnor seeks to develop environmentally efficient products. A clear trend in the industry is the rising demand for water and energy saving functions and environmentally friendly materials. This trend is driven both by the customers' increasing awareness and by new regulations in the EU. Ostnor's ambition is to be on the forefront in terms of the technical transition to the reduction and removal from the products of the phase-out compounds. A major step was taken in 2014 in connection with the introduction of a new lead-free brass in production in Mora. During the year, the popular mixer tap series Mora MMIX was relaunched as lead free. More lead-free series will be presented in 2015.

The environmental work in Ostnor is delegated to every production unit. Targets, direction and prioritisation are set at a Group level.

Conservation of resources

Ostnor places considerable emphasis on conserving resources and reducing the environmental impact of production. Its focus is on raw material consumption, energy consumption, carbon dioxide emissions, emissions to water and waste.

The company has come a relatively long way in terms of energy; for example, the plant in Mora was an early adopter of utilizing excess heat. An energy study of the plant in Mora in 2014 indicated potential energy savings of less than 4.6 percent.

The review of manufacturing and assembly that takes place continuously aims to minimize waste, such as over production, unnecessary work steps, transports and inventory. This not only affects product quality and profitability, but also environmental and resource use as re-work and scrapping are reduced. Transportation has been identified as an area of improvement.

Reducing hazardous compounds

Ostnor is actively working to reduce compounds that are being phased out in the company's products, and in its manufacturing process. During the year, important pioneering work was done in production in Mora where a lead-free brass alloy was introduced.

The technical shift to lead free is an important future issue for Ostnor where the drivers are greater interest from the market and customers together with new European regulations, such as the Ecodesign Directive and the 4MS cooperation.

Product development and product usage

All brands prioritize environmental consideration in product development. Since the 1970s, Ostnor has conducted long-term and methodical efforts to develop new technology that contributes to sustainability and saves both energy and water. The long useful lives of products contribute to a low life-cycle cost and reduced consumption of finite resources.

Ostnor's EcoSafe™ concept is central to the marketing of its products and is based on environmental awareness end to end in product chains. It concerns everything from reducing environmental impact in the factory to smart material selection and energy-smart functions that save resources in use.

Ostnor is continuously developing its processes and products to satisfy regulatory and market standards, and all of its products are approved according to applicable environmental and health standards. This is especially important for kitchen and bathroom mixer taps, because drinking water is classified as food and legally regulated at the national and EU levels.

ENVIRONMENTAL MANAGEMENT SYSTEM

Ostnor has manufacturing at two facilities, one in Mora with production from the ground up including casting, processing and assembly, and one in Odense with only assembly. The plants satisfy or exceed the applicable standards of environmental legislation and other environmental standards.

Operations in Mora have two permits under the Environmental Code: one for the Södra plant and one dormant permit for the Norra plant where no operations subject to permits are conducted. The management system used in Mora is comprehensive and coordinated and certified under the ISO standard for external environment (ISO 14001) and for quality (ISO 9001).

Operations in Odense have a significantly smaller impact on the external environment due to the focus on assembly. It currently has no ISO certification, but is nonetheless operated in a systematic, resource-efficient and environmentally aware manner.

WaterAid

Mora Armatur's engagement as a friend of international charity WaterAid is an example of social commitment.

EcoSafe™ – Holistic thinking for a better environment

EcoSafe

POSITIVE ENVIRONMENTAL EFFECTS OF OSTNOR'S RANGE

Environmental work should not be about doing good things on one end and losing ground in other areas. All three brands have labelling systems so that consumers and customers can quickly and easily get an overview of what environmental benefits they offer. Mora Armatur's EcoSafe™ environmental label is based on taking the whole into account in everything done: The environmental impact in production, manufacturing and transport is minimized, all products are recyclable and the packages are designed so they can be source-sorted.

ESS

Mora ESS – with the lever in the straight forward position, cold water always comes out. This reduces the waste of hot water.

Mora Eco

Mora ECO – by optimizing the flow, water consumption is automatically reduced.

Soft Closing

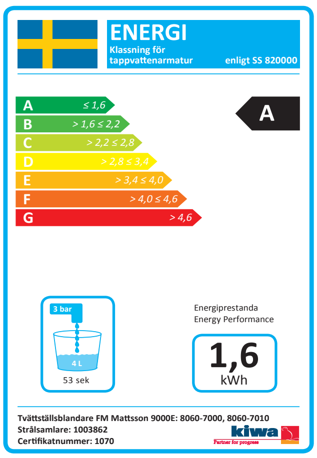
Soft Closing – extends the life of the mixer tap and pipe system.

No PVC

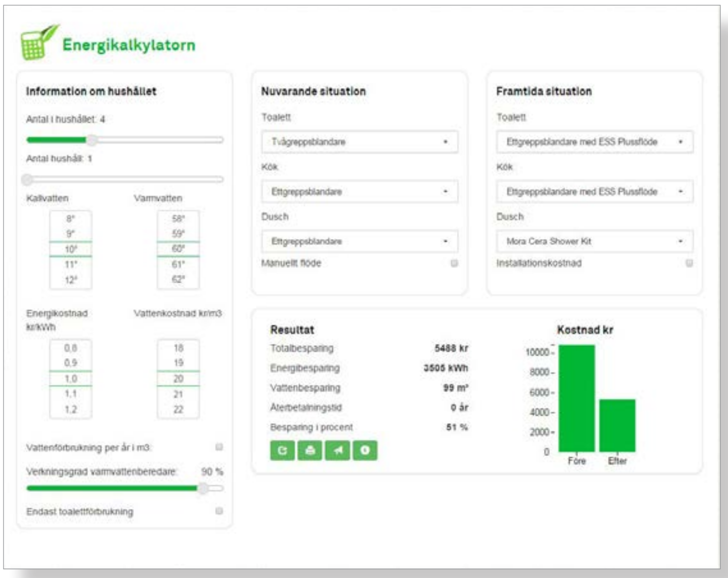
No PVC – PVC-free shower hose that minimizes environmental impact and bacteria growth in the hose.

Lead Free

Lead Free – means that we have replaced the lead that is normally in brass alloys. This way, we get products with less environmental impact. A major step for the environment and security for you as a user of our products every day.



Energy class – standardized industry-wide system for measuring energy efficiency.

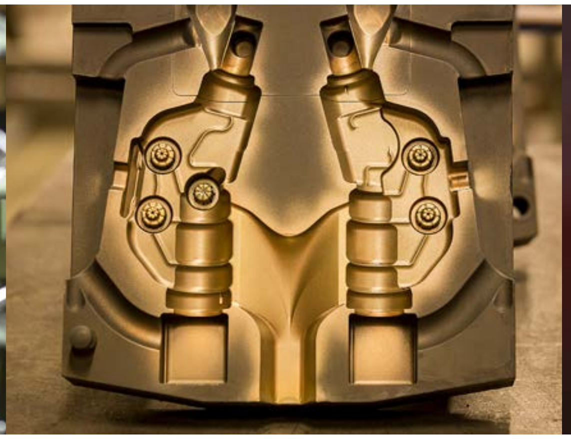


ENERGY CALCULATOR

Mora Armatur's mobile app and the website include an energy calculator that computes the savings of changing an old tap for a new, more energy-efficient replacement.

Shared and clear core values

Skilled and committed employees play a crucial role in creating the corporate culture that is crucial to Ostnor's success. The applied model for leadership builds on the road to success beginning with people.



LEADERSHIP FOR HIGH PERFORMANCE

Committed and skilled employees who enjoy their work and an innovative corporate culture are necessary to develop successful mixer tap solutions that provide clean water energy-efficiently. Achieving this and meeting the business targets demands clear, effective leadership. Ostnor's leadership standard "Leadership for high performance" summarises the view and approach that should characterise the business. This work is a high priority and annual measurements form the basis of continued leadership development at both an individual and group level.

"Leadership for high performance" takes up a number of aspects in leadership, including communications, decision-making, availability, improvement work and health, environment and safety. A manager in Ostnor is expected to be available and visible, encourage dialogue and ensure that everyone has the courage to voice their opinions, sees and hears every individual and actively works with the group.

The on-going training programme in leadership continued during the year with the establishment of a systematic approach where groups work with benchmark and support each other in leadership issues. A larger leadership seminar was held with a focus on the company's strategies and the road forward.

Development opportunity

Ostnor strives to be an attractive employer and a professional, exciting company where people can develop both in their professional field and as a person. The company aims to be associated with strong leadership and employee commitment. Competence mapping and evaluation ensure structured access to resources and competence across all functions.

Competitive terms are another important part of hiring and retaining competent staff. The company offers employee benefits, such as a fitness allowance, access to a gym, healthcare counselling, regular health check-ups, and other health-related services at a subsidized price.

Further training and continuing professional development of the employees take place systematically. Through competence mapping and regular employee talks, the opportunity is provided for personal development based on the business' needs, which ensures that talent stays in the company. The goal is for all employees to have an individual development plan.

Ostnor views differences and diversity as an asset, and the respect for this is a key part of the work on core values. During the year, a working group prepared an equal treatment plan for the company. The work also led to an activity plan and a policy and action and contingency plan against harassment and discrimination.

To strengthen cohesion and cross-boundary culture, a new Group-wide intranet was developed. The intranet is both an important tool and a living and accessible meeting place that inspires, engages and facilitates the daily work.

Employee surveys are conducted regularly to evaluate and challenge Ostnor as an employer. The results of this survey are then discussed between managers and staff in the various func-

OSTNOR'S ORGANIZATION

CEO

Production
Purchasing, Logistics, QA, Prod.

Finance & accounting
incl. IT, HR, IR

Research & Development

Marketing

Damixa

Sales

Sales companies

Sweden | **Norway** | **Finland** | **Germany** | **Netherlands** | **Belgium** | **China** | **Hong Kong** | **Singapore**

tions and working groups. This dialogue is intended to produce constructive proposals on improvement activities. The goal is for the survey to be done every year, but in 2014, focus was instead on implementing the improvement activities chosen in conjunction with the last survey. The trend is steadily upwards with improving measurements from year to year.

Focus on working environment

The importance of a good, safe working environment cannot be exaggerated. Ostnor worked actively to ensure a safe physical working environment and healthy working conditions where no one should be exposed to sexual harassment or discrimination due to sex, race, religion, age, disability, sexual orientation or ethnic background, for example.

Safety work is very much a matter of attitudes, measuring and setting requirements provides focus and creates acceptance at the same time that it places higher demands on every employee following the safety procedures. An important tool in the plant in Mora is the "Health Committee Pulse", which is a forum that is a part of the company's work with LEAN to achieve constant improvements and effective processes. The company and unions hold weekly meetings to consider health and safety issues and review reported risks, incidents and accidents. The Health Committee Pulse has resulted in many issues in systematic occupational health and safety work being addressed and resolved more effectively than before.

A simple system where all employees can report risk observations, incidents and accidents on the intranet was introduced in Mora, which led to a sharp increase in the number of reported risk observations and a decrease in the number of incidents and accidents.

In 2014, the tools for work on safety rounds were further developed and improved. Systematization and regularity have increased and detailed and clear check lists have been prepared. Measurement and follow-up occur regularly at management meetings and morning meetings, which puts focus on the work and ensures that it is done at a high level of quality.

Organization

Ostnor's operating organization is decentralized with central governance for the marketing, sales and finance & accounting functions. Purchasing and component coordination is managed by a new Group-wide purchasing organization.

The work to increase the efficiency of Ostnor's marketing and sales continued during the year. As a direct result of the acquisition of Damixa, sales were coordinated in most markets in joint sales companies that represent all three brands. A new sales company was established in the Netherlands with the Benelux countries as the geographic sales area.

The average number of employees during the period was 553 (452), in 10 countries. Most employees are in Sweden with an average of 417 employees. The average number of employees in Denmark was 80.



CORE VALUES

Clear core values that guide the company in all of its relationships with stakeholders and the surrounding world are fundamental to Ostnor's operations and corporate culture. Core values are a collective platform for all employees to work from in their daily activities. This should permeate the whole company and build on three key concepts: customer value, commitment and respect.

Customer value

We exist for our customers and our customers' customers. We produce, market and sell products and solutions that are attractive to users and our collaboration partners. We are responsive to customers' wishes.

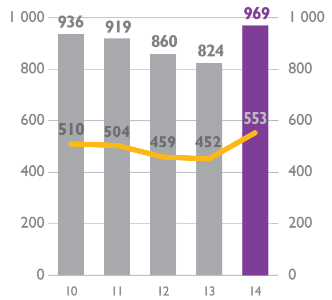
Commitment

Being committed to your work is important to everyone. We want every employee to use and develop their competence fully, and feel that Ostnor is an attractive and stimulating workplace.

Respect

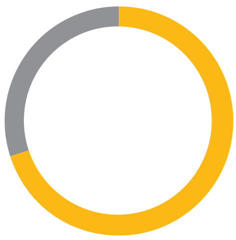
We are all different. This is an asset. We value different opinions. We show respect for each other's integrity and situation. We treat workmates, colleagues, customers and owners as we would wish to be treated ourselves.

SALES/AVERAGE NUMBER OF EMPLOYEES



- Sales, MSEK
- Sales 2014, MSEK
- Average number of employees

GENDER DISTRIBUTION



- Men, 70%
- Women, 30%

AVERAGE NUMBER OF EMPLOYEES BY COUNTRY

- Sweden, 417
- Denmark, 80
- Germany, 18
- Norway, 14
- Finland, 10
- Netherlands, 5
- China, 5
- Belgium, 2
- Hong Kong, 1
- Singapore, 1

Corporate governance

Corporate governance means the regulations and structure in place to govern and manage the operations of a limited company in an effective and controlled manner. Ostnor's corporate governance relates to how operations are governed, managed and controlled with the aim of creating value for the company's shareholders and other stakeholders. Ultimately, corporate governance is intended to satisfy shareholders' requirements for returns, and to give all stakeholders satisfactory and accurate information on the company and its development.

Internal and external regulations are the foundation of governance of Ostnor AB (publ), called the company below.

External regulations	Internal regulations
Swedish Companies Act	Articles of Association
Swedish Annual Accounts Act	Rules of procedure for the Board of Directors
Other relevant legislation	The Board of Directors' instructions for the CEO
Swedish Code of Corporate Governance	Policies, guidelines, instructions and core values

Because Ostnor is not listed on NASDAQ Stockholm or another regulated marketplace, it is not subject to the Swedish Code of Corporate Governance (The Code), although Ostnor applies most of the Code's rules.

Shareholders

The total number of Ostnor shares is 11,445,100 of which 2,045,900 class A shares with 10 votes, and 9,399,200 class B shares with one vote each. At 31 December 2014, the company had 165 shareholders. Ostnor has been a CSD-registered company since autumn 2003, which means its share register is maintained by Euroclear. The company has also been a public limited company since the 2011 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 stated on page 31 of the Annual Report.

Annual General Meeting

Shareholders exercise their right to decide over the company's affairs at the Annual General Meeting (AGM), which is the company's chief decision making body. The AGM is held yearly within six months of the end of the financial year. The AGM elects the company's Board of Directors and Auditors. The AGM also adopts the company's income statement and balance sheet, and matters regarding dividends, discharge from liability for Board members and Chief Executive Officer and determining fees for Directors and Auditors. The AGM also considers other matters that are mandatory according to the Swedish Companies Act and the Articles of Association.

The company publishes the date of the AGM as soon as the Board has reached a decision on this, although by no later than in connection with the Third-quarter Interim Report. Information on location and date is uploaded to the company's website. Shareholders recorded in the share register maintained by Euroclear on the record date, and that have notified the company of their intention to participate on time, are entitled to participate in shareholders' meetings and vote for their shareholdings. All information on the company's shareholders' meetings, such as notification of participation, entitlement to have matters included in the notice convening the meeting, minutes etc., are available for download from the company's website.

The company's ambition is for the AGM to be a satisfactory body for shareholders, and accordingly, its objective is for the whole Board, representatives of the Nomination Committee, the Chief Executive Officer and other members of management, as well as Auditors, to always attend the AGM.

Extraordinary General Meetings (EGM) are convened when the Board of Directors or Auditors consider them necessary.

AGM 2014

The AGM 2014 was held on 14 May 2014 in Mora, Sweden. The complete minutes of the AGM are available from the company's website. The most important resolutions of the AGM 2014 follow:

OVERVIEW OF GOVERNANCE OF OSTNOR

External regulations

- Swedish Companies Act
- Swedish Annual Accounts Act
- Other relevant legislation
- Swedish Code of Corporate Governance

Internal regulations

- Articles of Association
- Rules of procedure for the Board of Directors
- The Board of Directors' instructions for the CEO
- Policies, guidelines, instructions and core values

- Adoption of the Income Statement and Balance Sheet of the Parent Company and Income Statement and Balance Sheet of the Group
- To pay dividend of SEK 3.00 per share to shareholders in accordance with the Board of Directors' proposal
- Election of the Board of Directors and Chairman
- Adoption of guidelines for appointing a Nomination Committee
- Adoption of guidelines for remuneration of senior executives

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

AGM 2015
The AGM will be held on 12 May 2015 at 5:30 p.m. at Best Western Mora Hotell & Spa in Mora, Sweden.

Nomination Committee

The Nomination Committee is the AGM's body for consulting on AGM resolutions in matters of election and fees with the aim of creating good supporting data for the Meeting to consider these matters. The duty of the Nomination Committee is to submit proposals to the AGM on:

- Chairman of the AGM
- Number of Board members
- Remuneration of the Board of Directors and Auditor
- Chairman of the Board and other members
- Auditor
- Proposals for amendments to guidelines for appointing a Nomination Committee

The company has not adopted any specific age limit for Board members, nor any time limit to how long a Director can serve on the Board. The Auditor's appointment is a matter submitted to the AGM annually. In accordance with the principles adopted by the AGM 2013, three shareholders' representatives have been appointed. The Nomination Committee has the following members:

- Hans Karlsson, Chairman (nominated by Ostnor's largest shareholder Tibia Konsult)
- Lena Hermansson (nominated by former largest shareholder of Mora Armatur)
- Agneta Eriksson (nominated by former largest shareholder of FM Mattsson)

Information on how shareholders can submit proposals to the Nomination Committee as provided on the company's website.

Board of Directors

Size and composition
According to the Articles of Association, the Board of Directors should consist of between four and 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 Board of Directors is elected annually at the AGM. The AGM in 2014 resolved that the Board of Directors should consist of seven Directors elected by the AGM. The AGM resolved to re-elect Christer Lenner as the Chairman of the Board and to re-elect Johnny Alvarsson, Erik Eriksson, Hans Åke Norås and Lars Erik Blom and to elect Lotta Lundén and Anna Maria Rylander.

Chairman of the Board
The Chairman of the Board should ensure that the Board of Directors' work is conducted in accordance with the stipulations of the Articles of Association, the Swedish Companies Act, rules and ordinances, and the rules of procedure of the Board of Directors. The Chairman maintains ongoing contact with the Chief Executive Officer to monitor the company's operations and be responsible for other Board members receiving the information and documentation necessary to enable them to conduct their duties on the Board. The Chairman is responsible for appraising the work of the Board of Directors, and also participates in appraisal of the Group's senior executives, and to represent the company on ownership issues.

Chairman of the Board Christer Lenner is not an employee of the company and does not have any assignments for the company apart from his Chairmanship of the company.

BOARD OF DIRECTORS IN 2014

	Function	Independence [4]	Attendance	Fees
Christer Lenner	Chairman	Yes	8/8	218,000
Johnny Alvarsson	Board member	Yes	8/8	165,000
Lars Erik Blom	Board member	No	8/8	270,000
Erik Eriksson	Board member	No	8/8	135,000
Mats Hermansson [1]	Board member	No	3/3	50,000
Lotta Lundén [2]	Board member	Yes	4/5	84,000
Hans Åke Norås	Board member	Yes	8/8	270,000
Anna Maria Rylander [2]	Board member	No	5/5	84,000
Pernilla Wigren [1]	Board member	Yes	3/3	50,000
Staffan Gryting	Employee representative, (ordinary)	–	7/8	–
Anna-Karin Jemth	Employee representative, (deputy)	–	1/8	–
Kenneth Östlund	Employee representative, (ordinary)	–	1/8	–
Ellinor Sparby [3]	Employee representative, (deputy)	–	7/8	–

[1] Withdrew at the AGM on 14 May 2014
[2] Elected at the AGM on 14 May 2014
[3] Ordinary employee representative as of 2015
[4] Independent of major owners

Board work
The Board of Directors bears ultimate responsibility for the company's organization and administration and should also make decisions on strategic issues. The ambition of the Board of Directors has been to devote particular attention to establishing the overarching targets of operations and decide on strategies to achieve them. In addition, the Board continuously evaluates the executive management to ensure the company's governance, management and control. The Board of Directors works to put systems for monitoring and control of its financial position in place, and for verification of compliance with laws and other regulations.

In 2014, the Board of Directors held eight meetings, one of which was following election. Minutes were taken by the secretary of the Board of Directors at these meetings, who is also the company's Chief Financial Officer.

Data for meetings were sent to all members for each meeting, which were then held in accordance with the approved agenda for the meeting. Other executives participate at Board meetings to submit reports. At its meetings in the financial year, the Board of Directors considered the fixed items on its agenda for each board meeting such as business conditions, financial reporting and investments. Other issues discussed in 2014 included strategy, market progress, product development, acquisitions and addressing foreign countries. In addition, matters regarding annual financial statements, interim reports, budgets and forecasts are considered at designated Board meetings.

Written instructions regulate the division of duties between the Board of Directors and Chief Executive Officer, which formalize internal division of responsibility, decision-making processes in the company, company signatories, the agenda of Board meetings and the Chairman's duties. These instructions are evaluated yearly.

Directors' fees are resolved by the AGM. The AGM 2014 approved the Nomination Committee's proposal of total Directors' fees of SEK 1,080,000. These fees should be divided with SEK 210,000 to the Chairman of the Board and SEK 145,000 to each of the other members. The AGM also resolved that the Chairman of the Board would be entitled to remuneration for actual time spent on work in addition to work on the Board of Directors until the AGM 2015 of up to SEK 100,000.

Board members are entitled to invoice their fees to the company at an amount corresponding to Directors' fees and the legislated additional social security contributions and VAT with the aim of achieving full cost and tax neutrality for the company. This would require such Board member to conduct a business activity, either as part of a consulting practice, or as a sole proprietorship, and the member to have at least three Directorships.

Audit Committee
The Board of Directors has decided against establishing an audit committee, with instead, the whole Board of Directors being responsible for the Group having satisfactory processes for internal control and accurate, high-quality financial reporting, and that external communication is open, impartial and relevant. Coincident with the third-quarter financial statement and the annual financial statement, the company's Auditors attend the Board meeting to report on how the company's accounting, administration and financial controls are functioning. The Chief Executive Officer and Chief Financial Officer submit formal reports at these Board meetings to enable Board members to establish a dialogue with the Auditor without participation of managers of the company.

Remuneration Committee
The Board of Directors has appointed a Remuneration Committee that will consist of the chairman and two members elected by the AGM. Its duty is to consult on the Chief Executive Officer's salary and other employment terms for decision by the Board of Directors. The AGM resolution regarding the guidelines for remuneration for senior executives is the basis of this work. The committee should receive and approve agreements that the CEO makes with senior executives of the company. Minutes are kept at all meetings of the Remuneration Committee, with these minutes presented to the Board together with an oral report in connection with the Board of Directors making decisions. In 2014, the members of the Remuneration Committee were Christer Lenner (Chairman), Lars Erik Blom and Erik Eriksson.

The Remuneration Committee held two meetings in 2014, which all members attended.

Chief Executive Officer and Management

CEO's duties
The Chief Executive Officer is appointed and dismissed by the Board and his work is appraised continuously by the Board of Directors. The Board of Directors approved the instructions for the CEO, which have now been adopted, at its meeting on 14 May 2014, which included the following main segments:

- Preparing a business plan
- Monitoring compliance with the objectives, policies and strategic plans the Board of Directors has adopted
- Ensuring that financial reporting reflects the Group's overall financial position and results of operations and other circumstances of material significance
- Ensuring that Management has the appropriate competence and composition to manage operations in the direction the Board of Directors has decided

Claes Seldeby was appointed Chief Executive Officer on 25 May 2012. Mr. Seldeby has no shareholdings or partnerships in entities that the company has significant business relationships with.

Remuneration of senior executives
It is important that there is a clear correlation between remuneration and the Group's financial targets in the short and long term. The company should be able to offer competitive and market terms that enable the company to hire and retain the right senior executives. The criteria for establishing remuneration should be based on the significance of duties and the employee's competence experience and performance.

Remuneration should consist of the following components:

- Basic salary
- Variable remuneration
- Pension benefits
- Other benefits and conditions on termination.

Other senior executives are defined as the six people plus the CEO who comprise Group Management.

The AGM 2014 adopted guidelines implying that variable remuneration should be based on individual targets. Variable remuneration should be maximized at 50 percent of basic salary for the Chief Executive Officer and a maximum of 35 percent of basic salary for other senior executives.

Pensions should be defined contribution to create predictability. For the Chief Executive Officer, premiums are 30 percent of basic salary. For other senior executives, there are customary pension obligations within the framework of the general pension plan. Further pension premiums are also provisioned at 5 percent of basic salary.

There is a notice period of 12 months between the company and the Chief Executive Officer of the Parent Company for termination by the company and six months for termination by the Chief Executive Officer. 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.

Auditor

The AGM 2014 appointed audit firm Öhrlings PricewaterhouseCoopers AB (PwC) as Auditor. Authorized Public Accountant Magnus Brändström is the Auditor in Charge. Magnus Brändström is also the Auditor of Scandic, Dometic, Acando and Addnode. In addition to the audit, the company appointed PwC in the tax segment for various accounting issues. PwC is liable for verifying its independence for decisions, and for providing impartial consulting for Ostnor in addition to auditing. Information on fees to the audit firm is provided in Note 8. Audit fees to other Auditors primarily consist of statutory audits of minor Group subsidiaries.

Internal audit

The Group has a simple legal and operational structure and established governance and internal control systems. In light of this, the Board has decided against conducting a dedicated internal audit.

Internal controls over financial reporting

The Board of Directors' responsibility for internal controls and governance is formalized by the Swedish Companies Act and the Swedish Annual Accounts Act, with the Swedish Code of Corporate Governance also applied.

Ostnor endeavours to conduct operations as efficiently as possible. Financial reporting should be reliable and reflect the company's operations accurately and be prepared in accordance with applicable laws and ordinances.

The company has chosen to adopt the COSO definition of internal controls as the base of its work on internal controls. COSO stipulates that internal controls have five components: control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment

The base of internal controls over financial reporting is the control environment, which includes the culture that the Board and Management communicates and works from. Primarily, the control environment consists of an organizational structure, responsibilities and authorizations, management philosophy, ethical guidelines and the company's policies, guidelines and processes. Decision paths, authorizations and responsibilities that are clearly defined and communicated between different levels of the organization, control documents in the form of policies and guidelines covering all significant segments, and offering guidance to senior executives of the Group, are an important component of the control environment.

An important part of the Board's work is to formulate and approve a number of fundamental policies, guidelines and frameworks. These include the Board of Directors' rules of procedure, instructions for the CEO, communications, environmental and financial policy. The purpose of these policies includes creating the foundation of good internal control. All policies are reviewed yearly and adopted by Management or the Board of Directors. The Board of Directors also endeavours for its organizational structure to provide clear roles, responsibilities and processes that enable effective management of operational risks and enables the achievement of targets.

Risk assessment

Through its operations, the company is exposed to various types of risk. Structured risk assessment enables identification of the material risks that affect internal controls over financial reporting. The company works continuously on risk analysis, where the risks of misstatement in the financial reporting of significant income statement and balance sheet items are analysed. Other risks relating to financial reporting of the risk of fraud, losses or misappropriation of assets. The Board of Directors continuously evaluates the Group Management's risk management process. This work includes judging which preventative measures should be taken to reduce the company's risks.

Control activities

The risk of misstatements in financial reporting is reduced through good internal controls over financial reporting with a particular focus on critical segments defined by the Board of Directors. The purpose of control activities is to discover, prevent and correct inaccuracies and discrepancies in reporting.

Information and communication

The company has a communication policy that includes guidelines for internal and external communication from the company. The purpose of this policy is to ensure compliance with all external and internal communication obligations, and to maintain good communication with staff.

Monitoring

There is monthly monitoring of all profit centres, companies and at Group level. Monitoring is usually against budget, the previous year and most recent forecast. Forecasts are prepared three times a year for internal use. These results are analysed by the accounting and finance function, and managers responsible for profit centres. The Chief Financial Officer reports to the Chief Executive Officer, who submits monthly financial reports to the Board of Directors. The Board of Directors continuously evaluates the information provided by Group Management.

The share and owners

Owners

Ostnor has just over 160 shareholders, mainly from its founding families. The following table illustrates the ten largest shareholders of the company as of 31 December 2014.

Name/company	Total number of shares	Number of class A shares	Number of class B shares	Proportion of share capital, %	Proportion of votes, %
Tibia Konsult AB	1,710,500	229,000	1,481,500	14.94	12.63
LK Finans AB	1,144,510	228,900	915,610	10.00	10.73
Mats Mattsson	674,500	134,900	539,600	5.89	6.33
Anna Mattson-Svensson	594,000	118,800	475,200	5.19	5.57
Jan Söderberg Förvaltning AB	565,990	0	565,990	4.95	1.90
Ulla Hermansson	445,500	89,100	356,400	3.89	4.18
Allba Holding AB	400,032	0	400,032	3.50	1.34
Rosebo Kapital AB	342,000	0	342,000	2.99	1.15
Gunnar Eriksson	251,200	50,300	200,900	2.19	2.36
Rolf Eriksson	240,300	48,100	192,200	2.10	2.25
Other	5,305,568	1,146,800	3,929,768	44.36	51.56
	11,445,100	**2,045,900**	**9,399,200**	**100.00**	**100.00**

Senior Executives

Claes Seldeby
President and CEO
Employed in 2011
Born in 1969
B.Sc. (Econ.)
Class B shares: 20,500

Anna-Carin Bjelkeby
CFO
Employed in 2013
Born in 1966
B.Sc. (Econ.)
Shareholding: 0

Niclas Brandshage
Sales Director
Employed in 1999
Born in 1967
B.Sc. (Econ.)
Class B shares: 200

Mikael Hansson
Director of Research & Development
Employed in 2000
Born in 1959
B.Sc. (Eng.)
Class B shares: 6,000

Ole Sander
Managing Director of Damixa ApS
and Ostnor Danmark A/S
Employed in 2013
Born in 1963
B.Sc. (Eng.)
Shareholding: 0

Peter Wennerstein
Marketing Director
Employed in 2014
Born in 1974
B.Sc. (Econ.)
Shareholding: 0

Mats Westman
Acting Director of Production
Employed in 2008
Born in 1957
Senior high school Technology graduate
Shareholding: 0

Shareholdings as of 31 December 2014

Board of Directors

Christer Lenner
Chairman of the Board since 2009
Born in 1947
Engineering and marketing qualifications
Other assignments: Chairman of Mattsson Metal AB, Nybrogrus AB, Quttabo Recycling AB Director of the Scanmast AB, Scanhold AB, Siljan Group, iCell AB, Gunnebo Industrier AB, Mora Trading C Lenner AB, Stenbåkkan Konsult AB.
Class B shares: 40,600 through companies

Johnny Alvarsson
Director since 2012
Born in 1950
B.Sc. (Eng.), management studies. CEO and President of Indutrade AB
Other assignments: Chairman of Manava Konsult AB and Director of VBG Group
Class B shares: 10,000

Lars Erik Blom
Director since 2013
Born in 1960
B.Sc. (Econ.). CEO of LK Finans AB
Other assignments: Chairman of Lagerstedt & Krantz AB (LK), Teknikmagasinet Sweden AB and Deltra Kravek AB. Director of Järntorget Byggintressenter AB, Connecting Capital AB, Norvatek Invest AB, ITS Nordic AB and Temperatur Sensitive Solutions AB (TSS).
Class A shares: 22,890 through companies, Class B shares: 91,561 through companies

Erik Eriksson
Director since 2003
Born in 1959
Senior high school technology graduate. CEO of Mattsson Metal AB
Other assignments: Director of non-profit organizations
Class A shares: 41,200, Class B shares: 28,900

Lotta Lundén
Director since 2014
Born in 1957
B.Sc. (Econ.).
Other assignments: Bergendahl & Son, Lammhults Design Group, Swedol, Twilfit, LGT, Karl-Adam Bonnier Stiftelse
Shareholding: 0

Hans Åke Norås
Director since 2009
Born in 1944
B.Sc. (Econ.).
Other assignments: Chairman of Proplate AB and Proplate Oxelösund AB . Director of CNN Clarhäll Norås & Norås Consulting AB, Norped AB and Söderbergföretagen J AB and deputy Board member of Brännholmen Capital AB
Class B shares: 77,000 through companies

Anna Maria Rylander
Director since 2014
Born in 1965
B.Sc. (Econ.). Controller Ostnor AB
Class A shares: 21,600, Class B shares: 86,500

Staffan Gryting
Employee representative (IF Metall) since 2005
Born in 1968
IF Metall
Shareholding: 0

Ellinor Sparby
Employee representative (Unionen) since 2014
Born in 1971
Unionen
Shareholding: 0

Shareholdings as of 31 December 2014

AUDITORS:
Öhrlings Pricewaterhouse Coopers AB

Auditor in Charge
Magnus Brändström
Authorized Public Accountant
Born in 1962

Auditor in charge for Ostnor since 2011
Other auditing assignments: Scandic, Dometic, Acando, Addnode et al.

Financial information

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Administration Report 2014

Ostnor AB (publ.) corporate identity number 556051-0207

GROUP

The Board of Directors and Chief Executive Officer of Ostnor AB (publ.) corporate identity number 556051-0207, with registered office in Mora, Sweden, hereby present the Annual Accounts and Consolidated Accounts for the 2014 financial year.

Operations

Background

Ostnor develops, manufactures and supplies sanitary fittings and associated concepts and services. The unifying factors in the business are leading technology, high quality, attractive design and environmental friendliness. Marketing is done through the strong, well-established brands, Mora Armatur, FM Mattsson and Damixa. The strength of these brands is one of the Group's most valuable assets. To fully leverage the strength in the product brands, a long-term process is under way to clearly differentiate and position them on the market. The objective is for the products to complement one another to the furthest possible extent and not compete.

- Mora Armatur aims to become a premium brand with an emphasis on design adapted to a modern lifestyle.
- FM Mattsson aims to be the leading brand for water taps in the Nordics based on long-term, close customer relationships. The key words are safety, sustainability and function.
- Damixa seeks to stand for Danish design and good quality.

FM Mattsson was founded in 1865 and its first tap was cast in 1876. Mora Armatur AB was founded in 1927. Both of the tap companies developed in parallel. FM Mattsson AB and Mora Armatur AB merged to form the Ostnor Group in 2003.

In May 2014, Damixa ApS was acquired. Damixa was founded in 1932 and still today, water taps with Danish design are manufactured at the factory in Odense, Denmark. The company is the leading supplier on the Danish market for mixer taps and covers most needs for homes and public buildings.

The Group has some 550 employees in 10 countries.

Vision

Ostnor aims to be a global premium supplier and to provide clean water in an energy efficient way, using sustainable, modern design with Scandinavian roots.

Business concept

Our business concept is based on developing, manufacturing and providing solutions for kitchens and bathrooms and service and repairs of high customer value. Our offering to the market and our customers is based on attractive design, eco-friendly and health-friendly products, coupled with high quality and innovation.

Strategies

To achieve its goals, Ostnor has defined a number of strategic segments.

– Growth

- Ostnor strives to generate long-term, profitable growth. An important part of this is a further development of the brands Mora Armatur, FM Mattsson and Damixa with the aim of building complementing and competitive product portfolios with high customer value, high profitability and clear positions on the market.
- In Sweden and Denmark, Ostnor aims to develop its position as a market leader. Ostnor will achieve the position as a clear number two on the markets in Norway and Finland. In addition to this, Ostnor strives for profitable growth on selected export markets through niche strategies.

– Efficiency

- Ostnor aims to develop production through continued intensive improvement work focused on higher productivity, improved capital utilization and flexible ways of working.
- Ostnor will continue to improve logistics and purchasing by reducing the through-put time and increasing input delivery precision of input goods for production.

– Technology and design

- Ostnor strives for continuous improvement of product development with shorter development times and higher launch precision of new products.
- Product development will focus on design and customer value. This work will continue to take place with an internal design board and in cooperation with external designers.
- Ostnor shall promote innovation and develop the foremost products on the mixer tap market. The company will continuously conduct technical development in electronics, energy and water savings, built-in technology and modular technology.
- Ostnor will actively work to develop environmental and health-friendly products. Ostnor wants to be the player most strongly associated with eco-friendly and health-friendly products.

– Leadership and people

- Ostnor strives to be an attractive employer that can recruit, retain and develop skilled employees.
- Leadership at all levels of the organization must promote good performance and the employees should conduct the daily work on the basis of a set of core values.

Market

Ostnor's products have a market-leading position in Sweden and Denmark and strong position in the rest of the Nordic region. On markets outside the Nordics, the brands Mora Armatur, FM Mattsson and Damixa are primarily niched in specific market segments.

Market growth is driven by new construction and repairs, renovations and extensions - what is called the "ROT" sector in Sweden. This sector accounts for the largest part of sales and is driven by the price trend for homes and the development of the consumer confidence index.

At the same time that the market is divided into geographic areas, it can also be divided into customer segments, such as private homes, property companies, industry and the public sector.

In Sweden, Ostnor has such a large market share that the sales naturally cover all segments. On markets outside of Sweden, it is more important, considering the unique characteristics of each market and Ostnor's strengths, to identify the most attractive customer segments.

Long-term market trends

- The end customers/users are gaining influence over the choice of mixer taps. This is leading to design becoming an increasingly important means of competition.
- New technology and new materials, such as electronics and polymers, are gaining significance in the development of new products.
- New market channels, such as the Internet and DIY stores, provide new opportunities, as well as new challenges.
- Energy-efficiency improvement is becoming more important in terms of product characteristics.

Design and product development

In accordance with our strategy to offer sustainable products, Mora MMIX was launched in 2014 based on lead-free brass. Mora MMIX is a complete mixer tap series with kitchen, basin and thermostat mixer taps as well as showers.

Production

The work on further development of Ostnor's Production System (OPS) continued in 2014. OPS is an application of Lean Production. This included the implementation of 1,615 (1,570) suggested improvements. Seasonally-adjusted working hours and an element of externally hired staff improved the possibilities of rapidly adapting to changing volumes. The focus remained on reducing costs associated with quality defects. The transition to making products based on lead-free brass has initially entailed start-up problems and higher production costs. The start-up problems resulted in a major quality focus that on the longer term will have positive effects on all production.

Ostnor made investments in automated polishing equipment, automation of cutting process machines, assembly equipment, multicutter in the pipe workshop and chip centrifuges for lead-free handling.

Sales and marketing organization

The work to increase the efficiency of Ostnor's marketing and sales continued during the year. In June, a new managing director for Damixa ApS took office and a new managing director for the subsidiaries in the Netherlands and Belgium.

NET SALES AND PROFIT

Key ratios

	Full year	
MSEK	**2014**	**2013**
Net sales	969.0	823.7
Operating income	48.3	70.0
Operating margin, %	5.0	8.5
Profit/loss after financial items	42.8	67.5
Cash flow after investments	-67.8	53.7
Return on equity, %	14.7	15.7
Earnings per share, SEK	4.33	4.51

Net sales amounted to MSEK 969.0 (823.7), an increase of 17.6 percent year on year. Sales increased by 16 percent in volume compared with last year.

Exchange rate fluctuations had a positive effect on net sales of MSEK 6.9.

Operating income was MSEK 48.3 (70.0), corresponding to an operating margin of 5.0 percent (8.5). Operating income was affected by additional costs in production in conjunction with the transition to production of more environmentally friendly products. This mainly increased scrapping, which impacted the production cost negatively. The programme of measures introduced in the second quarter continued throughout the year.

Operating income was also affected by non-recurring costs in connection with the acquisition of Damixa and other structural measures.

The Group's depreciation and amortization was a total of MSEK 45.5 (44.2), of which the amortization of intangible assets was MSEK 17.7 (16.1).

Profit before tax was MSEK 42.8 (67.5). Net financial income was influenced by exchange rate effects.

The tax income for 2014 was MSEK 6.7 (expense: 15.8).

FINANCIAL POSITION

MSEK	2014	2013
Cash flow from operating activities	74.5	93.3
Cash flow from investing activities	-142.3	-39.6
Cash flow from financing activities	-19.8	-41.7
Total cash flow	-87.6	12.0
Cash and cash equivalents at the end of the period	26.4	114.0
Equity/assets ratio, %	43.8	49.8
Net debt	135.9	5.7
Debt/equity ratio, %	40.0	1.7

Cash flow from operating activities was MSEK 74.5 (93.3). Tax paid was MSEK 24.7 (10.4). Net investments affected cash flow by MSEK -142,3 (-39,6). Group cash and cash equivalents including short-term investments were MSEK 26.4 (114.0) at year-end. Interest-bearing net debt was MSEK 135.9 at year-end, against MSEK 5.7 in December 2013. Loan repayments including finance leases were made according to plan in an amount of MSEK 11.2 (13.1). Dividends of MSEK 34.3 (28.6) were paid.

Total assets were MSEK 775.8 (673.7) at year-end. Inventories were MSEK 182.3 (138.0). Current receivables were MSEK 183.2 (126.6), of which accounts receivable - trade were MSEK 156.3 (105.5).

The equity/assets ratio was 43.8 percent (49.8).

Equity was MSEK 339.7 (335.7) at the end of the period, corresponding to SEK 29.68 per share (29.33).

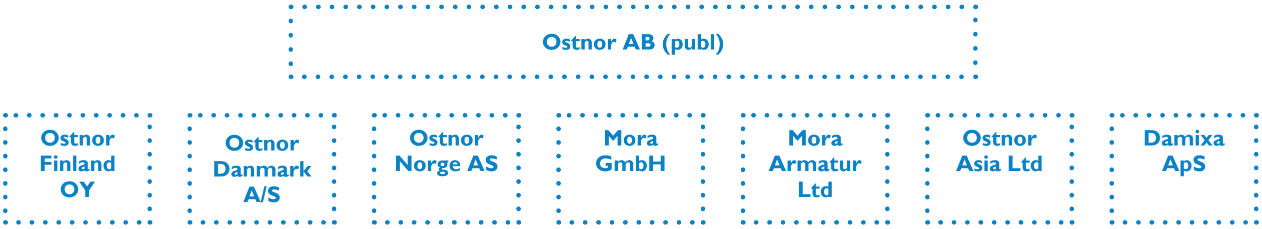
Return on equity was 14.7 percent (15.7).

Financial instruments - brass derivatives

Derivatives were measured at fair value, level 2, according to quoted prices on the LME and quoted exchange rates as of year-end. Realised hedges had a negative impact on operating income of MSEK 0.3 (3.8).

Investments

The Group's total investments in property, plant and equipment were MSEK 24.5 (16.5). In addition, Ostnor leased assets for MSEK 0 (4.0). Group investments in intangible assets amounted to MSEK 89.9 (20.0) and were mainly related to value arising for goodwill and brands in connection with the acquisition of Group companies and capitalization of development expenses.



GROUP STRUCTURE

The 2014 consolidated accounts comprise the Swedish Parent Company and the wholly owned subsidiaries: • Ostnor Finland OY, Finland • Ostnor Danmark A/S, Denmark • Damixa ApS, Denmark • Ostnor Norge AS, Norway • Mora Gmbh, Germany • Mora Armatur Ltd, Russia • Ostnor Asia Ltd, Hong Kong

Employees

At the end of the period, the number of full-time employees was 554 (450). The average number of employees in the period was 553 (452).

Risks and uncertainty factors

The Ostnor Group's operations are exposed to operating and strategic risk, as well as financial risk. Operating and strategic risks include business and liability risk and financial risk includes liquidity, interest rate and currency risk. Ostnor continuously seeks to identify and assess the risks the company is exposed to. One of the key operating risks Ostnor has identified is the risk exposure to the metals copper and zinc, which are raw materials for the alloy, brass. Some one-third of Ostnor's total expenses for direct materials consist of brass metal input into works-made and purchased components. Risk management for commodity prices addresses avoiding speculative risks and creating predictability. For Ostnor's own requirements of brass, this is achieved through short-term agreements and ongoing financial hedges. For purchased components, Ostnor seeks to secure contracts with a low frequency of price changes.

Environmental impact and sustainable development

Ostnor conducts operations requiring permits under the Environmental Code. The company monitors developments and prioritizes climate and environmental aspects in order to minimize risks and so it can proactively satisfy new regulatory requirements.

PARENT COMPANY

The majority of Ostnor's operations are conducted 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 for subsidiaries.

The net sales of the parent company amounted to MSEK 754.2 (763.1), of which goods exports were MSEK 126.0 (134.9). Operating income was MSEK 34.9 (48.8). The Parent Company's investments in property, plant and equipment amounted to MSEK 23.0 (16.8).

Guidelines for remuneration of senior executives

The Annual General Meeting 2014 decided on guidelines for the remuneration of senior executives. These guidelines are presented in Note 36.

Corporate governance

As Ostnor is not a listed company, there is no regulatory requirement to adopt the Swedish Corporate Governance Code. Ostnor has chosen to voluntarily apply large elements of the Swedish Corporate Governance Code.

Significant events after the financial year-end

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

Proposed appropriation of profits

The Board of Directors is proposing a dividend of SEK 3.00 (3.00) per share to be paid to shareholders registered on the record date of 15 May 2015, and that the remainder of non-restricted equity is carried forward.

Amount to be paid as dividend to shareholders, SEK	34,335,300.00
Amount to carry forward, SEK	45,139,911.30
Total non-restricted equity in the Parent Company, SEK	79,475,211.30

As the basis of its proposed dividend, in accordance with Chapter 18 Section 4 of the Swedish Companies Act, the Board of Directors has evaluated the Parent Company's and the Group's need to strengthen their balance sheets, liquidity, financial position otherwise and the ability to fulfil obligations over time. According to the Annual Report, the Group's equity/assets ratio is 43.8 percent. The Board of Directors has also considered the Parent Company's results of operations and financial position and the Group's position otherwise. In this context, the Board of Directors considered known circumstances that could materially affect the Parent Company's and the Group's financial position. The proposed dividend does not limit the company's investment capability or liquidity requirements, and the Board of Directors judges that the proposed dividend is well considered in terms of the nature, scope and risks of operations and the Parent Company's and the Group's capital requirements.

The Group's and the Parent Company's results of operations in 2014, as well as the financial position at the end of the financial year on 31 December 2014, are stated in the following income statement and balance sheet with accompanying Notes.

Consolidated Income Statement

Amounts in TSEK	Note	2014	2013
Net sales	6	969,005	823,696
Cost of sales	9, 10	-652,072	-559,597
Gross profit/loss		**316,933**	**264,099**
Selling expenses	9, 10	-194,705	-157,014
Administrative expenses	8, 9, 10	-36,473	-13,579
Research and development expenses	9, 10	-33,334	-27,856
Other operating income	11	10,819	9,522
Other operating expenses	11	-14,969	-5,134
Operating income		**48,271**	**70,038**
Financial income	12	4,207	3,026
Financial expenses	12	-9,658	-5,552
Financial items - net	12	**-5,451**	**-2,526**
Profit before tax		**42,820**	**67,512**
Income tax	13	6,714	-15,842
Profit/loss for the year		**49,534**	**51,670**
Earnings per share (in SEK per share)			
Earnings per share	14	**4.33**	**4.51**

Consolidated Statement of Comprehensive Income

Amounts in TSEK	2014	2013
Net profit for the year	**49,534**	**51,670**
Items not reversed to profit or loss		
Actuarial pensions	-20,117	13,920
Translation differences	3,475	-477
Tax attributable to other comprehensive income	4,647	-3,169
Items that are reclassifiable to profit or loss		
Hedging of brass	931	945
Tax attributable to other comprehensive income	-205	-207
Other comprehensive income for the year, net of tax	**-11,269**	**11,012**
Total comprehensive income for the year	**38,265**	**62,682**

Total comprehensive income is attributable to the Parent Company's shareholders.

Consolidated Balance Sheet

Amounts in TSEK	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Intangible assets	15		
Intangible assets under development		53,155	55,225
Other intangible assets - IT		819	1,146
Goodwill	5	132,941	92,604
Brands	5	34,583	0
Total intangible assets		**221,498**	**148,975**
Property, plant and equipment	16		
Land and buildings		48,073	48,490
Plant and machinery		48,151	53,152
Equipment, tools, fixtures and fittings		24,421	24,092
Construction in progress		18,354	8,971
Total property, plant and equipment		**138,999**	**134,705**
Financial assets			
Financial assets available for sale		0	2
Other receivables	19	2,729	4,051
Total financial assets		**2,729**	**4,053**
Deferred tax assets	17	20,686	7,375
Total non-current assets		**383,912**	**295,108**
Current assets			
Inventory			
Raw materials and consumables		22,656	11,294
Goods in progress		91,415	75,302
Finished goods and goods for resale		68,247	51,378
Total inventory		**182,319**	**137,974**
Accounts receivable - trade	19, 21	156,289	105,468
Tax assets		11,235	10,962
Other receivables	19	6,031	3,159
Prepaid expenses and accrued income		9,029	6,922
Derivative instruments	19, 20	572	100
Cash and cash equivalents	19, 22	26,403	114,006
Total current assets		**391,878**	**378,591**
TOTAL ASSETS		**775,791**	**673,699**

Consolidated Balance Sheet cont.

Amounts in TSEK	Note	31 Dec 2014	31 Dec 2013
EQUITY			
Equity attributable to the Parent Company's share-holders	23		
Share capital		11,445	11,445
Reserves		-1,192	10,077
Retained earnings including comprehensive income for the year		329,415	314,216
Total equity		**339,668**	**335,738**
LIABILITIES			
Non-current liabilities	24		
Borrowings	19, 24	9,800	14,550
Deferred tax liabilities	17	57,621	44,964
Pension obligations	25	125,031	101,214
Provisions	27	20,524	16,400
Total non-current liabilities		**212,976**	**177,128**
Current liabilities	24		
Overdraft facility	24	25,741	0
Borrowings	19, 24	5,698	8,056
Accounts payable	19	82,148	69,697
Current tax liabilities		1,985	977
Derivative instruments	19, 20	34	568
Other liabilities	19	27,194	10,980
Accrued expenses and deferred income	28	80,347	70,555
Total current liabilities		**223,147**	**160,833**
TOTAL EQUITY AND LIABILITIES		**775,791**	**673,699**
Pledged assets	29	80,019	80,194
Contingent liabilities	30	1,502	1,415

Consolidated Statement of Change in Equity

Amounts in TSEK	Note	Share capital	Reserves	Retained earnings	Total equity
Opening balance as of 1 January 2013		**11,445**	**-935**	**291,159**	**301,669**
Comprehensive income					
Profit/loss for the year		-	-	51,670	51,670
Other comprehensive income			11,012		11,012
Total comprehensive income		**-**	**11,012**	**51,670**	**62,682**
Transactions with shareholders					
Dividends	36			-28,613	-28,613
Closing balance as of 31 December 2013		**11,445**	**10,077**	**314,216**	**335,738**
Opening balance as of 1 January 2014		**11,445**	**10,077**	**314,216**	**335,738**
Comprehensive income					
Profit/loss for the year		-	-	49,534	49,534
Other comprehensive income			-11,269		-11,269
Total comprehensive income		**-**	**-11,269**	**49,534**	**38,265**
Transactions with shareholders					
Dividends	36	-	-	-34,335	-34,335
Closing balance as of 31 December 2014		**11,445**	**-1,192**	**329,415**	**339,668**

Consolidated Statement of Cash Flow

Amounts in TSEK	Note	2014	2013
Cash flow from operating activities			
Operating income before financial items		48,271	70,038
Depreciation/amortization	10	45,451	44,171
Other non-cash items	35	33,700	-1,838
Interest received		2,480	2,756
Interest paid		-9,249	-5,535
Income taxes paid		-24,655	-10,389
Cash flow from operating activities before changes in working capital		**95,998**	**99,203**
Cash flow from working capital changes			
Increase/decrease in inventory		2,356	-1,329
Increase/decrease in operating receivables		-5,921	-297
Increase/decrease in operating liabilities		-17,913	-4,262
Total change in working capital		**-21,478**	**-5,888**
Cash flow from operating activities		**74,520**	**93,315**
Cash flow from investing activities			
Investments in intangible assets	15	-89,933	-20,025
Investments in property, plant and equipment	16	-24,398	-20,456
Sales of property, plant and equipment	16	92	187
Cash and cash equivalents taken over		8,171	0
Acquisitions of subsidiaries		-37,601	664
Investments in subsidiaries		1,324	0
Cash flow from investing activities		**-142,345**	**-39,630**
Cash flow after investing activities		**-67,825**	**53,685**
Cash flow from financing activities			
Change in bank overdraft facility		25,741	0
Repayment of debt		-11,184	-13,057
Dividends paid		-34,335	-28,613
Cash flow from financing activities		**-19,778**	**-41,670**
Decrease/increase in cash and cash equivalents		**-87,603**	**12,015**
Cash and cash equivalents at beginning of year	22	114,006	101,991
Cash and cash equivalents at year-end	22	**26,403**	**114,006**

Parent Company Income Statement

Amounts in TSEK	Note	2014	2013
Net sales	6, 7	754,231	763,084
Cost of sales	9, 10	-553,559	-566,162
Gross profit/loss		**200,672**	**196,922**
Selling expenses	9, 10	-102,420	-103,631
Administrative expenses	8, 9, 10	-37,712	-21,852
Research and development expenses	9, 10	-21,808	-27,028
Other operating income	11	10,775	9,445
Other operating expenses	11	-14,634	-5,042
Operating income		**34,873**	**48,814**
Profit/loss from financial items			
Profit/loss from participations in Group companies		0	0
Profit/loss from other securities and receivables accounted for as non-current assets	33	1,318	253
Financial income	12	2,109	2,831
Financial expenses	12	-7,728	-4,523
Total profit/loss from financial items		**-4,301**	**-1,439**
Profit/loss after financial items		**30,572**	**47,375**
Appropriations	34	-2,108	-11,291
Tax on profit/loss for the year	13	-8,749	-10,240
Profit/loss for the year		**19,715**	**25,844**

Parent Company Statement of Comprehensive Income

Amounts in TSEK	2014	2013
Profit/loss for the year	**19,715**	**25,844**
Hedging of brass	931	945
Tax attributable to other comprehensive income	-205	-208
Total comprehensive income	**20,441**	**26,581**

Parent Company Balance Sheet

Amounts in TSEK	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Intangible assets	15		
Goodwill		52,920	59,534
Advance payments - intangible assets		223	0
Total intangible assets		**53,143**	**59,534**
Property, plant and equipment	16		
Land and buildings		47,233	48,489
Plant and machinery		25,060	26,402
Equipment, tools, fixtures and fittings		21,232	23,145
Construction in progress and advance payments		17,990	8,971
Total property, plant and equipment		**111,515**	**107,007**
Financial assets			
Participations in Group companies	18	110,977	8,263
Receivables from Group companies		21,273	2,570
Deferred tax assets	17	1,223	1,365
Other non-current receivables		3,764	3,939
Total financial assets		**137,237**	**16,137**
Total non-current assets		**301,895**	**182,678**
Current assets			
Inventory			
Raw materials and consumables		19,130	11,294
Goods in progress		76,450	75,182
Finished goods and goods for resale		40,945	46,294
Total inventory		**136,525**	**132,770**
Current receivables			
Accounts receivable - trade		83,718	83,333
Receivables from Group companies		8,636	7,625
Tax assets		11,222	10,961
Other receivables including derivatives	20	4,027	3,160
Prepaid expenses and accrued income		6,080	6,427
Total current receivables		**113,683**	**111,506**
Cash and cash equivalents ***(Agreed credit TSEK 120,000 (120,000))***	22	**0**	**102,237**
Total current assets		**250,208**	**346,513**
TOTAL ASSETS		**552,103**	**529,191**

Parent Company Balance Sheet cont.

Amounts in TSEK	Note	31 Dec 2014	31 Dec 2013
EQUITY AND LIABILITIES			
Equity	23		
Restricted equity			
Share capital		11,445	11,445
Statutory reserve		45,844	45,844
Total restricted equity		**57,289**	**57,289**
Non-restricted equity			
Retained earnings		59,760	67,525
Profit/loss for the year		19,715	25,844
Total non-restricted equity		**79,475**	**93,369**
Total equity		**136,764**	**150,658**
Untaxed reserves	32	**144,802**	**142,693**
Provisions			
Provisions for pensions and similar obligations	26, 27	79,056	74,881
Guarantee commitments	27	16,100	16,300
Deferred taxes	17, 27	134	0
Other provisions	27	2,100	100
Total provisions		**97,390**	**91,281**
Non-current liabilities			
Liabilities to credit institutions	24	0	0
Total non-current liabilities		**0**	**0**
Current liabilities			
Overdraft facility (agreed credit TSEK 120,000 (120,000))	24	25,741	0
Liabilities to credit institutions	24	0	0
Accounts payable		56,275	66,214
Liabilities to Group companies		9,177	6,418
Other liabilities including derivatives	20	10,123	8,351
Accrued expenses and deferred income	28	71,831	63,576
Total current liabilities		**173,147**	**144,559**
TOTAL EQUITY AND LIABILITIES		**552,103**	**529,191**
Pledged assets	29	80,020	80,194
Contingent liabilities	30	22,015	21,263

Changes in Parent Company Equity

		RESTRICTED EQUITY		NON-RESTRICTED EQUITY		
Amounts in TSEK	**Note**	**Share capital**	**Restricted reserves**	**Retained earnings**	**Profit/loss for the year**	**Total equity**
Opening balance as of 1 January 2013		**11,445**	**45,844**	**95,401**	**-**	**152,690**
Comprehensive income						
Profit/loss for the year		-	-	-	25,844	25,844
Other comprehensive income		-	-	737	-	737
Transactions with shareholders						
Dividends	36	-	-	-28,613	-	-28,613
Closing balance as of 31 December 2013		**11,445**	**45,844**	**67,525**	**25,844**	**150,658**
Opening balance as of 1 January 2014		**11,445**	**45,844**	**93,369**	**-**	**150,658**
Comprehensive income						
Profit/loss for the year		-	-	-	19,715	19,715
Other comprehensive income		-	-	726	-	726
Transactions with shareholders						
Dividends	36	-	-	-34,335	-	-34,335
Closing balance as of 31 December 2014		**11,445**	**45,844**	**59,760**	**19,715**	**136,764**

Parent Company Cash Flow Statement

Amounts in TSEK	Note	2014	2013
Cash flow from operating activities			
Operating income before financial items		34,875	48,814
Depreciation/amortization	10	25,022	26,150
Adjustment for non-cash items	35	8,138	-2,227
Interest received		2,109	2,814
Interest paid		-7,728	-4,506
Income tax paid		-8,941	-8,852
Cash flow from operating activities before working capital changes		**53,475**	**62,193**
Cash flow from working capital changes			
Increase/decrease in inventory		-3,755	-2,668
Increase/decrease in operating receivables		-26,770	-1,504
Increase/decrease in accounts payable		-9,938	7,191
Increase/decrease in operating liabilities		18,935	-3,947
Total change in working capital		**-21,528**	**-928**
Cash flow from operating activities		**31,947**	**61,265**
Investment operations			
Investments in intangible assets	15	-223	0
Investments in property, plant and equipment	16	-22,920	-16,786
Sales of property, plant and equipment	16	92	187
Investments in subsidiaries		-102,714	-85
Decrease in other financial assets		175	512
Cash flow from investing activities		**-125,590**	**-16,172**
Financing activities			
Repayment of debt		0	-7,500
Dividends paid		-34,335	-28,613
Cash flow from financing activities		**-34,335**	**-36,113**
Cash flow for the year		**-127,978**	**8,980**
Cash and cash equivalents at beginning of year	22	**102,237**	**93,257**
Cash and cash equivalents at year-end	22, 24	**-25,741**	**102,237**

Notes

NOTE 1 ACCOUNTING AND VALUATION PRINCIPLES

The consolidated accounts have been prepared in accordance with the International Accounting Standards Board (IASB) and the interpretation statements issued by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission for application in the EU. The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has also been applied.

The Parent Company applies the same accounting principles as the Group except in the cases listed below under "Parent Company accounting principles."

The annual accounts and consolidated accounts were approved for issue by the Board and CEO on 25 February 2015. The Consolidated Statement of Comprehensive Income, Statement of Financial Position and the Parent Company Income Statement and Parent Company Balance Sheet will be subject to the approval of the AGM on 12 May 2015.

Basis for the preparation of the Parent Company and Consolidated accounts

Valuation principles applied when preparing the financial reports

Assets and liabilities are reported at historical cost with the exception of certain financial assets and liabilities that are measured at fair value. Financial assets and liabilities that are measured at fair value comprise derivative instruments and financial assets available for sale.

Functional and presentation currency

The Parent Company's functional currency is Swedish kronor (SEK), which is also the presentation currency for the Parent Company and for the Group. This means that the financial statements are presented in Swedish kronor (SEK). All amounts, unless otherwise indicated, are rounded to the nearest thousand (TSEK). Figures in brackets relate to the previous year.

Estimates and assessments in the financial statements

The preparation of financial statements in accordance with IFRS requires the Board and management to make estimates and judgements that affect the company's performance and position and other information provided. The judgements and assumptions are based on historical experience and are reviewed regularly. Judgements made by Management in the application of IFRS that have a significant impact on the financial statements and estimates made that could lead to material restatements in future financial statements are described in more detail in Note 4.

Amended accounting policies 2014

The amended accounting policies resulting from amendments to IFRS with effect from 1 January 2014 applied by the Group are described below. Other amendments to IFRS effective as of 2014 have not had any significant effect on the consolidated financial statements.

From 1 January 2014, the Group applies IFRS 10-12. IFRS 10 Consolidated Financial Statements replaces IAS 27 with regard to the regulations governing the consolidated accounts and SIC 12 with regard to whether a company should be included in the consolidated accounts; IFRS 10 contains a model to be applied when judging whether controlling interest exists. IFRS 11 Joint Arrangements largely implies two changes, judging whether a joint arrangement is a joint business or joint venture and that the proportionate consolidation method no longer applies to joint ventures. IFRS 12 Disclosure of Interest in Other Entities results in an increased number of disclosures for subsidiaries, collaborations and associated companies and in relation to structured entities that are not consolidated.

IFRS 10, IFRS 11 and IFRS 12 have entailed no significant effects on the accounts or expanded disclosure requirements.

In addition, a number of changes were made within the framework of IASB's annual improvement project. None of these changes affected the Group's financial statements.

Amended accounting policies 2015 and beyond

A number of new or amended standards and interpretation statements become effective in 2015 and beyond and have not been applied prospectively in the preparation of these financial statements.

News or changes that are applicable as of the financial year after 2015 and beyond are not planned to be applied in advance.

IFRS 15, the new revenue standard which enters into effect in 2017, will affect Ostnor's financial statements with expanded disclosure requirements. An analysis of the reports will be done in 2015 and 2016.

Classification of current and non-current items

In the Ostnor Group, assets and liabilities are divided into current and non-current items. Non-current assets and non-current liabilities essentially consist of amounts that are expected to be recovered or paid after more than twelve months from the reporting date. Current assets and current liabilities essentially consist of amounts that are expected to be recovered or paid within twelve months of the reporting date.

Consolidated accounts (principles of consolidation)

The consolidated accounts include all entities that are under the controlling influence of the Parent Company. Controlling influence means to have a direct or indirect right to formulate a company's financial and operational strategies for the purpose of ensuring economic rewards.

Ostnor applies acquisition accounting when preparing the consolidated accounts.

This method means that the acquisition of a subsidiary is treated as a transaction in which the Group indirectly acquires the assets of the subsidiary and takes over its liabilities. The acquisition analysis determines the fair value on the day of acquisition of acquired identifiable assets and liabilities taken over. Transaction expenses are recognized directly in net profit or loss.

Conditional consideration/earn-out payments are measured at fair value at the date of acquisition. Conditional considerations are revalued at each reporting date and the change recognized in profit/loss.

In cases where the subsidiary's accounting principles do not correspond to the Group's, adjustments have been made to the Group's accounting principles.

Goodwill is not amortized, but is impairment tested annually, see Note 15.

The subsidiaries' financial reports are included in the consolidated accounts from and including the date of acquisition until the date where the controlling influence ceases.

Intra-Group receivables and liabilities, revenues and expenses and unrealized gains or losses arising from transactions between Group companies are eliminated.

Translation of foreign Group companies

The results and financial position of all Group entities with 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 (SEK) at the closing day rate. Income and expenses for each of the income statements are translated to SEK at the average rate of exchange ruling on the transaction date. Translation differences arising from the translation of foreign operations are recognized in other comprehensive income.

Income

Net sales

Net sales are reported net of VAT and discounts. Income from the sale of goods is reported when significant risks and benefits have been transferred to the buyer.

Insurance compensation

In the event of theft or damage to any of the Group's assets, insurance

NOTE 1 CONT.

compensation may be payable, usually after deduction for insurance excess. Insurance compensation is reported as other operating income and excess as other administration expenses in profit/loss. Agreed insurance remuneration that has not yet been received at the end of the reporting period is reported as accrued income in the balance sheet.

Segment reporting
Ostnor AB is an unlisted company and is not required to apply regulations relating to segment reporting.

Costs

Foreign-currency denominated receivables and liabilities
Foreign-currency denominated operating receivables are translated to SEK at the end of the reporting period and exchange rate differences are recognized in operating income.

Operating leases
The Group has leasing contracts relating to 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 lease term are expensed in the income statement over the lease term. Benefits obtained in connection with signing an agreement are reported in net profit for the year as a reduction in leasing charges on a straight-line basis over the lease term. Variable charges are expensed in the periods when they occur.

Finance leases
The Group leases certain property, plant and equipment. Lease arrangements where the Group essentially retains the economic risks and rewards associated with ownership are classified as finance leases. At the beginning of the lease term, financial leases are recognized at the lower of the leased item's fair value and the present value of minimum lease payments. Contracts that are classified as finance lease agreements in the Group are for machinery.

Minimum lease payments are divided between interest expenses and repayment of the outstanding liability. The interest portion is recognized in the income statement allocated over the lease term so that each accounting period is charged an amount corresponding to the fixed interest rate for the recognized liability during each period. Fixed assets held through finance lease agreements are depreciated by applying the same useful life as for owned assets of a similar nature.

Financial income and expenses

Financial income consists of interest income on invested funds, dividend income and gains on divestments of financial assets. Interest income on financial instruments is recognized according to the effective interest method. Income from dividends is recognized when the right to receive payment is established. The gain from a disposal of a financial instrument is recognized when the risks and rewards associated with the ownership of the instrument are transferred to the purchaser and the Group no longer exercises control over the instrument.

Financial expenses consist of interest costs on borrowings, pension liabilities, accounts payable and banking charges and other financial expenses. Borrowing costs are recognized in profit or loss using the effective interest method with the exception of where costs are directly attributable to the acquisition, construction or production of a qualifying asset and are therefore included in the cost of the asset. Exchange gains and exchange losses are recognized net.

The effective interest rate is the interest rate that discounts the estimated future cash flows during a financial instrument's expected term to the net carrying amount of the financial asset or liability.

Taxes

The Group's total tax comprises current tax and deferred tax. Tax is recognized in net profit for the year except when underlying transactions are recognized in other comprehensive income or in equity, whereupon the associated tax effect is recognized in other comprehensive income or in equity.

Current tax is calculated on the basis of the tax regulations that have been enacted or substantively enacted on the reporting date in the countries where the Parent Company and its subsidiaries are active and generate taxable income. Adjustments of current tax attributable to prior periods are also part of current tax.

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 recognized 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 as of the reporting date, and which are expected to apply when the deferred tax asset is realized, or the deferred tax liability is settled.

Deferred tax assets for tax loss carry-forwards are recognized only to the extent it is likely that future tax surpluses will be available, against which the loss carry-forwards can be utilized.

Deferred tax assets and liabilities are offset when there is a legal right to offset the tax assets and liabilities in question 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.

Intangible assets

Research and 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 recognized 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,
- the right conditions are in place 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 reliably.

Intangible assets are stated at acquisition cost less accumulated amortization. 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. Capitalized expenditure is mainly generated internally and includes direct costs for work done and the directly attributable share of indirect costs. Amortization 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 amortization is conducted on a straight-line basis over this period. Amortization is included in research and development costs.

Expenditure for research and development, which does not meet the above criteria, is expensed as it arises. Expenses for development which have been previously written off are not recognized 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

NOTE 1 CONT.

future economic benefits for the Group, are capitalized and amortized over the estimated useful life. Software licenses are capitalized 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 amortization 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 amortized. Goodwill is recognized at acquisition cost less any accumulated impairment losses. Goodwill is allocated to cash generating units for the purpose of impairment testing.

Brands
Expenditures for acquired brands are balanced and tested annually for potential impairment instead of being continuously amortized. Brands are recognized at acquisition cost less any accumulated impairment losses.

Property, plant and equipment
Property, plant and equipment are recognized as an asset in the Statement of Financial Position 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.

Property, plant and equipment are recognized at acquisition cost less accumulated depreciation and less potential impairment. 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 recognized 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 derecognized. All other repairs and maintenance are expensed in the income statement 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. Land is not depreciated. Depreciation of other assets takes place on a straight-line basis as follows:

Industrial buildings	25 years
Other buildings	25-50 years
Land improvements	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 the end of 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 recognized in other operating income and other operating expenses, respectively, in the income statement.

Financial instruments
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, loans and receivables, and other financial liabilities. Classification depends on the purpose for which the financial asset or liability was acquired.

Financial assets and liabilities measured at fair value through profit or loss
Financial assets and liabilities at fair value through profit or loss are financial instruments held for trading. Derivatives (forwards and interest rate swaps) are classified as held for trading unless they are designated as hedges. Ostnor applies hedge accounting for commodity derivatives. Endowment insurance contracts are assets that Ostnor has opted to place in this category (fair value option) with a view to reduce inconsistencies in the accounts when a corresponding pension provision continuously affects the profit or loss.

Loans and receivables
Loans and receivables are financial assets that are not derivatives and that have fixed or determinable payments and that are not listed on an active market. They are included in current assets, except for items maturing more than 12 months after the reporting date, which are classified as non-current assets. The Group's loans and receivables consist of accounts receivable–trade, cash and cash equivalents and the financial instruments that are recognized among other receivables.

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

Recognition and measurement
Purchases and sales of financial assets are recognized on the transaction date, the date on which the Group commits to purchasing or selling the asset. Financial instruments are initially recognized at fair value plus transaction costs, which applies for all financial instruments not recognized at fair value through profit or loss. Financial assets and liabilities measured at fair value through profit or loss are initially recognized at fair value in the balance sheet, while attributable transaction costs are recognized in the income statement. Financial assets are derecognized 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 derecognized 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. Loans and receivables as well as other financial liabilities are, after the time of acquisition, carried at amortized 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 insurance), 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 recognized within net financial items and financial hedges of transactions within the business are reported within operating income. For more information regarding hedge accounting in accordance with IAS 39 for hedging of commodity prices, see below.

Offsetting of financial instruments
Financial assets and liabilities are offset and recognized by a net amount in the balance sheet, only when there is a legal right to offset

NOTE 1 CONT.

the recognized amounts and there is the intention to settle them by a net amount, or, simultaneously, realize the asset and settle the liability.

Assets recognized at amortized cost (loans and receivables)
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 estimated 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 recognized 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 recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

Derivative instruments
Derivative instruments are initially recognized in the balance sheet on the transaction date and are measured at fair value both initially and subsequently. The gain or loss arising from remeasurement is recognised in profit or loss as the requirements for hedge accounting are not met. The full fair value of a hedging derivative is classified as a non-current asset or liability when the hedged item's remaining maturity is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Hedging of commodity prices
The Group purchases brass (consisting of copper and zinc) for use in its production. The commodity price of brass is hedged to some extent using copper and zinc forwards. The effective portion of changes in the fair value of forward contracts that qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement under operating income.

When the hedged forecast purchase of brass is recognized as inventory, the gains and losses previously recognized in other comprehensive income and thereby accumulated in equity are transferred from equity and other comprehensive income and are included in the cost of the brass. The deferred amounts are ultimately recognized in "cost of goods sold".

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, hedge accounting is terminated. This means that amounts recognized in other comprehensive income from the period when the hedge was effective remains in equity and is reversed from other comprehensive income when the forecast hedged purchase of brass is recognized in the balance sheet. When a forecast transaction (hedged item) is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement under operating income.

Hedging of variable interest payments
Ostnor has an opportunity to secure 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 potential changes in fair value are recognized in net financial items in the income statement.

Hedging of foreign currency transactions
Transactions denominated in EUR, USD and NOK can be financially hedged through forward currency contracts. Ostnor does not qualify for hedge accounting. The changes in fair value are reported in the items of other operating income and other operating expenses in the income statement, under operating income.

Inventory
Inventory comprises raw materials and supplies, work in progress and finished goods. Finished goods are recognized at the lower of acquisition cost and net realizable value. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal production capacity) adjusted for the effects of hedge accounting. Borrowing costs are not included. The acquisition cost is determined using the first-in, first out method (FIFO). Net realizable 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.

Accounts receivable - trade
Accounts receivable - trade are amounts due from customers for products sold in the operating activities. If payment is expected within one year or sooner, they are classified as current assets. If not, they are reported as non-current assets.

Accounts receivable - trade are initially recognized at fair value and, subsequently, at amortized cost by applying the effective interest method, less any provisions for impairment.

Cash and cash equivalents
In the Statement of Financial Position and the Statement of Cash Flows, cash and cash equivalents consist of cash, bank balances and current investments.

Impairment of assets
Assets with 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).

Provisions
Provisions are distinct from other liabilities because there is uncertainty regarding the timing and extent of the payment to settle the provision. Provisions are recognized in the Statement of Financial Position when the Group has a legal or constructive 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 reported at the best estimate of an amount that would settle the commitment.

When the outflow of resources is expected to occur in the long term, the expected future cash flow is discounted and the provision is reported at present value.

NOTE 1 CONT.

A discount rate before tax is applied which reflects the current 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.

Provisions are reported in the Statement of Financial position under other current and non-current liabilities.

Borrowings

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

Accounts payable

Accounts payable - trade are obligations to pay for goods and services acquired in the ongoing operations from suppliers. Accounts payable - trade 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 - trade are recognized 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.

Remuneration to employees

Pension obligations

The Group has both defined benefit and defined contribution pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate legal 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 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, period of service and salary.

The liability recognized 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. The defined benefit obligation is calculated annually by independent actuaries using the 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 government and housing 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.

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 recognized as personnel costs when they fall due. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction of future payments can benefit the Group.

Remuneration upon notice of termination

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 recognizes severance pay when it is demonstrably committed to terminate employment according to an irrevocable, detailed, formal plan. 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 recognizes a liability and an expense for bonuses. The Group recognizes a provision when there is a legal obligation or an informal obligation due to past practices.

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 operations' cash flows.

NOTE 2 THE PARENT COMPANY'S ACCOUNTING PRINCIPLES

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities. Statements issued by the Swedish Financial Reporting Board for listed companies are also applied. RFR 2 means that the Parent Company in the annual accounts for the legal entity must apply all EU-endorsed IFRS and statements whenever possible within the scope of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act and taking into account the relationship between accounting and taxation.

Classification and presentation methods

The income statement and balance sheet are prepared in accordance with the Swedish Annual Accounts Act's schedule. The income statement is divided into two components, one comprising a standard i ncome 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.

Participations in subsidiaries

Participations in subsidiaries are recognized at acquisition cost less any impairment. The acquisition cost includes acquisition-related costs and any additional purchase price.

When there is an indication that participations 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 recognized in the items "Profit/loss from participations in Group companies."

Leased assets

All lease arrangements, whether finance or operating leases, are classified as operating leases.

Intangible assets

All product development expenses are expensed in the Parent Company. Major projects for adaptation and installation of software licences are capitalized.

NOTE 2 CONT.

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

Group contributions and shareholders' contributions
Group contributions provided from Parent Company to subsidiaries are recognized as an expense in the income statement.

Group contributions which the Parent Company receives from subsidiaries are recognized according to the same principles as standard dividends from subsidiaries, implying 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, p. 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 recognized 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 recognized as a provision in the Balance Sheet. The interest portion of the pension liability's change is reported as a financial expense. 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 recognized in a legal entity as part of the untaxed reserves. Also, appropriations in the income statement are recognized including the deferred tax.

Amended accounting policies 2015 and beyond
See amended Group accounting policies in Note 1.

NOTE 3 FINANCIAL RISK MANAGEMENT

Financial risk factors
Through its operations, the Group is exposed to a number of financial risks: market risks (comprising 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 has an opportunity to use derivative instruments to reduce some risk exposure.

a) Market risk

Currency risk

Currency risk can be divided into translation risk and transaction risk. Translation risk means the risk that the value, in SEK, of net investments in foreign currency varies as a result of exchange rate fluctuations. Currency exposure that arises where net assets in the Group's international operations are not hedged.

Transaction risk refers to the risk that net profit and cash flow are impacted due to changes in value of operating flows in foreign currency following fluctuations in exchange rates.

Ostnor's currency policy is to minimize the impact on the Group's performance of fluctuations in exchange rates against SEK by concentrating the currency exposure to the Parent Company, and a certain portion of the foreign currency used in purchases and sales can be hedged through currency forward contracts.

Ostnor primarily has an inflow of NOK and DKK a net outflow of EUR and USD. This means that the Group is continuously exposed to transaction risk. 50 percent of the contracted flows and/or forecast flows during a rolling 12-month period can be 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.

Exchange rate differences recognized in the income statement amount to:

TSEK	2014	2013
Other operating income/expenses	-5,958	2,872
Net financial items	-2,580	600
Comprehensive income (translation difference)	3,475	-478
Total	**-5,063**	**2,994**

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

TSEK	2014	2014
NOK	8,952	9,678
DKK	38,167	5,318
EUR	26,713	10,575
USD	632	23
Other currencies	1,930	2,614
Total	**76,394**	**28,208**

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

TSEK	2014	2013
NOK	2,383	3,679
DKK	20,574	451
EUR	26,773	9,756
USD	4,738	1,967
Other currencies	4,503	7,667
Total	**58,971**	**23,520**

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

TSEK	2014	2013
NOK	8,077	7,456
DKK	18,100	5,992
EUR	527	4,147
USD	-3,668	-4,679
Other currencies	2,656	5,557
Total	**25,692**	**18,473**

NOTE 3 CONT.

Sensitivity analysis, operating income:

Local currency, 000s	Total net flows	Effect on profit of a 10% change against SEK without hedging
EUR	-4,311	-5,907
USD	-3,049	-5,291
NOK	39,277	2,645
DKK	-7,331	-1,360

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 arranged at variable interest exposes the Group to interest rate risk with regards to the cash flow, which is partly neutralized by cash assets with a variable interest rate.

Ostnor's interest rate risk policy aims to reduce the negative impact of interest 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 can manage interest rate risk relating to cash flow by using interest swaps with the financial implication of converting borrowing from variable to fixed interest for a proportion of borrowing. 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 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 Group has analysed its sensitivity to changes in the interest rate. The completed analysis shows that the effect of on profit of an increase of 1.0 percent in the interest rate would not have any significant negative effect.

Interest attributable to pension provisions is not taken into account.

Commodity price risk

Some one-third of Ostnor's total expenses for direct materials consist of metal input into works-made and purchased components. In all material aspects, the cost for raw metal materials relates to the alloy brass, which is comprised of about 60 percent copper and about 40 percent zinc. Ostnor, therefore, has a substantial risk exposure to changes in the prices of these metals. The consumption of brass is about 2,100 tonnes per year. Of this amount, about 800 tonnes come from the recycling of metal shavings and scrap metal in the Group's own production. The remaining 1,300 tonnes are purchased at market price.

Risk management regarding commodity prices is focused on the avoidance of speculation risks and attempts to create predictability for the coming year. This is undertaken through short delivery agreements and continuous financial hedges of approximately 25 percent of the needs for the coming year.

For the coming year, Ostnor requires some 1,000 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 470 per year. The corresponding value for zinc is just over TSEK 310 per year. Ostnor has, in recent years, seen a stabilization in the market prices of brass but in the longer term, over one year, Ostnor has a price risk in brass to manage. Ostnor's entire consumption of 1,300 tonnes, which is purchased at market price plus to some extent the approximately 600 tonnes of brass included in components purchased externally, are then exposed to the development of the metal market.

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 minimize 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 - trade. 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 case credit information and payment history indicate deficiencies, the Group offers the client delivery after an advance payment has been received.

For the Group's credit losses, see Note 21. No material credit risk exists.

Liquidity risk

Liquidity risk refers to the risk that the Group lacks the necessary liquid assets for payment of its commitments regarding financial liabilities. To assure sufficient payment capacity for the operations, the Parent Company is to make certain that liquid funds are available.

Liquidity requirements are calculated in liquidity forecasts. Ostnor's strategy is to reduce external borrowing, minimize working capital and to create a liquidity reserve. The Group's liquidity reserve can be created from, among other things, committed credit facilities and is to amount to at least 10 percent of sales, as well as be sufficient to cover liquidity requirements for the coming 12 months, at a minimum.

At 31 December 2014, the Group had cash and cash equivalents in an amount of TSEK 26,403 (114,006). 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 unutilized credit facilities:

TSEK	2014	2013
Variable interest:		
- Matures within one year	111,148	156,678
- Matures after more than a year	0	0
Fixed interest rate:		
- Matures within one year		
	111,148	**156,678**

NOTE 3 CONT.

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 reporting date.

Amounts in TSEK			
As of 31 December 2013	**Less than 1 year**	**Between 1 and 5 years**	**More than 5 years**
Borrowing (excl. finance leases)	8,790	16,194	1,834
Derivative instruments	977		
Accounts payable - trade and other liabilities	69,697		
	79,464	**16,194**	**1,834**

Amounts in TSEK			
As of 31 December 2014	**Less than 1 year**	**Between 2 and 5 years**	**More than 5 years**
Liabilities attributable to finance leases	6,385	11,084	108
Derivative instruments	572		
Accounts payable - trade and other liabilities	82,148		
	89,105	**11,084**	**108**

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 stake- holders, and to maintain an optimized 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.

TSEK	**2014**	**2013**
Total borrowings (Note 24)	41,239	22,606
Pension provision	121,090	97,081
Less: Cash and cash equivalents (Note 22)	-26,403	-114,006
Net debt	**135,926**	**5,681**
Equity	**339,668**	**335,738**
Debt/equity ratio, %	**40**	**1.7**

Measurement of fair value

The carrying amount, after potential impairment, of accounts receivable - trade and other receivables and accounts payable and other liabilities are assumed to correspond to fair value, as these items are of a short-term nature.

The financial assets measured 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 JUDGEMENTS

Estimates of the values of balance sheet items and judgements 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 judgements

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 assets and liabilities within the next financial year are outlined below.

Impairment tests for goodwill

The Group annually tests whether there is any impairment requirements of goodwill, in accordance with the accounting principle described in Note 1. Recoverable amounts for cash generating units are determined by calculating the value in use. The value in use is based on cash flows after tax expected to be generated during the residual useful life of the units, with the exception of where perpetual life is assumed. These calculations require the use of estimates.

The impairment test conducted as of 31 December 2014 did not indicate any impairment requirement. The yield on 10-year government bonds at year end is used as the discount rate. A change of 3 percent in the discount rate or a reduction of 3 percent in the operating margin would not change the results of the test.

Product development projects

Ostnor capitalizes costs attributable to product development projects to the extent such costs are deemed to meet the criteria of IAS 38, p. 57. 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, p. 57 (see Note 15 Intangible assets, product development) are deemed to be satisfied. Accordingly, a decision was made to recognize expenditure arising from the development project as an asset in the balance sheet.

NOTE 4 CONT.

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 government and housing 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 capitalize new deferred tax assets related to this year's tax loss carry-forwards. Deferred tax assets are recognized for tax loss carry-forwards when it is likely that these can be utilized against future taxable income and against taxable temporary differences.

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 comprised 1.9 percent (2.0) of net sales as per 31 December 2014.

NOTE 5 BUSINESS COMBINATIONS

On 1 May 2014, the Group acquired 100 percent of the shares in Damixa ApS, Denmark's leading company in kitchen, bath and shower fixtures for MSEK 103.9. Damixa ApS has operations in five countries.

The income from the Damixa ApS Group, which is included in the consolidated income statement as of May 2014 amounts to MSEK 129.0. The Damixa ApS Group also contributed a profit of MSEK 7.2 for the same period.

Acquisition-related costs of MSEK 2.8 are included in other external expenses in the consolidated income statement for the 2014 financial year.

No part of recognized goodwill is expected to be deductible in income taxation. The table below summarizes the purchase price paid for Damixa ApS and the fair value of acquired assets and assumed liabilities.

TSEK	
Purchase consideration as of 1 May 2014	
Cash and cash equivalents	103,875
Total purchase consideration paid	**103,875**
Carrying amounts of identifiable acquired assets and assumed liabilities	
Cash and cash equivalents	8,171
Intangible assets	312
Property, plant and equipment	7,965
Inventory	46,701
Accounts receivable and other receivables	55,673
Accounts payable - trade and other liabilities	-81,221
Pensions	-
Finance leases	-
Brands	34,583
Deferred tax liabilities, net	-8,646
Total identifiable net assets	**63,538**
Goodwill	**40,337**
	103,875

NOTE 6 DISTRIBUTION OF NET SALES

Net sales are classified according to geographic market as follows:

TSEK		
GROUP	**2014**	**2013**
Nordic countries	855,426	762,527
Europe, excluding Nordic countries	99,871	49,439
Other markets	13,708	11,730
Group total	**969,005**	**823,696**

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

GROUP	2014	2013
Sales of goods	964,554	816,989
Sales of services	776	763
Other income	3,675	5,944
Group total	**969,005**	**823,696**

PARENT COMPANY	2014	2013
Sales of goods	746,257	756,322
Sales of services	763	759
Other income	7,211	6,003
Parent Company total	**754,231**	**763,084**

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

During the year, the Parent Company has invoiced the subsidiaries TSEK 92,169 (105,249) for goods and Group services. The Parent Company's purchases from Group companies, amounting to TSEK 162 (152) refers to Group services.

NOTE 8 REMUNERATION OF AUDITORS

Audit assignment refers to the examination of the annual accounts and accounting records, as well as of the administration of the Board of Directors and Chief Executive Officer, 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.

TSEK		
GROUP	**2014**	**2013**
PwC		
Audit assignments	571	599
Auditing services in addition to the audit assignment	32	344
Tax consultancy	8	22
Other services	1,450	227
Other auditors		
Audit assignment	1,023	299
Auditing services in addition to the audit assignment	16	16
Tax consultancy	27	6
Other services	137	4
Group total	**3,264**	**1,517**

TSEK		
PARENT COMPANY	**2014**	**2013**
PwC		
Audit assignment	500	530
Auditing services in addition to the audit assignment	32	344
Tax consultancy	8	22
Other services	1,450	227
Parent Company total	**1,990**	**1,123**

NOTE 9 REMUNERATION OF EMPLOYEES

TSEK		
GROUP	**2014**	**2013**
Salaries and other benefits	217,931	178,270
Social security contributions	55,469	50,889
Pension costs (Note 25)	28,553	23,914
Group total	**301,953**	**253,073**

Salaries and other benefits

	2014		2013	
	Salaries and other benefits (of which bonuses)	**Pension costs**	**Salaries and other benefits (of which bonuses)**	**Pension costs**
Members of the Board, Presidents and other senior management	17,609	4,823	14,089	4,380
	(0)		(0)	
Other employees	200,322	23,730	164,182	19,534
(of which bonuses)	(69)		(53)	
Group total	**217,931**	**28,553**	**178,271**	**23,914**

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

	2014		2013	
	Number on reporting date	**Of whom men**	**Number on reporting date**	**Of whom men**
Members of the Board	25	72%	21	76%
CEO and other senior executives	14	93%	14	93%
Group total	**39**		**35**	

TSEK		
PARENT COMPANY	**2014**	**2013**
Salaries and other benefits	157,778	152,149
Social security contributions	49,824	48,091
Pension costs (Note 26)	23,829	19,647
Parent Company total	**231,431**	**219,887**

NOTE 9 CONT.

Salaries and other benefits

TSEK	2014 Salaries and other benefits (of which bonuses)	2014 Pension costs	2013 Salaries and other benefits (of which bonuses)	2013 Pension costs
Members of the Board, Presidents and other senior management	10,558	4,099	8,755	3,641
	(0)		(0)	
Other employees	147,220	19,730	143,394	16,006
	(0)		(0)	
Parent Company total	**157,778**	**23,829**	**152,149**	**19,647**

Average number of employees per country

	2014 Average number of employees	2014 Of whom women	2013 Average number of employees	2013 Of whom women
Sweden	410	122	412	121
Hong Kong	1	0		
Russia	0	0	2	1
Total Parent Company	**411**	**122**	**414**	**122**
Subsidiaries				
Sweden	7	2		
Denmark	80	31	7	1
Finland	10	3	11	4
Norway	14	2	11	1
Germany	18	6	9	3
Belgium	2	0		
Netherlands	5	2		
China	5	2		
Singapore	1	0		
Total subsidiaries	**142**	**46**	**38**	**9**
Group total	**553**	**168**	**452**	**132**

Gender division in the Parent Company

	2014 Number on reporting date	2014 Of whom men	2013 Number on reporting date	2013 Of whom men
Members of the Board	9	67%	9	89%
CEO and other senior executives	8	88%	7	86%
Parent Company total	**17**		**16**	

NOTE 10 DEPRECIATION/AMORTIZATION BY FUNCTION

TSEK	GROUP 2014	GROUP 2013	PARENT COMPANY 2014	PARENT COMPANY 2013
Cost of goods sold	22,990	23,480	14,098	15,108
Selling expenses	445	337	161	181
Administrative expenses	4,286	4,297	10,268	9,994
Research and development expenses	17,730	16,057	495	867
Total depreciation/amortization	**45,451**	**44,171**	**25,022**	**26,150**

NOTE 11 OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

	GROUP		PARENT COMPANY	
TSEK	**2014**	**2013**	**2014**	**2013**
Other operating income				
Gains on sales of tangible fixed assets	92	187	92	187
Exchange rate differences	9,004	7,851	9,001	7,839
Accounting for government grants and disclosure of government assistance	30		30	0
Forward contracts	184		184	0
Other operating income	1,509	1,484	1,468	1,419
Other operating income	**10,819**	**9,522**	**10,775**	**9,445**
Other operating expenses				
Losses on sales of tangible fixed assets	-7	-34	-5	-34
Exchange rate differences	-14,962	-4,978	-14,629	-4,886
Forward contracts	0	-122	0	-122
Other operating expenses	0		0	0
Other operating expenses	**-14,969**	**-5,134**	**-14,634**	**-5,042**

NOTE 12 FINANCIAL INCOME/FINANCIAL EXPENSES

	GROUP		PARENT COMPANY	
TSEK	**2014**	**2013**	**2014**	**2013**
Financial income				
Interest income on bank balances	165	891	149	859
Interest income from Group companies			61	91
Exchange rate gains	1,715	1,718	1,714	1,634
Fair value of gains on interest swaps	17	170		
Other financial income	2,310	247	185	247
Financial income	**4,207**	**3,026**	**2,109**	**2,831**
Financial expenses				
Interest expenses on borrowings	-4,407	-3,174	-4,388	-3,154
Interest expenses on finance leases	-95	-995		
Exchange rate losses	-4,295	-1,118	-3,123	-1,118
Fair value loss on interest swaps	0	-17		
Other financial expenses	-861	-248	-217	-251
Financial expenses	**-9,658**	**-5,552**	**-7,728**	**-4,523**

NOTE 13 INCOME TAX/TAX ON PROFIT FOR THE YEAR

	GROUP		PARENT COMPANY	
TSEK	**2014**	**2013**	**2014**	**2013**
Current tax:				
Current tax on profit for the year	-10,984	-10,000	-8,398	-8,565
Adjustments of previous years' current tax	-280	-5	-280	0
Total current tax	**-11,264**	**-10,005**	**-8,678**	**-8,565**
Deferred tax (see Note 17)	**17,978**	**-5,837**	**-71**	**-1,675**
Income tax	**6,714**	**-15,842**	**-8,749**	**-10,240**

NOTE 13 CONT.

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

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Profit before tax, TSEK	42,819	67,512	28,464	36,084
Income tax calculated according to national tax rates applicable on profit in the respective country, %	22.7	22.1	22	22
Tax effect of:				
Taxable income, %	0.7			
Income not subject to tax, %	-0.4	-0.2	-0.5	-0.5
Expenses not deductible for tax purposes, %	3.7	5.6	7.8	6.1
Deductible expenses, %	-0.5			
Group adjustments without tax effect, %		-4.0		
Reversed deferred tax regarding sold receivable on Damixa GmbH, %	-43.6			
Tax loss carry-forward for which no deferred tax asset is recognized, %	1.3			
Tax charge attributable to previous years, %			1.0	0.8
Adjustment attributable to previous years. %	0.3		0.4	
Effective tax, %	**-15.7**	**23.5**	**30.7**	**28.4**

The weighted average tax rate for the Group is 22.7 percent (22.1). The tax rate for the Parent Company amounts to 22 percent (22).

NOTE 14 EARNINGS PER SHARE

Earnings per share 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.

	2014	2013
Profit attributable to the shareholders of the Parent Company, TSEK	49,534	51,670
Weighted average number of outstanding ordinary shares	11,445,100	11,445,100
Earnings per share (SEK)	**4.33**	**4.51**

NOTE 15 INTANGIBLE ASSETS

TSEK GROUP	Intangible assets under development	Other intangible assets - IT	Goodwill	Brands	Total
Financial year 2013					
Opening carrying amount	50,390	2,063	92,604		145,057
Purchases/production	20,025	0			20,025
Impairment					0
Amortizationamo	-15,190	-917			-16,107
Closing carrying amount	**55,225**	**1,146**	**92,604**		**148,975**
As of 31 December 2013					
Acquisition costs	117,525	15,580	132,288		265,393
Accumulated amortizationA	-62,300	-14,434	-39,684		-116,418
Carrying amount	**55,225**	**1,146**	**92,604**		**148,975**
Financial year 2014					
Opening carrying amount	55,225	1,146	92,604		145,975
Purchases/production	15,102	223			15,325
Business acquisition			40,337	34,583	74,920
Impairment					0
Amortization	-17,172	-550			-17,722
Closing carrying amount	**53,155**	**819**	**132,941**	**34,583**	**221,498**
As of 31 December 2014					
Acquisition costs	132,627	15,803	172,625	34,583	355,638
Accumulated amortization	-79,472	-14,984	-39,684		-134,140
Carrying amount	**53,155**	**819**	**132,941**	**34,583**	**221,498**

NOTE 15 CONT.

Total capitalized research and development expenses were TSEK 15,102 (20,025). Capitalization is distributed between the functions Research and Development expenses TSEK 9,308 (14,362), KSV TSEK 5,321 (5,303) and Selling expenses TSEK 473 (360).

Goodwill

TSEK			
PARENT COMPANY	**Other intangible assets - IT**	**Goodwill**	**Total**
Financial year 2013			
Opening carrying amount		66,148	66,148
Purchases/production			0
Impairment			0
Amortization		-6,614	-6,614
Closing carrying amount		**59,534**	**59,534**
As of 31 December 2013			
Acquisition costs		105,832	105,832
Accumulated amortizationA		-46,298	-46,298
Carrying amount		**59,534**	**59,534**
Financial year 2014			
Opening carrying amount		59,534	59,534
Purchases/production	223		223
Impairment			0
Amortization		-6,614	-6,614
Closing carrying amount	**223**	**52,920**	**53,143**
As of 31 December 2014			
Acquisition costs	223	105,832	106,055
Accumulated amortization		-52,912	-52,912
Carrying amount	**223**	**52,920**	**53,143**

Impairment tests for goodwill
The recoverable amount for a cash-generating unit (CGU) 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 the predicted growth rate. The growth rate does not exceed the long-term growth rate for the industry in which Ostnor 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 management's expectations as regards the development of the market. The discount rate is applied before tax and reflects specific risks to which the cash-generating unit is exposed.

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

NOTE 16 PROPERTY, PLANT AND EQUIPMENT

TSEK GROUP	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Construction in progress	Total
Financial year 2013					
Opening carrying amount	50,914	63,916	23,623	4,092	142,545
Purchases	0	5,103	6,828	8,876	20,807
Sales and disposals		-34	-7		-42
Reclassifications	0	698	2,948	-3,997	-351
Translation differences			24		24
Depreciation	-2,424	-16,530	-9,324		-28,278
Closing carrying amount	**48,490**	**53,152**	**24,092**	**8,971**	**134,705**
As of 31 December 2013					
Acquisition costs	121,921	456,148	123,688	8,971	710,728
Accumulated depreciation	-73,431	-402,996	-99,596		-576,023
Carrying amount	**48,490**	**53,152**	**24,092**	**8,971**	**134,705**
Financial year 2014					
Opening carrying amount	48,490	53,152	24,092	8,971	134,705
Purchases	229	3,745	4,581	15,945	24,500
Business acquisition	169	3,468	2,907	1,382	7,926
Sales and disposals					
Reclassifications	1,745	2,929	3,167	-7,944	-103
Translation differences	4	170	105		279
Depreciation	-2,564	-15,313	-9,852		-27,729
Impairment			-579		-579
Closing carrying amount	**48,073**	**48,151**	**24,421**	**18,354**	**138,999**
As of 31 December 2014					
Acquisition costs	124,068	466,460	133,869	18,354	742,751
Accumulated depreciation	-75,995	-418,309	-109,448		-603,752
Carrying amount	**48,073**	**48,151**	**24,421**	**18,354**	**138,999**

NOTE 16 CONT.

TSEK PARENT COMPANY	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Construction in progress	Total
Financial year 2013					
Opening carrying amount	50,914	32,802	21,984	4,092	109,792
Purchases		1,457	6,804	8,876	17,137
Sales and disposals		-34			-34
Reclassifications		698	2,948	-3,997	-351
Depreciation	-2,424	-8,521	-8,591		-19,536
Closing carrying amount	**48,490**	**26,402**	**23,145**	**8,971**	**107,008**
As of 31 December 2013					
Acquisition costs	121,921	389,390	115,418	8,971	635,700
Accumulated depreciation	-73,431	-362,988	-92,273		-528,692
Carrying amount	**48,490**	**26,402**	**23,145**	**8,971**	**107,008**
Financial year 2014					
Opening carrying amount	48,490	26,402	23,145	8,971	107,008
Purchases	229	3,745	3,309	15,739	23,022
Sales and disposals		-4,717	-1,872		-6,589
Reclassifications	925	2,929	2,764	-6,721	-103
Depreciation	-2,411	-8,016	-7,981		-18,408
Sales and disposals		4,717	1,867		6,584
Closing carrying amount	**47,233**	**25,060**	**21,232**	**17,989**	**111,514**
As of 31 December 2014					
Acquisition costs	123,075	391,347	119,619	17,989	652,030
Accumulated depreciation	-75,842	-366,287	-98,387		-540,516
Carrying amount	**47,233**	**25,060**	**21,232**	**17,989**	**111,514**

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

	2014	2013
Acquisition costs - capitalized financial leases	61,012	61,012
Accumulated depreciation	-40,382	-33,844
Carrying amount	**20,630**	**27,168**

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 31 Leases).

NOTE 17 DEFERRED TAX

TSEK	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Deferred tax expenses referring to temporary differences	-5,763	-3,555	71	
Deferred tax revenue referring to temporary differences	24,356	208		-1,883
Untaxed reserves	-463	-2,489		
Total deferred tax in the Income Statement	**17,978**	**-5,836**	**71**	**-1,883**

NOTE 17 CONT.

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

GROUP, TSEK

Deferred tax liabilities	Leasing	Intangible assets	Untaxed reserves	Inventories and other	Receivables	Total
As of 1 January 2013	696	11,540	28,909	-259		40,886
Recognized in the income statement	348	860	2,489	381		4,078
As of 31 December 2013	**1,044**	**12,400**	**31,398**	**122**		**44,964**
Business combinations		8,646			22,965	31,611
Recognized in the income statement	22	-576	464	-115	-18,853	-19,058
Recognized in Other comprehensive income				104		104
As of 31 December 2014	**1,066**	**20,470**	**31,862**	**111**	**4,112**	**57,621**

Deferred tax assets	Buildings	Pension obligations	Provisions	Tax loss carry-forwards	Derivative instruments	Inventories and other	Total
As of 1 January 2013	396	9,935	1,430	262	443	0	12,466
Recognized in the income statement	0	-97	-1,430	-239	-132	208	-1,898
Recognized in Other comprehensive income		-3,193			-208		-3,193
As of 31 December 2013	**396**	**6,645**	**0**	**23**	**103**	**208**	**7,375**
Business combinations	4,787		256	2,388		2,422	9,853
Recognized in the income statement	-1,892	-179	-44	1,264	-3	-236	-1,090
Recognized in Other comprehensive income		4,648			-100		4,548
As of 31 December 2014	**3,291**	**11,114**	**212**	**3,675**	**0**	**2,394**	**20,686**

PARENT COMPANY, TSEK

Deferred tax liabilities	Buildings	Pension obligations	Provisions	Tax loss carry-forwards	Derivative instruments	Other	Total
As of 1 January 2014	0	0	0	0	0	0	
Recognized in the income statement				0	-29	0	-29
Recognized in Other comprehensive income					-105		-105
As of 31 December 2014	**0**	**0**	**0**	**0**	**-134**	**0**	**-134**

Deferred tax assets	Buildings	Pension obligations	Provisions	Tax loss carry-forwards	Derivative instruments	Other	Total
As of 1 January 2013	396	979	1,430	0	443	0	3,248
Recognized in the income statement		-113	-1,430	0	-132	0	-1,675
Recognized in Other comprehensive income					-208		-208
As of 31 December 2013	**396**	**866**	**0**	**0**	**103**	**0**	**1,365**
Recognized in the income statement		-38		0	-3	0	-41
Recognized in Other comprehensive income					-100		-100
As of 31 December 2014	**396**	**828**	**0**	**0**	**0**	**0**	**1,224**

NOTE 18 PARTICIPATIONS IN GROUP COMPANIES

TSEK		
PARENT COMPANY	**2014**	**2013**
Opening acquisition cost	8,263	8,178
Acquisitions in the year	102,714	85
Closing carrying amount	**110,977**	**8,263**

The Parent Company has participations in the following subsidiaries:

					CARRYING AMOUNT	
Name	**Corp. ID no.**	**Registered offices**	**Share of equity, %**	**Number of shares**	**2014**	**2013**
Ostnor Danmark A/S	CVR no. 12758081	Copenhagen, Denmark	100	40	6,489	6,489
Ostnor Norge AS	980347745	Oslo, Norway	100	5,000	537	537
Ostnor Finland Oy	FO–no. 1796012–0	Helsinki, Finland	100	10	924	924
Mora Armatur Ltd[1]	5067847410978	St. Petersburg, Russia	100		3	3
Mora GmbH	HRB 4708	Hamburg, Germany	100		225	225
Ostnor Asia Ltd	1978636	Hong Kong, China	100		85	85
Damixa ApS	502067-3876	Odense, Denmark	100[2]	90,000	102,714	
Total					**110,977**	**8,263**

The share of the votes corresponds with the share of capital.
[1] Under liquidation
[2] Ostnor AB owns all 90,000 Class A shares, Damixa ApS has treasury holdings of 10,000 Class B shares.

NOTE 19 FINANCIAL INSTRUMENTS BY CATEGORY

GROUP

TSEK **Balance Sheet assets**	**Financial assets available for sale**	**Financial assets measured at fair value through profit or loss**	**Loans and receivables**	**Total**
31 Dec 2013				
Accounts receivable - trade			105,468	105,468
Other receivables	5	3,934	3,273	7,212
Derivative instruments		100		100
Cash and cash equivalents			114,006	114,006
Total	**5**	**4,034**	**222,747**	**226,786**
Balance Sheet assets				
31 Dec 2014				
Accounts receivable - trade			156,289	156,289
Other receivables	5	3,760	6,154	9,919
Derivative instruments		572		572
Cash and cash equivalents			26,403	26,403
Total	**5**	**4,332**	**188,846**	**193,183**

GROUP

Balance Sheet liabilities	**Financial liabilities measured at fair value through profit or loss**	**Other financial liabilities**	**Total**
31 Dec 2013			
Borrowing (excl. finance leases)		0	0
Liabilities attributable to finance leases		22,606	22,606
Accounts payable		69,697	69,697

NOTE 19 CONT.

Balance Sheet liabilities	Financial liabilities measured at fair value through profit or loss	Other financial liabilities	Total
Other liabilities		0	0
Derivative instruments	568		568
Total	**568**	**92,303**	**92,871**
31 Dec 2014			
Borrowing (excl. finance leases)		25,741	25,741
Liabilities attributable to finance leases		15,498	15,498
Accounts payable		82,148	82,148
Other liabilities		0	0
Derivative instruments	34		34
Total	**34**	**123,387**	**123,421**

NOTE 20 DERIVATIVE INSTRUMENTS

TSEK	2014		2013	
GROUP AND PARENT COMPANY	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Forward contracts			39	39
Forward cover of raw materials	572	34	61	512
Interest rate swaps				17
Total	**572**	**34**	**100**	**568**
Short-term portion	**572**	**34**	**100**	**568**

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

(a) Forward contracts

The nominal amount for outstanding forward contracts amounted to TSEK 0 (8,795) as of 31 December 2014.
Gains and losses on forward contracts are reported in operating income as Other operating income/Other operating expenses (Note 11).

(b) Forward cover of raw materials

	2014			2013		
	Tonnes	**Nominal value outstanding derivatives, TSEK**	**Market value, TSEK 31 Dec. 2014**	**Tonnes**	**Nominal value outstanding derivatives, TSEK**	**Market value, TSEK 31 Dec. 2013**
Copper	132	6,160	6,474	296	14,517	14,033
Zinc	94	1,437	1,604	210	2,763	2,796
Total	**227**	**7,597**	**8,078**	**506**	**17,280**	**16,829**
Change in value			481			- 451
Effect on net profit/loss for the year from hedge accounting:						
Other operating income			184			
Other operating expenses						- 556

(c) Interest rate swaps

The nominal amount for outstanding interest swap agreements amounted to TSEK 0 (3,000) as of 31 December 2014.

Variable interest is based on STIBOR. Gains and losses on interest swaps are reported under Net financial income/expense (see Note 12).

NOTE 21 ACCOUNTS RECEIVABLE - TRADE

TSEK		
GROUP	**2014**	**2013**
Accounts receivable - trade	156,880	105,623
Less: provision for bad debt	-591	-155
Net accounts receivable–trade	**156,289**	**105,468**

As per 31 December 2014, after consideration for the provision for bad debt, accounts receivable–trade of TSEK 28,598 (34,786) were overdue. 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:

TSEK	2014	2013
1-30 days	26,183	34,526
31-60 days	1,337	242
> 61 days	1,078	18
Total overdue accounts receivable	**28,598**	**34,786**

Changes in the provision for bad debt were as follows:

TSEK	2014	2013
As of 1 January	**155**	**1,522**
Provision in acquired company	944	
Provision for bad debt	0	91
Receivables written off in the year as unrecoverable	-90	-639
Reversed unutilized amounts	-418	-819
As of 31 December	**591**	**155**

Provisions/reversals of provisions for bad debt are included under Selling expenses in the income statement. The maximum exposure to credit risk as of the reporting date is the reported value of Accounts receivable - trade as indicated above. There was no collateral or other guarantees for accounts receivable - trade outstanding on the reporting date.

NOTE 22 CASH AND CASH EQUIVALENTS/CASH AND BANK BALANCES

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

TSEK		
GROUP	**2014**	**2013**
Investments in securities, etc.	0	0
Cash and bank funds	26,403	114,006
Group total	**26,403**	**114,006**

PARENT COMPANY	2014	2013
Investments in securities, etc.	0	0
Cash and bank funds	0	102,237
Parent Company total	**0**	**102,237**

NOTE 23 SHARE CAPITAL AND OTHER PAID-UP CAPITAL

TSEK				
PARENT COMPANY	**Class A shares:**	**Class B shares:**	**Number of shares**	**Share capital**
As of 31 December 2010	22,890	91,561	114,451	11,445
As of 31 December 2011	2,289,000	9,156,100	11,445,100	11,445
Conversion	-228,800	228,800	11,445,100	
Redemption	-457,900		-457,900	-458
Issue	457,900		457,900	458
As of 31 December 2012	**2,060,200**	**9,384,900**	**11,445,100**	**11,445**
Conversion	**-14,300**	**14,300**	**11,445,100**	
As of 31 December 2013	**2,045,900**	**9,399,200**	**11,445,100**	**11,445**
As of 31 December 2014	**2,045,900**	**9,399,200**	**11,445,100**	**11,445**

The class A shares confer the right to 10 votes/share and the class B shares 1 vote/share.

All shares issued by the Parent Company are fully paid up.

NOTE 24 BORROWING

TSEK		
GROUP	**2014**	**2013**
Long-term		
Bank loans		
Liabilities for finance leases (See Note 31)	9,800	14,550
Short-term		
Bank loans		
Overdraft facility (agreed credit TSEK 138,535 (137,581))	25,741	
Liabilities for finance leases (See Note 31)	5,698	8,056
Total borrowing	**41,239**	**22,606**

There is a covenant stating that the Group's equity/assets ratio may not fall below 25 percent.

PARENT COMPANY	2014	2013
Long-term		
Bank loans		
Short-term		
Bank loans	0	0
Overdraft facility (agreed credit TSEK 120,000 (120,000))	25,741	0
Total borrowing	**25,741**	**0**

NOTE 25 PENSION OBLIGATIONS, GROUP

TSEK		
GROUP	**2014**	**2013**
Commitments in the balance sheet for:		
Defined-benefit pension benefits	121,090	97,080
Defined-contribution pension benefits	3,941	4,134
Total pension obligations (incl. special employer's contribution 8,421 (5,184))	**125,031**	**101,214**
Recognized in the income statement attributable to:		
Costs for defined-benefit plans (incl. special employer's contribution)	9,048	9,533
Costs for defined-contribution plans (incl. special employer's contribution)	17,244	14,381
Total pension expenses	**26,292**	**23,914**

Defined-benefit pension 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 obligations are guaranteed through provisions in the balance sheet in combination with pension credit insurance.

GROUP	2014	2013
Present value of commitments for funded plans	13,089	9,224
Fair value of plan assets	-10,600	-9,446
Employer's contribution	351	
Net debt attributable to commitments for funded plans	**2,841**	**-222**
Present value of commitments for unfunded plans	109,828	92,118
Net debt attributable to commitments for unfunded plans	**109,828**	**92,118**

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

GROUP	2014	2013
At beginning of year	101,342	106,939
Employment during the current year	4,075	4,731
Other adjustments–transfer ITPK	-15	-344
Interest expenses	4,151	3,721
Actuarial gains (-) and losses (+)	16,349	-10,061
Exchange rate differences	-71	-916
Remuneration paid	-2,914	-2,728
At year-end	**122,917**	**101,342**

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

TSEK		
GROUP	**2014**	**2013**
At beginning of year	9,446	7,224
Expected rate of return on plan assets	411	288
Pension and administration expenses paid	-275	-198
Actuarial gains (+)/losses (–)	-154	1,105
Exchange rate differences	-57	-684
Employer charges	1,229	1,711
At year-end	**10,600**	**9,446**

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

GROUP	2014	2013
Current service cost	4,075	4,731
Interest expenses	4,151	3,721
Expected rate of return on plan assets	-411	-288
Employer's contribution and administration expenses	147	221
Special employer's contribution	1,086	1,147
Total (included in personnel expenses, Note 9)	**9,048**	**9,533**

The total cost of TSEK 9,048 (9,533) is included in the items cost of goods sold, selling expenses, administration expenses and research and development expenses.

	2014	2013
Actual return on plan assets:	3.0%	4.1%
Forecast return for 2014		

The most important current assumptions applied were as follow:

	2014	2013
Discount rate, %	2.75	4.0
Expected rate of return on plan assets, %	4.1	4.1
Expected rate of salary increases, %	3.0	3.0
Annual adjustments to pensions, %	1.5	2.0

Life expectancy

Assumptions regarding life expectancy are based on public statistics and experience in each respective country.

The average number of years of remaining life expectancy from the retirement age of 65 is, as of the reporting date, as follows

	2014	2013
Men	23	23
Women	25	25

NOTE 25 CONT.

Plan assets were:

TSEK		
GROUP	**2014**	**2013**
Shares	1,049	1,039
Interest-bearing securities	7,738	6,716
Property	1,590	1,474
Other	223	217
Total	**10,600**	**9,446**

NOTE 26 PENSION OBLIGATIONS, PARENT COMPANY

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

Pension provisions were as follows:

TSEK	2014	2013
Provisions according to the Swedish Pension Obligations Vesting Act		
- FPG/PRI pensions	75,115	70,747
- Other	3,941	4,134
Provisions over and above the Swedish Pension Obligations Vesting Act	0	0
Total pension provisions	**79,056**	**74,881**

Specification of changes in the balance sheet relating to Ostnor's proprietary pensions:

	2014	2013
Net liabilities at beginning of year attributable to pension obligations	70,747	67,395
Own pension costs recognized in the income statement	7,231	6,041
Pension payments	-2,863	-2,689
Net liability at year end	**75,115**	**70,747**

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

Specification of pension expenses and income for the period:

TSEK	2014	2013
Proprietary pensions		
Expenses for earning of pensions, etc.	3,001	3,209
Interest expense (estimated discount effect)	4,230	2,832
Profit effect of redemption of obligations, etc.	0	0
Own pension costs excluding taxes	**7,231**	**6,041**
Other pension expenses	12,549	10,368
Special employer's contribution on pension costs	4,049	3,238
Total pension expenses	**23,829**	**19,647**

Recognized net expense is distributed as follows between the income statement items:

	2014	2013
Cost of goods sold	5,132	5,395
Selling expenses	6,105	5,058
Administration and research and development expenses	8,362	6,362
Financial items	4,230	2,832
Reported net expenses	**23,829**	**19,647**

The most important actuarial assumptions applied were the following: Discount rate 3.0 percent (4.0).

The assumptions have been calculated based on salary levels applicable on each reporting date.

The expected payments for the next year attributable to defined benefit pension plans amount to TSEK 3,248.

NOTE 27 PROVISIONS

TSEK GROUP	Guarantees	Removal and restoration of land	Employer's contribution on pension expenses	Other	Total
As of 1 January 2013	**16,450**	**6,500**	**0**	**0**	**22,950**
Recognized in the income statement:					
- Additional provisions					0
- Reversed unutilized amount	-150				-150
Utilized during the year		-6,400			-6,400
As of 31 December 2013	**16,300**	**100**	**0**		**16,400**
As of 1 January 2014	**16,300**	**100**	**0**	**0**	**16,400**
Recognized in the income statement:					
- Additional provisions	3,124	2,000			5,124
- Reversed unutilized amount	-200				-200
Utilized during the year	-800				-800
As of 31 December 2014	**18,424**	**2,100**	**0**		**20,524**

NOTE 27 CONT.

GROUP

TSEK		
Provisions were:	**2014**	**2013**
Short-term portion	3,639	100
Long-term portion	16,885	16,300
Total	**20,524**	**16,400**

PARENT COMPANY	Deferred tax	Guarantees	Restoration of land	Pension obligations	Other	Total
As of 1 January 2013		**16,450**	**6,500**	**72,070**	**0**	**95,020**
Recognized in the income statement:						
- Additional provisions				2,811	0	2,811
- Reversed unutilized amount		-150				-150
Utilized during the year			-6,400			-6,400
As of 31 December 2013		**16,300**	**100**	**74,881**	**0**	**91,281**
As of 1 January 2014	**0**	**16,300**	**100**	**74,881**	**0**	**91,281**
Recognized in the income statement:						
- Additional provisions	134		1,700	4,175	300	6,309
- Reversed unutilized amount		-200				-200
Utilized during the year						
As of 31 December 2014	**134**	**16,100**	**1,800**	**79,056**	**300**	**97,390**

Provisions were:	**2014**	**2013**
Short-term portion	2,234	100
Long-term portion	95,156	91,181
Total	**97,390**	**91,281**

Guarantees
The Group tests the value of reserves in relation to estimated requirements on an ongoing basis. A provision is made on the basis of historical statistics regarding faulty products. The guarantee reserve comprised 1.9 percent (2.0) of net sales as per 31 December 2014. The guarantee periods are from 2 to 5 years.

NOTE 28 ACCRUED EXPENSES AND DEFERRED INCOME

TSEK		
GROUP	**2014**	**2013**
Accrued salaries	5,049	4,709
Accrued holiday pay	20,612	19,869
Accrued social security contributions	9,571	8,916
Accrued interest expenses	0	0
Other items incl. customer bonuses and discounts	45,116	37,061
Group total	**80,347**	**70,555**

TSEK		
PARENT COMPANY	**2014**	**2013**
Accrued salaries	4,919	4,547
Accrued holiday pay	18,498	18,137
Accrued social security contributions	9,054	7,954
Accrued interest expenses	0	0
Other items incl. customer bonuses and discounts	39,360	32,938
Parent Company total	**71,831**	**63,576**

NOTE 29 PLEDGED ASSETS

TSEK		
GROUP AND PARENT COMPANY	**2014**	**2013**
Relating to provisions for pensions and similar commitments		
- Other long-term receivables	3,760	3,934
Relating to liabilities to credit institutions		
- Property mortgages	17,750	17,750
- Floating charges	58,510	58,510
Group and Parent Company total	**80,020**	**80,194**

In conjunction with extending the company's credit insurance with Försäkringsbolaget PRI Pensionsgaranti for the company's pension liability, collateral has been pledged for this policy. This security consists of excess collateral in a chattel mortgage, and the excess collateral in a mortgage deed on real estate.

NOTE 30 CONTINGENT LIABILITIES

TSEK		
GROUP	**2014**	**2013**
Other contingent liabilities	1,502	1,415
Group total	**1,502**	**1,415**

PARENT COMPANY	2014	2013
Contingent liabilities for the benefit of other Group companies	20,513	19,848
Other contingent liabilities	1,502	1,415
Parent Company total	**22,015**	**21,263**

NOTE 31 LEASES

Finance leases

The Group's finance lease arrangements are for machinery. No machines are sub-leased.

Obligations to make future lease payments are reported as current and non-current liabilities. Minimum lease payments are divided between interest expenses and repayment of the outstanding liability. Variable charges are expensed in the periods when they occur. Interest levels vary according to STIBOR 1 month or 3 months.

Future minimum lease payments for non-cancellable finance lease arrangements applicable at the end of the reporting period mature as follows:

TSEK		
GROUP	**2014**	**2013**
Within one year	5,698	8,056
Between one and five years	9,800	13,202
More than five years	304	1,348
Group total	**15,802**	**22,606**

Operating leases

The Group's and the Parent Company's operating leases refer, primarily, to trucks, cars, office premises, servers and telephone exchanges. No machines are sub-leased. 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 if the conditions for termination are not met.

Future minimum lease payments for non-cancellable operating lease arrangements applicable at the end of the reporting period mature as follows:

TSEK		
GROUP	**2014**	**2013**
Within one year	9,735	7,878
Between one and five years	14,566	9,685
More than five years	0	0
Group total	**24,302**	**17,563**

Expenses for operating leases in the Group during the financial year amounted to TSEK 17,541 (13,695).

PARENT COMPANY	2014	2013
Within one year	3,834	4,178
Between one and five years	3,645	4,533
More than five years	0	0
Parent Company total	**7,479**	**8,711**

Expenses for operating leases in the Parent Company during the financial year amounted to TSEK 7,317 (9,132).

NOTE 32 UNTAXED RESERVES

TSEK		
PARENT COMPANY	**2014**	**2013**
Accumulated difference between reported depreciation/amortization and depreciation/amortization according to plan:		
- Buildings and land improvements	19,160	20,433
- Plant and equipment	23,635	27,352
Tax allocation reserve	102,007	94,908
Parent Company total	**144,802**	**142,693**

NOTE 33 PROFIT/LOSS FROM OTHER SECURITIES AND RECEIVABLES ACCOUNTED FOR AS NON-CURRENT ASSETS

TSEK		
PARENT COMPANY	**2014**	**2013**
Exchange rate differences	1,318	83
Fair value loss on interest swaps	0	170
Parent Company total	**1,318**	**253**

NOTE 34 APPROPRIATIONS

TSEK		
PARENT COMPANY	**2014**	**2013**
Difference between recorded depreciation/amortization and depreciation/amortization according to plan	4,991	1,686
Transfer to tax allocation reserve	-12,723	-12,977
Dissolution of tax allocation reserves	5,624	0
Parent Company total	**-2,109**	**-11,291**

NOTE 35 OTHER NON-CASH ITEMS

TSEK		
GROUP	**2014**	**2013**
Gains/losses on sales of property, plant and equipment	-86	-153
Pension provisions	23,817	3,523
Other provisions	1,200	-6,551
Derivative instruments	0	1,413
Other	8,769	-70
Group total	**33,700**	**-1,838**

PARENT COMPANY	2014	2013
Gains/losses on sales of property, plant and equipment	-86	-154
Pension provisions	4,175	2,811
Other provisions	1,800	-6,550
Items in OCI	931	945
Other	1,318	721
Parent Company total	**8,138**	**-2,227**

NOTE 36 TRANSACTIONS WITH RELATED PARTIES

Related parties are all subsidiaries within the Group and senior executives in the Group, i.e. Board and management, as well as their family members.

Transactions with related parties, in addition to the transactions described below, do not constitute a significant amount. Transactions have been on market terms.

Remuneration of senior executives

Senior executives received the following remuneration:

TSEK	2014	2013
Salary and other short-term remuneration	11,563	9,373
Remuneration upon notice of termination	892	0
Remuneration upon resignation	4,204	3,641
Total	**16,659**	**13,014**

Guidelines

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

Remuneration of the CEO and other senior executives consists of basic salary, variable remuneration, other benefits and pensions. Other senior executives are defined as the seven people plus the CEO who comprise Group Management.

Total remuneration shall correspond to the relevant position's responsibilities and complexity of the employee's performance. Variable remuneration shall be based on the operating income for the full year. Variable remuneration should be maximized at 50 percent of basic salary for the Chief Executive Officer and a maximum of 35 percent of basic salary for other senior executives.

Conditions for the CEO:

The CEO of the Parent Company has a defined contribution pension solution with an annual pension equal to 30 percent of basic salary. There is a notice period of 12 months between the company and the Chief Executive Officer of the Parent Company for termination by the company and six months for resignation by the Chief Executive Officer. 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 of other senior executives

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

Variable remuneration

For the CEO and other senior executives, variable remuneration is based on the consolidated operating income. The bonus amount for 2014 for the Chief Executive Officer corresponded to 0 percent of the basic salary (0). The bonus amount for other senior executives for 2014 corresponds to 0 percent of basic salary (0).

Remuneration and other benefits 2014

TSEK	Basic salary/ Board fees	Variable remu- neration 1)	Other benefits 2)	Pension cost	Other remu- neration	Total
Chairman of the Board Christer Lenner	218					218
Board member Erik Eriksson	135					135
Board member Hans Åke Norås	270					270
Board member Mats Hermansson (until 14 May 2014)	50					50
Board member Pernilla Wigren (until 14 May 2014)	50					50
Board member Johnny Alvarsson	165					165
Board member Lars Erik Blom	270					270
Board member Lotta Lundén (as of 14 May 2014)	84					84
Board member Anna Maria Rylander (as of 14 May 2014)	394			22		416
CEO Claes Seldeby	2,151	0	91	782		3,024
Other senior executives (7 people)	6,935	0	750	3,400	892	11,977
Total	**10,722**	**0**	**841**	**4,204**	**892**	**16,659**

Remuneration and other benefits 2013

TSEK	Basic salary/Board fees	Variable remu- neration 1)	Other benefits 2)	Pension cost	Other remu- neration	Total
Chairman of the Board Christer Lenner	231					231
Board member Erik Eriksson	120					120
Board member Hans Åke Norås	120					120
Board member Mats Hermansson	120					120
Board member Pernilla Wigren	120					120
Board member Johnny Alvarsson	120					120
Board member Lars Erik Blom (as of 7 May 2013)	70					70
CEO Claes Seldeby	2,084	0	84	748		2,916
Other senior executives (6 people)	5,770	0	534	2,893		9,197
Total	**8,755**	**0**	**618**	**3,641**	**0**	**13,014**

Remuneration is stated exclusive of social security contributions. For 2014, the Chairman, Christer Lenner, has, in addition to Board fees, received a total of TSEK 21 (51) for extra work and travel expenses. Remuneration for extra work in connection with the acquisition of Damixa was paid to Board member Hans Åke Norås in an amount of TSEK 135 (0), Board member Lars Erik Blom in an amount of TSEK 135 (0) and Board member Johnny Alvarsson in an amount of TSEK 30 (0).

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

The consolidated income statement and balance sheet will be presented for adoption at the Annual General Meeting on 12 May 2015.

The Board of Directors and the CEO confirm that the Consolidated Accounts have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU and provide a true and fair view of the Group's financial position and results of operations. The Annual Accounts have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the Parent Company's financial position and results of operations.

The Administration Report for the Group and the Parent Company gives a true and fair view of the progress of the Group's and Parent Company's operations, financial position and results of operations and also describes material risks and uncertainties faced by the Parent Company and the companies included in the Group.

Mora, Sweden, 25 February 2015

Christer Lenner
Chairman of the Board

Claes Seldeby
CEO

Johnny Alvarsson
Board member

Lars Erik Blom
Board member

Erik Eriksson
Board member

Lotta Lundén
Board member

Hans Åke Norås
Board member

Anna Maria Rylander
Board member

Ellinor Sparby
Employee representative

Staffan Gryting
Employee representative

Our Audit Report was submitted on 25 February 2015.

Öhrlings PricewaterhouseCoopers AB

Magnus Brändström
Authorized Public Accountant

Audit report

To the annual general meeting of the shareholders of Ostnor AB (publ), corporate identity number 556051-0207

STATEMENT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Ostnor AB (publ) for the year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 35-74.

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

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

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual 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 judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual general meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Ostnor AB (publ) for the year 2014.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

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

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act. 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 Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Opinions

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 Managing Director be discharged from liability for the financial year.

Mora, Sweden, 25 February 2015
Öhrlings PricewaterhouseCoopers AB

Magnus Brändström
Authorized Public Accountant

Financial summary

Five-year summary 2010-2014

The table shows the Group's financial performance in summary.

GROUP

MSEK unless otherwise indicated	2014	2013	2012	2011	2010
Income statement					
Net sales	969	823.7	860.5	918.6	936.0
Operating income (EBIT) [1]	48.3	70.0	38.3	69.6	113.5
EBITA	48.3	70.0	38.3	69.6	113.5
Profit/loss after financial items [1]	42.8	67.5	34.7	64.9	110.8
Profit/loss for the year	49.5	51.7	32.6	45.7	80.0
Operating margin, %	5.0	8.5	4.5	7.6	12.1
Profit margin, %	4.4	8.2	4.0	7.1	11.8
Cash flow					
Cash flow from operating activities	74.5	93.3	88.6	108.3	137.2
Cash flow from investing activities	-142.3	-39.6	-21.6	-23.0	-22.0
Cash flow after investments	-67.8	53.7	67.0	85.3	115.2
Cash flow from financing activities	-19.8	-41.7	-63.8	-64.2	-41.5
Cash flow for the year	-87.6	12.0	3.2	21.1	73.7
Profitability target					
Return on equity, % [2]	15	16	10	14	26
Return on capital employed, % [2]	10	16	9	16	26
Financial measures at the end of the period					
Equity/assets ratio, % [2]	44	50	45	49	48
Equity at year-end [2]	339.7	335.7	301.7	336.3	336.3
Net debt [2]	135.9	5.7	40.4	17.6	46.4
Working capital	164.5	101.8	96.4	110.9	137.4
Capital employed [2]	502	455.4	436.4	452.7	460.2
Investments	114.3	36.8	22.5	23.9	34.6
Total assets [2]	775.8	673.7	669.4	692.3	705.2
Share data per share, SEK					
Earnings per share	4.33	4.51	2.85	4.00	6.99
Cash flow per share	5.92	4.69	5.86	7.46	10.07
Dividends per share	3.00	3.00	2.50	4.00	4.00
Equity per share [2]	29.68	29.33	26.36	29.39	29.38
Employees					
Average number of employees	553	452	459	504	510

[1] Non-recurring items of MSEK 18.1 are included for 2012. See Note 5, page 52.
[2] The comparative figures for 2012 have been restated as a result of amended accounting principles relating to defined benefit pensions.

DEFINITIONS 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.

Operating margin. Operating profit in relation to net sales.

Profit margin. Profit before tax in relation to net sales.

Financial calendar

Annual General Meeting	12 May 2015
Interim Report for the period January – March 2015	13 May 2015
Interim Report for the period April – June 2015	28 August 2015
Interim Report for the period July – September 2015	6 November 2015
Year-end Report 2015	February 2016

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