LATOUR ANNUAL REPORT 2014

# ANNUAL REPORT 2014

LATOUR

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Latour's holdings have a solid foundation on which to grow with their own products and through geographic expansion.

In the period 2003-2014, the wholly-owned industrial operations increased their sales outside the Nordic region from 20 to 48 per cent of total sales.

**26.4%**

Total return on the investment portfolio in 2014. That is 10.6 percentage points better than the index. See page 48.

**0.1%**

Latour's management cost in 2014, as a percentage of managed assets. See page 6.

**39.9**

Latour's net asset value in SEK billion at the end of 2014. More details can be found on pages 20-21.

**48,300%**

Total return for Latour shareholders since the start in 1985. See our total return history on page 22.

**410,000**

The number of employees in Latour's holdings around the world. More details about Latour as a workplace can be found on pages 12-15.

**SEK 730m**

In 2014, the wholly-owned industrial operations acquired seven businesses with annual sales of SEK 730 m. More details about the acquisition process can be found on pages 10-11.

**30.5**

Latour's market value in SEK billion at the end of 2014. More details can be found on pages 48-49.

**75%**

The percentage of Latour's net asset value that comes from companies that have been in the portfolio for more than 20 years. See page 7.

**4 trends**

General trends and technologies are key considerations in the acquisition process. More details can be found on pages 8-9.

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Photos: Latour's image archives and photographer Lars Ardarve.

**The operating profit in the wholly-owned industrial operations increased by 16 per cent in 2014 and the total return on the investment portfolio was once again far better than that of the Stockholm Stock Exchange.**

**Jan Svensson, Comments from the CEO. More details can be found on pages 4 and 5.**

## CREATING LONG-TERM VALUE THROUGH INTERNATIONALLY SUCCESSFUL COMPANIES

Latour is a mixed investment company whose main business concept is long-term investment in sound companies that have their own products and are identified as having real potential for international expansion.

**DIVIDEND GROWTH, SEK/SHARE**


# 2014
## IN SUMMARY

### INDUSTRIAL OPERATIONS

Net sales were SEK 7,581 m (6,897). This represents a 10 per cent overall increase. However, there is no change in organic sales growth for comparable entities, adjusted for foreign exchange effects. Despite this, operating profit increased to SEK 796 m (686) before restructuring costs.

### INVESTMENT PORTFOLIO

Dividends from the investment portfolio to Latour for 2014 (distributed to Latour in the spring of 2015) increased by 14 per cent for comparable portfolios to SEK 688 m, which was yet another record high.

The value of the investment portfolio increased by 26.4 per cent, adjusted for dividends. The comparable index (SIXRX) increased by 15.8 per cent.

### NET ASSET VALUE

Latour's estimated net asset value was SEK 250 per share at the end of 2014. This is an increase of 21.1 per cent, adjusted for dividends. The comparable index increased by 15.8 per cent. Information on the calculation of the net asset value is presented on pages 20-21.

### TOTAL RETURN

The total return on the Latour share was 22.1 per cent for 2014 which can be compared to a 15.8 per cent increase for the comparable index (SIXRX). Latour's total return for the past five years, 2010-2014, was 138.4 per cent. The development of SIXRX was 89.4 per cent over the same period.

### DIVIDENDS

The Board proposes to increase the ordinary dividend to SEK 6.00 (5.50) per share. Calculated on Latour's listed price at the end of 2014, this is a return of 3.0 (3.2) per cent.

# Increased profitability
## despite continuing weak market environment

Although the market environment continued to be weak, the operating profit in the wholly-owned industrial operations increased by 16 per cent in 2014 and the total return on the investment portfolio was once again far better than that of the Stockholm Stock Exchange. Jan Svensson, President and CEO of Latour, answers questions about business performance for the year.

**What were the most important events in 2014?**
It is always difficult to pinpoint individual events when so many enhancements and efficiency improvements are being made every day. These combined initiatives have once again helped us to enjoy increased profitability despite a weak market.

But if I have to focus on one event, it will be the important acquisitions that we made during the year in the wholly-owned industrial operations. Swegon's acquisition of Vibro-Acoustics® means that the company has entered the North American market.

Hultafors Group also made a strategic acquisition when it bought Tradeport, which offers high-quality professional footwear and is an excellent complement to Snickers Workwear.

It should also be pointed out that the investment portfolio has maintained strong growth with a total return of 26.4 per cent. Once again, the portfolio outperformed the NASDAQ OMX Stockholm, whose total return was 15.8 per cent, according to SIXRX. The proposal to increase the total dividend from the portfolio companies by no less than 14 per cent is clear confirmation of success. This, in turn, is a contributing factor to why Latour's Board of Directors is proposing an increased dividend of SEK 6.00 per share.

Finally, this year saw the first company leave Latour Industries to form a separate business area. The company was Nord-Lock, which continues its international growth with good profitability.

**Will we be seeing more Nord-Locks in the future?**
Yes, it is Latour Industries' long-term vision to see more of its operations growing and taking the step of starting their own business areas. But it is too early yet to say when that will be. However, I can say that Latour Industries has high-quality companies with excellent prospects. Elvaco and Bastec, companies that were acquired during the year, are two examples of this. Just like Swegon and Kabona, they are companies that are very compatible with our positive view of energy-efficient solutions.

**What pleased you most about the industrial operations during the year?**
The operations are running smoothly and continue to show improved efficiency. We've delivered a strong performance as a result, despite a lack of organic growth. If we disregard the extraordinary costs that affects us, our performance in the wholly-owned industrial operations is the best ever.

I am also pleased with the fact that the wholly-owned industrial operations' international expansion with attractive, proprietary products is continuing at a good pace. Sales generated outside the Nordic region increased from 44 to 48 per cent of total sales. Ten years ago, sales generated outside the Nordic region accounted for approximately SEK 800 m. This year, non-Nordic sales totalled SEK 3.5 billion. The operating margin has grown significantly in the same period.

**Is there any area where growth could have been better?**
Yes, we were hoping that Specma Group would have performed better. The company has taken appropriate measures to improve performance and these are expected to produce positive effects in the long run. But from a short-term perspective, we can say that they have not succeeded despite the rebound in volumes occurring in the market during the year.

**Can you comment on how the investment portfolio is developing?**
Latour is an active principal owner that is committed to creating long-term profitable growth in its portfolio companies and wholly-owned industrial operations. The portfolio companies make up two-thirds of our total value and I am impressed by how strongly they have developed overall. This is largely due to the fact that we have strong management teams that are given plenty of scope to shape and develop the companies. This is reflected in the share price development and total return of the investment portfolio, which has been far stronger than that of the Stockholm Stock Exchange as a whole this year too. In spring 2015, Latour is expected to receive SEK 688 m in dividends from its portfolio companies, which is a SEK 82 m increase.

We are not averse to adding more companies with attractive products and strong international growth prospects to our investment portfolio. We would also consider being an anchor investor in connection with the listing of companies, as we were when Nederman was floated on the stock exchange.

**Is there the capacity for acquisitions?**
Yes, there is. That's because we have a combination of low debt, good profit levels and stable cash flows, which have resulted in a good equity ratio. This creates staying power and the latitude to invest in organic and acquired growth in line with our long-term strategy.

**What is your perspective on the market?**
Europe has remained weak. We are anticipating a challenging year ahead without any major increase in volumes. The wholly-owned industrial operations have limited activities in Eastern Europe, which has been hit the hardest by the political and economic turmoil during the year. It is mainly Swegon that has been affected by


the uncertainty in the Russian economy.

At the same time, we are noting strong growth in the USA, although this is primarily having an effect in the listed holdings.

The low inflation and squeeze on prices in Europe are naturally having an impact on us to some extent. However, we must also remember that the products offered by our businesses enhance the production efficiency of our customers. This explains why we are able to maintain our price profile and grow in the international arena, despite the prevailing market conditions. We believe that the customers served by our operations will be asking for efficiency-enhancing solutions in the future too – particularly because they cannot rely on dramatic increases in demand to achieve improvements in productivity.

**Challenges over the coming years?**

It is of utmost important that we give priority to organic growth, especially in the operations that have acquired companies.

The lion's share of sales in the wholly-owned industrial operations is tied to Europe, which means that organic growth will pose a challenge as we cannot expect to receive much help in the form of increased demand. What this means in concrete terms is that we need to increase market share. The way to do this is by continuing to invest in product development and by increasing our sales efforts. We have managed to prove that our products sell well, even when times are tough, while maintaining price level. This suggests that our products are attractive. So it is important that we connect with more potential customers by increasing our sales efforts.

At the same time, we need to grow through acquisitions that complement our current operations and through companies that can become embryos for new business areas. We work systematically to identify companies, niches and industries that are interesting from a long-term viewpoint. Our acquisitions of companies operating in the energy efficiency field is one such example.

**What will you be focusing on in 2015?**

First and foremost, we'll be focusing on creating organic growth again. Furthermore, we'll be integrating acquisitions that we have made and continuing to develop the operations related to energy efficiency. We will also continue to identify future niches that can attain international and profitable growth in the long run. We may be looking for one or more new companies that can form the foundation for such a venture.

Our excellent performance during the year, despite the weak market, has filled me with confidence about the coming year. ■

## VISION

Latour's vision is to be an attractive choice for long-term investors that want good returns. The Group creates added value in its holdings by being an active and steadfast owner who, with financial strength and solid industrial know-how, contributes to the development of the companies.

## LATOUR'S MAIN BUSINESS CONCEPT

Latour's main business concept is to invest in sound companies with proprietary products, strong growth potential and good future prospects. The long-term vision is to create growth and added value in its holdings through active ownership. In turn, this should be reflected in the company's share.

## CORE VALUES

Latour's core values are:

- Long-term perspective
- Professionalism
- Development

The operations are managed by a clearly delegated decision-making structure. This means that each holding has a unique company culture and its own strategic process. However, Latour's three core values permeate all holdings.

## VALUE-ADDING MANAGEMENT AND LEADERSHIP

The work of the Board provides a platform for value creation in the wholly-owned industrial operations and the investment portfolio. Regardless of owner share, a structured approach is applied in the work of the Board, acquisition processes and integration processes. Leadership plays a central role in Latour's corporate governance.  Our leaders must maintain high integrity, act as role models and assume accountability for the success and well-being of the organisations.

# This is Latour

### Operations in two business lines

Latour's operations are primarily carried out in two business lines: the wholly-owned industrial operations and a portfolio of listed holdings. In addition to the two principal business lines, Latour also owns a number of part-owned unlisted operations with good future prospects.

Latour is an active principal owner in the companies, regardless of whether the holdings are listed, wholly-owned or part-owned.

LATOUR

| WHOLLY-OWNED OPERATIONS | INVESTMENT PORTFOLIO |
|---|---|
| HULTAFORS GROUP | ASSA ABLOY |
| LATOUR INDUSTRIES | FAGERHULT |
| NORD-LOCK | HMS NETWORKS |
| SPECMA GROUP | LOOMIS |
| SWEGON | NEDERMAN |
| **PART-OWNED OPERATIONS** | NOBIA |
| ACADEMIC WORK | SECURITAS |
| DIAMORPH | SWECO |
| OXEON | TOMRA |

### Low debt and good-value active governance

Latour's Board of Directors has set limits on debt levels. Latour's total debt cap is set at 10 per cent of the investment portfolio's value and 2.5 times the wholly-owned industrial operations' EBITDA, measured as an average for the last three years and adjusted for acquisitions and divestitures. Latour's shareholders are offered active governance for a management fee of approximately 0.1 per cent of the managed market value.

### Latour's financial targets and dividend policy

#### Latour's financial targets

Over a business cycle, the wholly-owned companies should reach at least:

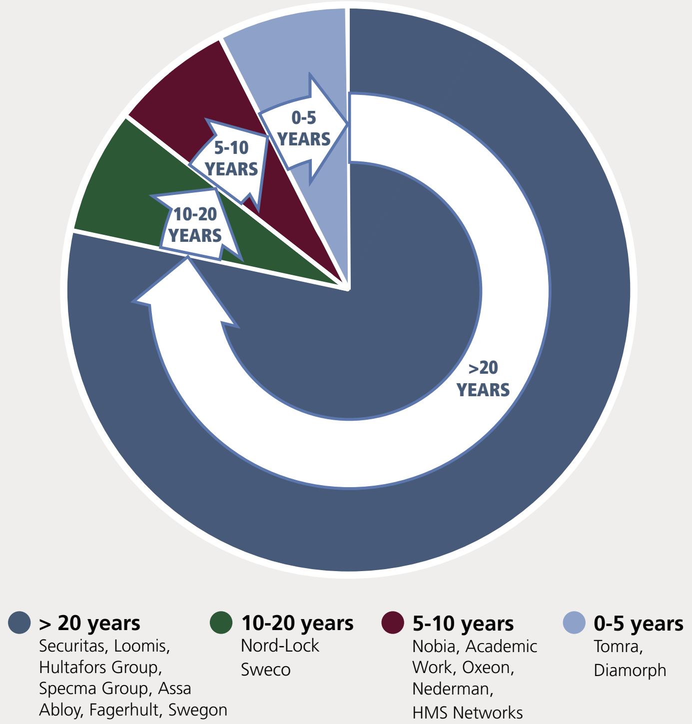
| | |
|---|---|
| **10%** | average annual growth |
| **10%** | operating margin |
| **20%** | return on operating capital |

#### Dividend policy

| | |
|---|---|
| **100%** | of dividends received from listed holdings |
| **40–60%** | of profit after tax in wholly-owned companies |

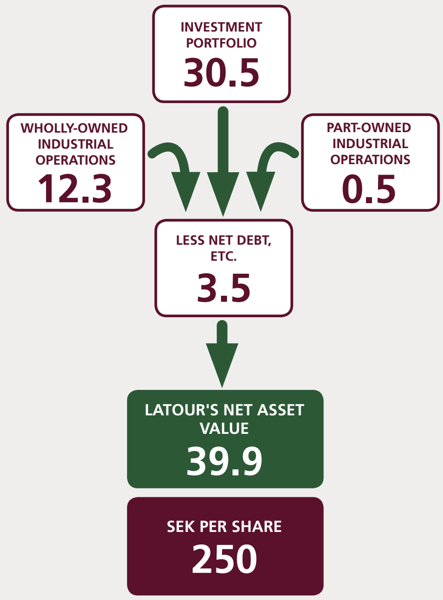
## Creation of long-term value

Latour is a long-term investor. The diagram shows that more than 75 per cent of the total net asset value comes from companies that have been in the portfolio for more than 20 years.

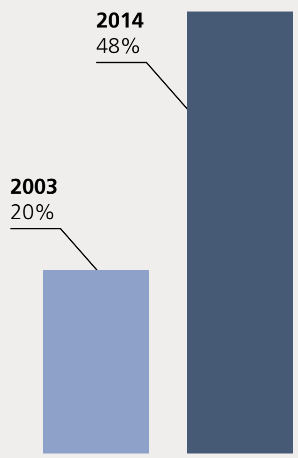



## The net asset value and its components

Latour's net asset value is dominated by the portfolio companies and the wholly-owned industrial operations. A description of the method used to calculate the value of the wholly-owned industrial operations can be found on page 21.

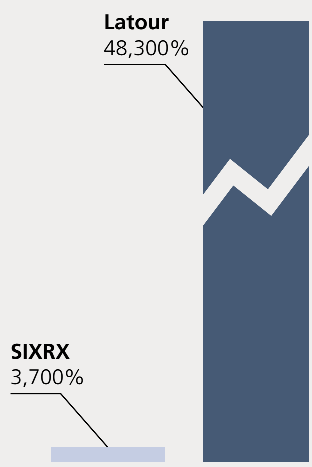



## Profitable, international expansion with proprietary products




Latour's holdings have a solid foundation on which to grow with their own products and through international expansion. The wholly-owned operations' sales outside the Nordic countries have increased from 20 per cent in 2003, when the new strategy was adopted, to 48 per cent in 2014.

## The total return since the start in 1985




Since the start in 1985, the Latour share has had a total return of approximately 48,300 per cent, which can be compared to 3,700 per cent for the comparable index, SIXRX. On 31 December 2014, Latour's market value was SEK 32.4 billion (27.4).

## OPPORTUNITIES AND RISKS

**Latour's business is largely based on identifying the best opportunities for creating long-term value and avoiding the risk areas that might otherwise lead to diminished value.**

The two levels on which these risks and opportunities can be viewed are market-related and company-specific. It takes the company-specific risks and opportunities into account in its investment strategy and active corporate governance. You can find out more about the acquisition process on the next page.

### OPPORTUNITIES FOR GOOD INVESTMENTS

The market-related risks and opportunities build on general trends that have an impact on the long-term development of industries and niches. Consequently, they form the basis for attractive investment opportunities.

### NEW TECHNOLOGIES OFFER A MEANS

It could be argued that the development of technologies is a trend. In Latour's eyes, technology offers a means to respond to trends and obvious customer needs rather than being a trend in itself.

Latour may be interested in investing if:

- the new technology generates obvious added value for a large number of customers and end users in an international market.
- the customers are willing to pay for the added value provided by the technology for a considerable period of time.

# Four trends

## in long-term investments

**1. DEMOGRAPHIC DEVELOPMENT**
The need for effective health and medical care to maintain a high quality of life is increasing as the population ages and more people are suffering from lifestyle illnesses.

**4. SUSTAINABILITY**
There is a growing global need for long-term sustainable solutions. We need to respect our external environment by minimising emissions and the consumption of natural resources, and the internal environment and social accountability by creating safe and healthy workplaces.

Latour is a long-term investor. This means that the company needs to make long-term assumptions about which technologies and companies have particularly good prospects. These are made on the basis of overall trends that are expected to lead to new and growing needs in the future. The diagram below shows the four trends that Latour uses in its analysis. It also shows that the trends are interrelated and are affected by each other.

### 2. GLOBALISATION

Competition between companies is no longer just local, regional and national, it is global too. This increases the need for efficiency along the entire chain, from development and production to distribution and after sales.

### 3. INCREASING LACK OF RESOURCES

Competition for resources is growing as globalisation gathers pace and prosperity increases. Many places and many operations around the world are already experiencing a lack of food, raw materials and manufacturing input materials. This trend is expected to continue.

## INVESTMENT CRITERIA

### PROSPECTS FOR THE NICHE

- Addresses identified trends ✔
- The industry is showing profitable growth ✔
- Favourable position in the value chain ✔

### POTENTIAL IN THE COMPANIES

- Next wave of development has begun ✔
- Potential for geographic expansion ✔
- Latour adds value ✔

### THE COMPANIES MUST ALSO SATISFY THE FOLLOWING CRITERIA

- Development, manufacture and marketing of their own products. ✔
- The products must have high added value and offer a benefit that the customers are willing to pay for. ✔
- The company must not be dependent on a handful of suppliers or customers. ✔

### POSITION IN THE VALUE CHAIN

Latour strives to maintain a balance in its investment portfolio as a whole, which means that the company avoids too great a concentration in any one industry and geographic area.

The product offerings of several of the operations are either partly or wholly aimed at companies in the construction and real estate sectors today. However, it is important to point out that they are operating within carefully selected niches in attractive parts of the value chain. Kabona and Swegon are good examples of this. Their energy-efficient solutions for heating, ventilation and indoor climate account for a larger and more stable underlying demand and higher profitability than most construction companies.

# "Our acquisition process creates long-term value"

| No. acquisitions 2003-2014 |
| --- |
| 66 |

| Contribution to net sales, SEK billion |
| --- |
| 4.8 |

Latour has extensive experience of acquiring and integrating healthy businesses into the Group and, over the years, this has resulted in strong growth and profitability. Seven acquisitions add SEK 730 m in annual sales.

FACTS

## DIFFERENT TYPES OF ACQUISITIONS

- Acquisitions that complement existing operations.
- Medium-sized companies that can be part of Latour Industries as separate companies (SEK 50–500 m in sales).
- Larger companies that can immediately form their own business areas (SEK 500–2,000 m in sales).
- Listed companies of which Latour has the possibility to become the largest owner.

In 2014, 7 acquisitions were made in the wholly-owned industrial operations. Combined they add approximately SEK 730 m in annual sales. The acquisition transactions are based on the strategy and a well-tried and tested process that helps to create long-term value.

Since the new strategy for Latour was approved in 2003, 66 acquisitions have been made in the wholly-owned industrial operations. The majority of Latour's business acquisitions are made to supplement existing holdings.

### On the lookout for well-managed companies

The companies that Latour acquires have a number of common denominators. They must be well-managed with strong products or brands, that can achieve international sales success.

"Their products should preferably also provide excellent added value and offer benefits for which the customers are prepared to pay extra," says Pär Arvidsson, Director of Business Development at Latour.

The companies should not be dependent on individual suppliers or customers and not be so small that it is difficult for them to develop and operate on their own.

However, there may be exceptions where it is not necessary that all the criteria are met.

"We can allow exceptions in the case of purely complementary acquisitions, provided that whatever is lacking is made up for by other means through the existing operations of the business area or if it can be addressed in a simple way."

### Not looking for short-term deals

The acquisition process begins in the long-term strategy at a general level and in each business area and company.

The process is also infused with Latour's core values – Long-term perspective, Professionalism and Development.

"And that applies whether it's a smaller acquisition in one of the wholly-owned business areas or the purchase of a holding in a major listed company," Pär Arvidsson explains.

The presence of a long-term perspective is very evident from Latour's aggregate net asset value.

"More than three quarters comes from companies that have been in Latour's portfolio for twenty years or longer."

### Companies continuously identified and monitored

Each business area in the wholly-owned industrial operations and each company in Latour Industries has a long-term, clear strategy as well as an action plan.

"The company's strategy process involves identifying and compiling a list of ten to twenty potential acquisitions, based on its needs for development," explains Pär Arvidsson.

If and when it seems logical to meet a development need with an acquisition, thereby realising the strategy and achieving the goals, Latour goes ahead according to the structured acquisition process.

### Takes excellent care of its acquisitions

The integration activities are a key part of the acquisition process. They are conducted systematically based on well-tried and tested processes.

"At the same time, we give great consideration to the specific needs of each of the acquisitions to ensure that we are able to develop the companies in a long-term and professionally sound way," says Pär Arvidsson in conclusion. ■

## MANAGEMENT VIA 3 QUESTIONS

Latour has no templates for the strategic process in the wholly-owned operations. Instead, the process is based on the following three questions:

What is the company's current position? What are the company's medium-term goals? What needs to be done to achieve these goals?

The questions are answered with the help of analyses of both internal and external circumstances, which in turn result in a number of strategic initiatives. These initiatives, usually four or five of them, form the core of the strategy and normally have a three to five-year forward-looking perspective. The process also includes a specification of the goals and objectives that are to be achieved.

### Management by objectives

The strategy contains the key areas that the company needs to work with, while the specific activities required to achieve the goals are developed locally in the company.

The entire organisation thus becomes more goal-oriented and involved in the process of turning the initiatives into real, situation-specific activities on each level in the companies.

### Prioritise simple management

Management and follow-up of the strategic initiatives are formulated as simply as possible, allowing the work to be performed efficiently in every part of each organisation, both in the management team and the board, which continuously monitor and review performance.

In addition to creating higher goal fulfilment, Latour's question-steered strategy process builds a bank of experience that can be transferred among the holdings.

# Systematic HR activities
## that create long-term value

**FACTS**

At the end of 2014, Latour's holdings had 410,000 employees in total. 4,000 of them work in the wholly-owned industrial operations and the others in the portfolio companies where Latour holds at least a 10 per cent voting share. About ten people work at Latour's parent company.

The wholly-owned operations work systematically to ensure that the companies are attractive workplaces. This creates a good basis for recruiting and retaining the right skills and individuals. Ultimately, it is about providing opportunities for ongoing creation of long-term value.

Latour's core values are the basis for each business area's unique corporate culture.

"A strong and long-lasting company culture is a key component in the management of employee-related matters," says Per Engler, Head of HR for Latour Industries and Nord-Lock.

**Need increasing in pace with growth**

Latour exercises active ownership responsibility and develops the holdings through the professional work of the boards. It thus strives to appoint boards with a high level of expertise and diversity. Over the years, Latour has established an extensive network of international contacts. This is beneficial when it comes to the recruitment of board members and other key employees.

The international growth of the wholly-owned operations puts pressure on the company to appoint the right individuals and expertise to managerial and other key positions. Meeting this need requires competitive terms where good performance is rewarded in line with Latour's long-term aim of creating added value.

**Systematic recruitment**

Each business area in the wholly-owned industrial operations works systematically on its own to attract potential employees. Collaborative projects are also conducted, for example, at labour market days at the School of Economics and Chalmers University of Technology in Gothenburg.

"We worked assiduously in 2014 to ensure availability of key skills in the wholly-owned industrial operations, partly because of Nord-Lock becoming a separate business area. We're pleased with the results," remarks Per Engler.

The portfolio companies have, on the whole, come further in the internationalisation process and in their efforts to put the right expertise in place. They have considerable experience and knowledge in this area that can be transferred to the wholly-owned industrial operations.

**Offers skills development**

The wholly-owned industrial operations have highly-developed training programmes.

"We have developed a closer collaboration in training activities between the business areas during the year and this has been very rewarding," says Per Engler.

It included a joint training course in project leadership for managers and other key personnel and a joint leadership programme, which was conducted in English.

**Encourages mobility within the Group**

Latour cares about retaining its employees and expertise, which is why it continually strives to create opportunities for personnel to try other positions within the Group. This leads to better dynamics and good opportunities for the individual to develop.

**Well-being and health high on the agenda**

Latour also strives to create favourable conditions in the workplaces of all its companies from the perspectives of job satisfaction and health – two extremely important factors in promoting the long-term development of individuals and business.

**Code for all employees**

All operations within Latour must comply with laws and generally accepted regulations as well as establish relevant guidelines with clear goals. For example, Latour provides skills development courses in business ethics and there is a Group-wide Code of Conduct under which all Board members and employees have to operate. Breaches of the Code of Conduct may be reported anonymously and confidentially. ■

**Latour's Code of Conduct is available for viewing at www.latour.se**

# TOOK THE OPPORTUNITY TO BECOME A TRAINEE

**Dennis Baecklund, MSc in Innovation & Industrial Management from the School of Economics in Gothenburg, has completed Latour's trainee programme and is now working as a business developer at Latour Industries. He answers some questions here about his experiences.**

**What did you think about the trainee programme?**

"I can strongly recommend it. On a personal level, it helped me to hone my ability to tackle problems in a methodical way and generally to work more systematically. It also provided a hugely beneficial insight into numerous different industries and has given greater depth to my strategic thinking. Initiatives like this are extremely positive for Latour. It allows the organisation to attract talent directly from universities."

**How is the trainee programme structured?**

"I took part in the programme for just over two years. It gave me a lot of opportunities to work with the companies' strategic plans. The programme was divided into large projects that lasted three to six months. They included everything from involvement in the project management of add-on acquisitions through to independently managing the development of a strategic plan for an acquired company. Alongside these major projects, I was simultaneously involved in a number of smaller projects too."

**You've now moved on to Latour Industries. What do you think about that?**

"It's very exciting. The portfolio consists of companies with good prospects for profitable, international expansion. Bastec and Elvaco, which were acquired this year, are two excellent examples of that. Along with Kabona, which has been part of the portfolio for a while, they offer unique, energy-optimisation solutions for building management and indoor climate. It's stimulating to work with business development in connection with this type of company."

# Successful introduction of LEAN
## – employees show tremendous commitment

Latour strives to engage its employees in the long-term development of their respective operations. This strengthens competitiveness and profitability in the long term. It also promotes employee commitment, high job satisfaction and the ability to shape personal development. Hultafors Group's improvement programme, based on the LEAN philosophy, is one of many examples that show how it can work in practice.

LEAN production was first introduced in Hultafors Group in 2012. This has resulted in improved employee commitment, more efficient processes, safer workplace environments and the creation of more value for customers. This leads to profitable growth. What's more, it is a never-ending journey.

"This is not a project that ends on a specific date and is then followed by another project. It is more a way of working that focuses on continuously looking for improvements in places where potential benefits are high," says Per Persson, Manager of Supply & HSEQ (Health, Safety, Environmental, Quality) and in charge of implementing the LEAN approach in Hultafors Group.

To sum it up, the LEAN approach is not about working more, it's about working in a smarter way. It is important to expose and question old assumptions, and one such is that improvements can only be made to a certain level.

"Root cause failure analyses are easy to work with and are an efficient means of tracking and eliminating causes of breakdowns and failures," says Niklas Johansson, who works as a machinist.

"That's not true! When we have made improvements to the extent we previously thought possible, we discover more opportunities, thanks to the LEAN approach, that allow us to use everyone's skills and commitment to best advantage," says Per Persson.

**Started at three factories**

Hultafors Group launched its LEAN programme in 2012 at three of its factories; its ruler factories in Hultafors in Sweden and Sibiu in Romania, and its measuring tape factory in Rayleigh in the UK. The programme has since been extended to include five of Hultafors Group's six factories. The aim is to eventually introduce the programme in the sixth factory.

**A multi-step process**

All employees are involved in the process which entails gradual improvements. It begins with extensive planning to include everything from organising, training and prioritising, to identifying the loss areas where resources are being wasted. The rule of thumb is that anything that does not create or add value to a customer is a waste and loss. There are numerous examples (see the box to the right) such as production downtime and repairs resulting from equipment breakdown or failure. Root cause failure analyses have therefore been introduced and maintenance is being given more attention.

Thereafter, it is necessary to ensure the sustainability of the new method of working which is done by disseminating information about pilot projects that have been successful. This process had been completed by the spring of 2014 in the first three factories. It was followed by a replication process to extend and repeat good solutions on other machinery and production lines and ensure integration into the day-to-day activities and procedures. This process will be continuing throughout 2015 and when it has been completed the maintenance phase will begin. This will involve standardisation of the working method and establishment of plans to monitor and develop the process.

**Tremendous commitment across the organisation**

Hultafors Group has appointed a steering committee and a LEAN coordinator to ensure the process is managed efficiently. Each factory also has a local steering group and one or two specialists.

Following the introduction of LEAN, efficiency has improved and employees are more engaged.

"Other types of improvement programmes are usually owned by managers. Employees are involved in these in a completely different way. They notice that their combined expertise, experience and ability to solve problems really make a difference. We have seen many employees take huge steps forward in their development."

Key ratios used to be looked upon as something that only concerned management.

"Things have now changed. There is greater interest across the board and everyone regards key ratios as useful tools for making sure that we are working on the right things. We're seeing a completely different level of commitment," says Per Persson. ■

**FACTS**

**LEAN Production is a philosophy about how to manage resources. The aim is to identify and eliminate all factors in a production process that do not create value for the end customer. Some examples of wastefulness or loss are; producing and storing more than is necessary, doing more than the customer requires, not taking advantage of employees' creativity, and unnecessary waiting due to set-up times. These are eliminated using a systematic process according to the Hultafors Group's model.**

"Personally, I have learned more about the machinery and now have a more structured, simplified way of working with and maintaining the equipment, thanks to the new working method," comments Jakob Lindblad, who works as a machinist at Hultafors Group.

# Sweden's most energy-efficient office

## – Kabona's control systems soon pay for themselves

**Sweden's most energy-efficient office building is on Wieslanders väg 4 in Borås, Sweden. It is the head office of Kabona, which supplies the market with energy-efficient heating, cooling and ventilation systems that significantly reduce energy consumption, providing cost and environmental benefits.**

"40 per cent of the CO2 emissions in Sweden and Europe come from properties. The fastest way to meet Sweden's and the EU's environmental targets is to construct and heat buildings in a new way. We have succeeded in proving that," says Kjell Carlberg, CEO of Kabona.

Although it covers 3,000 square metres of space, Kabona's office building uses less than one-third of the energy recommended by the Swedish National Board of Housing, Building and Planning (Boverket) and half of the requirement for a so-called Green Building.

**Customised energy consumption**

Kabona's control system and the Ecopilot software, which can provide energy efficiency improvements of 25 to 50 per cent, are main contributing factors to this low energy use.

The control system uses the thermal-dynamic properties to reduce energy costs and enhance indoor comfort. The system makes use of stored heat, adjusts the temperature to the number of people in the room and according to local weather forecasts that are downloaded from the internet twice a day.
In the summer months, the building is cooled through nine holes in the bedrock, which also supply the building with warm water.

Kjell Carlberg says, "This way, we can reduce our energy consumption and optimise the indoor climate at the same time".

To date, Kabona has installed about 290 Ecopilots in Sweden. From the beginning of 2010 to the end of 2014, Kabona's system had achieved energy savings totalling SEK 80 million for its customers. That is the equivalent of the energy consumption of all of the houses in the Swedish town of Kiruna and, as the company expands, the savings keep on growing.

In fact, Kabona has been recognised as a "Gazelle" company by Dagens Industri, Sweden's biggest business daily newspaper, and is one of the compa-

nies with the fastest growth in Sweden in the past three years.

### Soon pays for itself

Many people still hesitate about investing in energy-smart property operations because of the cost of investment.

It's a mistake to look at it from a short-term perspective, though," says Kjell Carlberg. An energy-saving investment in Kabona's control system will be recouped in a few years. After that, it's pure profit for the rest of the system lifetime.

"There's fast money to be made here. Our system provides a secure return on investment that is hard to match in the capital market. What's more, the system makes a fast and significant contribution to the environment about which we are all concerned. It's an excellent combination," says Kjell Carlberg. ■

**FACTS ABOUT THE OFFICE BUILDING**

- **The building has been nominated for the 2014 Environmental Award of the Year at the Concrete Gala (Betonggalan).**
- **Energy requirements are extremely low – 19 kWh/sq.m./year, compared with the requirements of the Swedish National Board of Housing, Building and Planning (Boverket) and Green Building, which are 70 and 41 kWh/sq.m./year respectively.**
- **The ventilation system adapts the air quality and temperature to the number of people in the rooms.**
- **The control system is operated via the Ecopilot software from Kabona. Room temperature, humidity and carbon dioxide levels are measured and a local weather forecast is downloaded from the internet twice a day.**

**FACTS ABOUT KABONA**

**Kabona is an independent supplier of systems that optimise the indoor climate and energy consumption of buildings. The company is one of the leaders in its sector in Europe, has 90 employees and generates sales of approximately SEK 126 million.**

**The company was acquired by Latour Industries in 2012.**


# ENVIRONMENT EMBEDDED IN THE BUSINESS

**Latour and its subsidiaries have a far-reaching focus on environmental issues, be it product development, choice of partners or selection of input goods in production.**

This means environmental measures are embedded in our business and the right environmental choice is intended to lead to increased sales and profitability.

### Top of the agenda

There is an expectation of ongoing progress in the area of sustainability in the Group. All boards in the wholly-owned industrial operations deliver regular reports on their progress in sustainable development.

In addition, the subsidiaries are accredited with ISO and other industry-specific system certification which places high demands on operations.

### Factors that have an impact

Four factors affect the long-term need for energy and eco-efficient solutions, which Latour takes into consideration in its business development and product development. They are economic driving forces, pressure of public opinion, new technologies and political ambitions. These factors are interrelated.

### Economy and the environment go hand in hand

Kabona and Swegon clearly illustrate that it is possible to combine a positive financial outcome with eco-efficient solutions.

Bastec and Elvaco, which were acquired by Latour Industries in 2014, are further examples of this. More details about these companies can be found on page 31.

# The Latour share
## – continuing strong growth throughout 2014

**Latour's share is listed on the NASDAQ Stockholm Large Cap list that includes companies with a market value in excess of EUR 1 billion.**

The Stockholm Stock Exchange again showed a steady increase throughout 2014. The growth of the Latour share was 18.2 per cent, compared against OMXSPI (NASDAQ OMX Stockholm) which was 11.9 per cent in the same period. In the last year, the highest price the stock achieved was SEK 210.00 on 4 July and the lowest was SEK 165.00 on 4 February. The final price paid on 30 December was SEK 203.30.

In 2014, the total return (share development including reinvested dividends) for Latour's class B share was 22.1 per cent, compared against SIXRX which increased by 15.8 per cent in the same period. The average annual total return for the Latour class B share has been 18.3 per cent in the last ten years, compared to 10.8 per cent for SIXRX.

**IR CONTACT**

If you have any questions you are welcome to contact:
Anders Mörck,
Chief Financial Officer:
tel: +46 31 89 17 90 or
email: anders.morck@latour.se

### Market value
Latour's total market value, calculated on the number of outstanding shares, amounted to SEK 32.4 billion. This makes Latour the 35th largest of the 270 companies registered on the NASDAQ OMX Stockholm market.

### Trading
A total of 5.4 million Latour shares were traded for a value of over SEK 1.0 billion in the last year. On average, 21,608 shares were traded daily, a reduction of 1 per cent compared to 2013.

### Share capital
As at 31 December 2014, the company's share capital was unchanged and amounted to SEK 133,300,000. Class A shares totalled 11,931,278 and class B shares 148,028,722. Votes totalled 267,341,502 (including 467,000 repurchased, non-voting class B shares).

### Own share repurchase
The total number of shares as at 31 December 2014 was 159,960,000, including repurchased shares. As at 31 December 2014, the total number of repurchased shares was 467,000. Call options have been issued to senior executives on all of the repurchased shares. The Board was authorised by the Annual General Meeting on 8 May 2014 to resolve on the repurchase and transfer of the company's own shares.

### Shareholders
The number of shareholders increased in 2014 from 11,592 to 12,350. Holdings of foreign investors amounted to 2.1 (2.4) per cent at the end of the year. The number of institutional owners was 6.8 (5.9) per cent.

### Dividends
The Board of Directors proposes an ordinary dividend payout of SEK 6.00 (5.50) per share for the 2014 financial year. The direct return is 3.0 per cent based on the final share price at the end of the year.

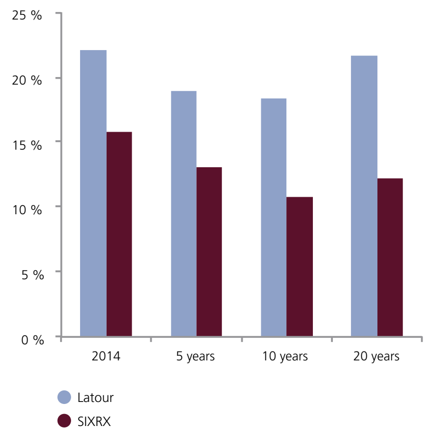
### Analysts
The following analysts followed Latour at the end of 2014:
Adonis Catic, ABG Sundal Collier
Magnus Råman, Handelsbanken
Sophie Larsén, Danske Bank Markets
Björn Enarson, Danske Bank Markets
Elias Porse, Nordea Markets

### Investor meetings
Each year, Latour participates in a number of investor meetings in Sweden. These provide opportunities for Latour to present its business operations in more detail. ■

## SHAREHOLDER FACTS

- The number of shareholders increased to 12,350 (11,592).
- 77.4 per cent of the capital is owned by the principal shareholder with family and companies.
- Other Board members own 2.6 per cent.
- Swedish institutional investors own 6.8 per cent of the share capital.
- Foreign ownership accounts for 2.1 per cent.

### AVERAGE TOTAL RETURN, LATOUR COMPARED AGAINST SIXRX

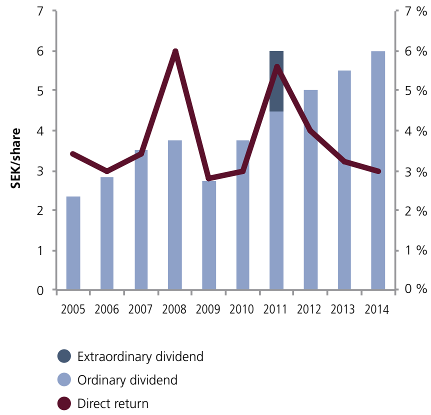



### TYPE OF SHARE

| | Number of shares | % | Number of votes | % |
|---|---|---|---|---|
| Class A (10 votes) | 11,931,278 | 7.5 | 119,312,780 | 44.6 |
| Class B (1 vote) | 148,028,722 | 92.5 | 148,028,722 | 55.4 |
| **Total number of shares** | **159,960,000** | **100.0** | **267,341,502[1)]** | **100.0** |

[1)] Including 467,000 repurchased, non-voting class B shares.

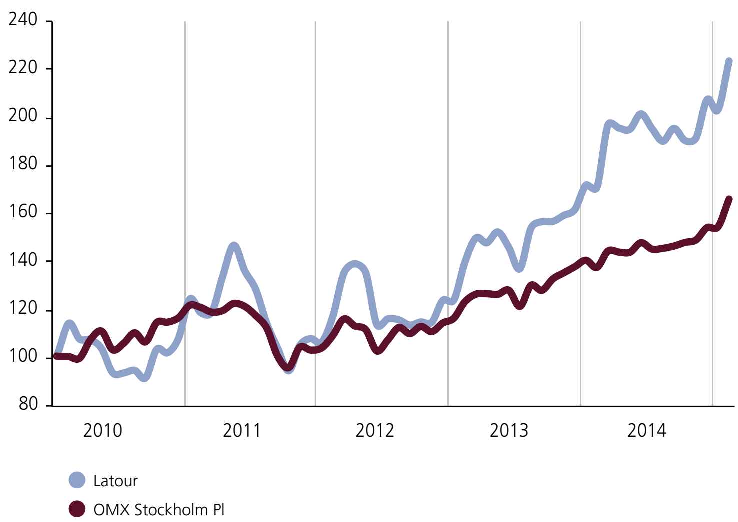
### DIVIDENDS THE LAST 10 YEARS



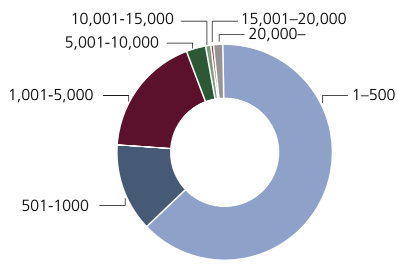

### LARGEST SHAREHOLDERS AS AT 31 DECEMBER 2014

| Shareholder, thousands | Number A shares | Number B shares | % of sharecapital | % of votes |
|---|---|---|---|---|
| Gustaf Douglas, family and companies | 9,935 | 113,872 | 77.4 | 79.9 |
| Fredrik Palmstierna, family and companies | 1,802 | 2,120 | 2.5 | 7.6 |
| SEB Investment Management | | 1,990 | 1.2 | 0.8 |
| Bertil Svensson, family and companies | | 1,976 | 1.2 | 0.7 |
| Lannebo Funds | | 1,732 | 1.1 | 0.7 |
| Handelsbanken Funds | | 1,647 | 1.0 | 0.6 |
| Swedbank Robur Funds | | 1,292 | 0.8 | 0.5 |
| AP4 | | 663 | 0.4 | 0.2 |
| AMF – Insurance and Funds | | 590 | 0.4 | 0.2 |
| Other | 194 | 21,680 | 13.7 | 8.8 |
| Investment AB Latour, share buyback | | 467 | 0.3 | – |
| | 11,931 | 148,029 | 100.0 | 100.0 |

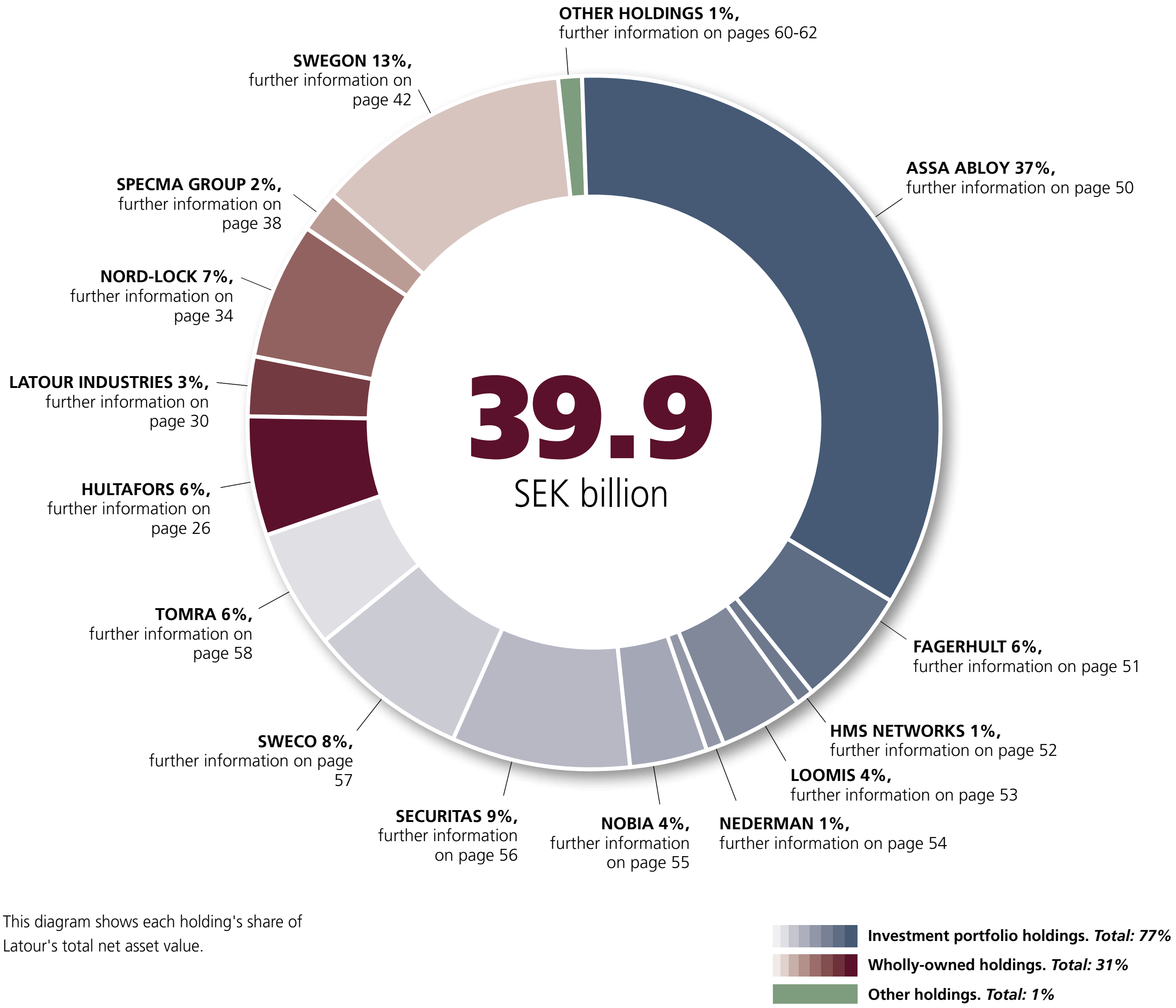
### LATOUR SHARE PRICE DEVELOPMENT




### DISTRIBUTION OF SHAREHOLDING




Distribution of shareholders in size categories.




This diagram shows each holding's share of Latour's total net asset value.

In addition to the assets presented above the net loan debt is –9%.

# Latour's net asset value

## – increased by 21 per cent in 2014

Latour's net asset value increased from SEK 212 to 250 per share in 2014, which is an increase in value of 21.1 per cent, adjusted for dividend payments. This can be compared against the total return for NASDAQ OMX Stockholm (SIXRX), whose value increased by 15.8 per cent in 2014.

Latour primarily consists of two parts; the wholly-owned industrial operations and the investment portfolio. The market value of the listed holdings is simple to calculate since there is a stipulated market price available. Determining the value of the wholly-owned operations is more complicated. This is because the market value, the price that potential buyers are willing to pay, is not as clearly defined. A description of the method that Latour uses to calculate the value can be found to the right.

Latour's largest holdings, based on net asset value, are Assa Abloy, Swegon, Securitas, Sweco and Fagerhult. All in all, the wholly-owned industrial operations account for 31 per cent of the total consolidated net asset value, if using the value derived through the chosen calculation method. ■

### NET ASSET VALUE AS AT 31 DECEMBER 2014

| SEK m | Net sales[1] | EBIT[1] | EBIT multiple or EV/sales multiple Range | Valuation SEK m[2] Range | Valuation average | Valuation SEK/share[3] Range |
|---|---|---|---|---|---|---|
| Hultafors Group | 1,367 | 189 | 11 – 15 | 2,078 – 2,834 | 2,456 | 13 – 18 |
| Latour Industries | 1,079 | 79 | 11 – 15 | 864 – 1,178 | 1,021 | 5 – 7 |
| Nord-Lock | 722 | 211 | 12 – 16 | 2,536 – 3,381 | 2,958 | 16 – 21 |
| Specma Group | 1,294 | 41 | 0.4 – 0.6 | 518 – 776 | 647 | 3 – 5 |
| Swegon | 3,503 | 350 | 13 – 17 | 4,546 – 5,945 | 5,246 | 29 – 37 |
| | 7,965 | 869 | | 10,541 –14,114 | 12,327 | 66 – 89 |
| Listed shares (see allocation on page 49) | | | | | 30,537 | 192 |
| Unlisted part-owned companies | | | | | 469 | 3 |
| Other assets | | | | | 41 | 0 |
| Net debt | | | | | –3,516 | –22 |
| Estimated value | | | | | 39,859 | 250 |
| | | | | | (38,073–41,645) | (239–261) |

1) Trailing 12 months for current company structure.
2) EBIT and EV/SALES restated based on the listed share price on 31 December 2014 for comparable companies in each business area.
3) Calculated on the number of outstanding shares.

### NET ASSET DISCOUNT RELATIVE TO LISTED PRICE


The diagram shows the net asset discount on the last day of trading of every quarter. The net asset discount shows a certain seasonal variation and the trend is a declining discount.

# NET ASSET VALUE – OUR METHOD

#### ❶ IDENTIFICATION OF COMPARATORS

Latour identifies listed companies operating in industries related to its wholly-owned industrial operations. At the close of 2014, there were 37 listed companies assessed as meeting these criteria.

#### ❷ CALCULATION OF EBIT MULTIPLES

When comparators are identified, the companies' EBIT multiples are reviewed. An EBIT multiple is based on the company's EV (Enterprise Value). The EV is calculated by taking the market value and increasing it by the company's net debt (see Definitions, page 98). The EV is then divided by the operating profit (EBIT). A company with a market value of SEK 90 m, a net debt of SEK 10 m and an operating profit of SEK 10 m will have an EBIT multiple of 10.

#### ❸ CONVERSION TO MULTIPLE RANGES

When an EBIT multiple has been calculated for each company, they are weighted by group to obtain a multiple range for each business area. The range is due to variations in the values of the listed companies. If, for example, there are two comparators for Swegon, where one has a multiple of 6 and the other has a multiple of 10, then the EBIT multiple, used to calculate the value of the Swegon business area, falls into the 6 to 10 range. The multiples may be adjusted if the range is too large in order to avoid unreasonable values. The valuation multiple EV/sales is used for certain entities.

#### ❹ COMBINING THE NET ASSET VALUE OF THE WHOLLY-OWNED OPERATIONS

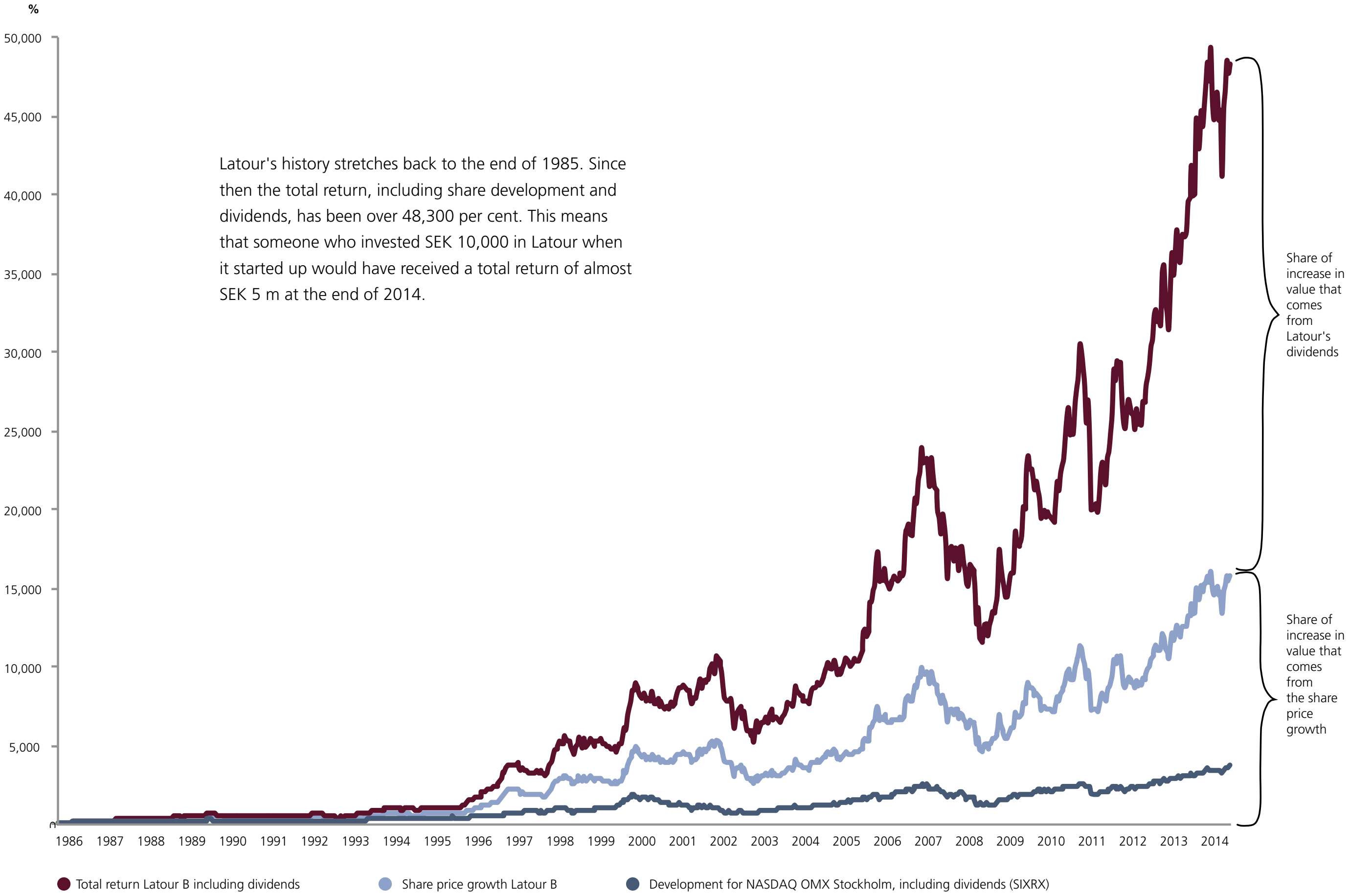
When the ranges for the EBIT multiples have been established, the value of each business area is measured by first calculating a trailing 12 month operating profit (EBIT) for each business area, based on the company structure at the end of the period of comparison. This figure is then multiplied by the EBIT multiple. Let us say that Swegon shows a trailing 12 month operating profit (EBIT) of SEK 100 m. If the EBIT multiple 6–10 is applied to the profit, the value becomes SEK 0.6–1.0 billion. When these calculations have been made for all the business areas, the result is combined to obtain a total value in the form of one range.

#### ❺ COMBINED WITH THE VALUE OF THE LISTED HOLDINGS

The share price is first established for each individual holding at the end of the period in order to obtain a net asset value for the listed holdings. The share price is multiplied by the number of shares held in each listed company, which gives a net asset value of the investment portfolio. This is combined with the net asset value of the wholly-owned operations, according to steps 1–4. After adding other assets and deducting net debt, the total is a net asset value for Latour, which is also in a range.

# The Latour share's total return

## – 48,300 per cent since the start in 1985




*The diagram shows the total return on the Latour share, which includes the share price growth and the distributed dividends, in relation to the NASDAQ OMX Stockholm as a whole. Since the start in 1985, the share has had a higher total return than the average for NASDAQ OMX Stockholm. This also applies for the past one, ten and twenty year periods. In 2014, Latour's total return (adjusted for dividends) exceeded the SIXRX comparison index for the ninth consecutive year.*

**1985** Operations start, but the name Latour was not used until 1987. Major acquisitions in Securitas and Trelleborg.

**1988** Acquisition of Fagerhult. The Securitas Group made several large acquisitions, among them the lock company Assa.

**1991** Securitas is listed.

**1993** Latour sells most of its holding in Trelleborg.

**1994** Latour helps create Europe's largest lock group, Assa Abloy. Acquisition of Swegon.

**1997** Distribution of Fagerhult and Säkl. Acquisition of major shareholding in Sweco.

**1999** Increased ownership in Fagerhult and Sweco.

**2000** Sales of holdings in Piren and BT Industries.

**2003** Acquisition of shares in Munters.

**2004** Start of concentration in the wholly-owned industrial operations.

**2005** Acquisition of Wibe Stegar.

**2006** Securitas distributes shares in Securitas Direct and Niscayah to the shareholders, among them Latour. Acquisition of Snickers Workwear.

**2007** Acquisition of major shareholding in Nederman.

**2008** Acquisition of shareholding in HMS Networks. Securitas distributes shares in Loomis. Holding in Securitas Direct is divested.

**2009** Divestiture of holding in OEM International.

**2010** Divestiture of holdings in Munters and Elanders. Seven acquisitions in the wholly-owned industrial operations.

**2011** Merger of Latour and Säkl. Acquisition of shares in Norwegian Tomra Systems. Sale of holding in Niscayah. Five acquisitions in the industrial operations.

**2012** Acquisition of major shareholding in Diamorph. Seven acquisitions and one divestiture in the industrial operations.

**2013** Nine acquisitions and one divestiture in the wholly-owned industrial operations. Increased ownership in Tomra and HMS Networks.

**2014** Seven acquisitions in the wholly-owned industrial operations. Increased holding in Tomra.

# INDUSTRIAL OPERATIONS

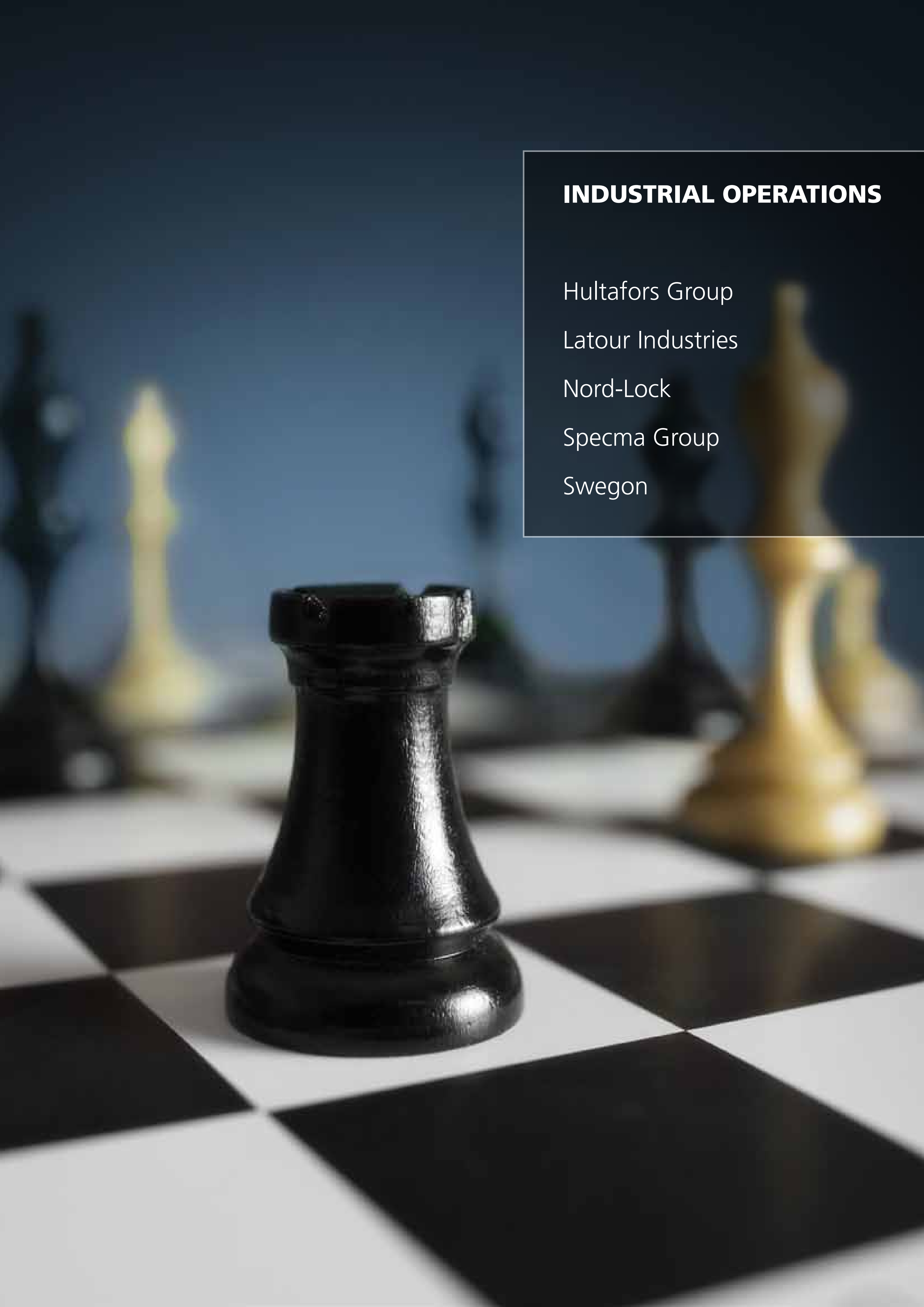
Hultafors Group

Latour Industries

Nord-Lock

Specma Group

Swegon



# Latour's wholly-owned industrial operations

## – international growth with own products

The wholly-owned industrial operations consist of five business areas with strong positions in their respective market segments. The goal is to grow in the international arena with proprietary products and good profitability. In 2014, sales generated outside the Nordic region increased from 44 to 48 per cent of total sales.

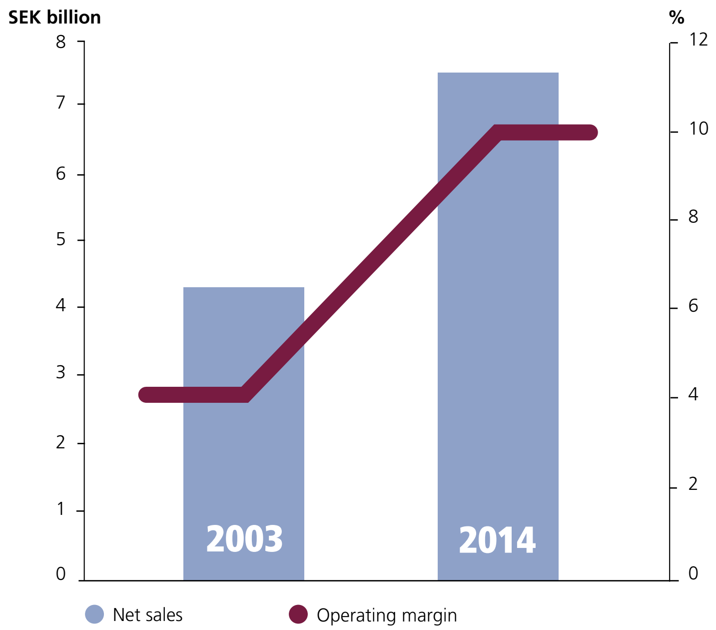
Latour's wholly-owned industrial operations consist of well-managed companies that develop, manufacture, produce and market their own products in customer segments that represent considerable international demand. The operations hold strong positions in their respective niches.

The operations' financial targets are 10 per cent average annual growth and operating margin and 20 per cent return on capital employed over a business cycle.

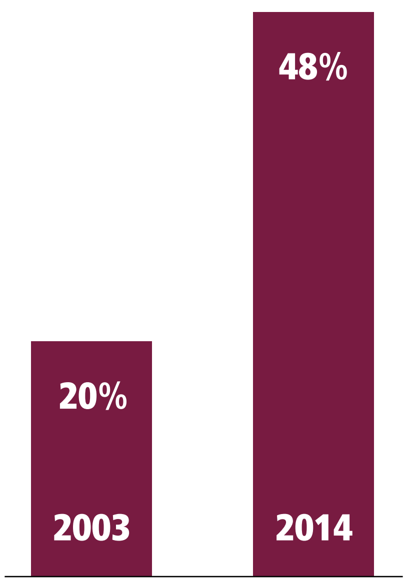
Growth occurs at a faster rate than the general development of the economy through an enhanced product portfolio, stronger international presence and increased market share in existing markets. Growth can be organic or through acquisitions.

Growth is essential to achieve reciprocity in the form of improved profitability because of the direction of product development with the objective of always being at the forefront of development.

The wholly-owned industrial operations continued their international expansion in 2014. Sales generated outside the Nordic region increased from 44 to 48 per cent of total sales. Although many of the companies have increased their international presence, the degree of internationalisation remains relatively low. There is still major potential for growth. ■




**Streamlined operations have resulted in increased sales and profitability.** The new strategy agreed in 2003 has a focus on concentration and internationalisation. Since then, the number of business areas has decreased from nine to five. At the same time, sales and profitability have increased dramatically.




**International growth.** Sales generated outside the Nordic region have more than doubled since 2003, reported as a percentage of total sales.

## BUSINESS AREA RESULTS

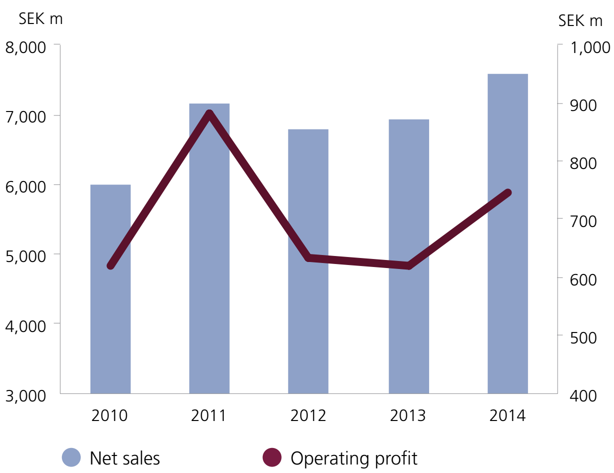
| SEK m | Net sales 2014 Full year | Net sales 2013 Full year | Operating profit 2014 Full year | Operating profit 2013 Full year | Operating margin % 2014 Full year | Operating margin % 2013 Full year |
|---|---|---|---|---|---|---|
| Hultafors Group | 1,306 | 1,208 | 177 | 138 | 13.6 | 11.5 |
| Latour Industries | 1,055 | 982 | 68 | 67 | 6.4 | 6.8 |
| Nord-Lock | 722 | 624 | 211 | 123 | 29.3 | 19.8 |
| Specma Group | 1,294 | 1,152 | 42 | 12 | 3.2 | 1.0 |
| Swegon | 3,209 | 2,936 | 298 | 346 | 9.3 | 11.8 |
| Eliminations | -5 | -5 | – | – | – | – |
| | **7,581** | **6,897** | **796** | **686** | **10.5** | **9.9** |
| Restructuring costs | – | – | -41 | -37 | – | – |
| | **7,581** | **6,897** | **755** | **649** | **10.0** | **9.4** |
| Capital gains from divested companies | – | – | -13 | -25 | | |
| Other companies and items | – | 47 | 4 | -3 | | |
| | **7,581** | **6,944** | **746** | **621** | | |

* The comparative year has been adjusted in line with the existing structure.

| SEK m | Operating capital[1] 2014 TTM | Operating capital[1] 2013 TTM | Return on operating capital %[2] 2014 TTM | Return on operating capital %[2] 2013 TTM | Growth in net sales % 2014 | Growth in net sales % Of which acquisit. | Growth in net sales % Of which currency |
|---|---|---|---|---|---|---|---|
| Hultafors Group | 851 | 780 | 20.8 | 16.1 | 8.1 | 0.7 | 3.6 |
| Latour Industries | 873 | 723 | 7.8 | 8.8 | 7.5 | 3.1 | 1.0 |
| Nord-Lock | 562 | 529 | 37.6 | 21.6 | 15.8 | – | 4.9 |
| Specma Group | 588 | 572 | 0.1 | -0.1 | 12.3 | 2.7 | 1.9 |
| Swegon | 1,744 | 1,155 | 17.1 | 30.0 | 9.3 | 13.8 | 3.0 |
| **Total** | **4,618** | **3,759** | **16.4** | **17.3** | **9.9** | **6.9** | **2.8** |

[1] Calculated as total assets less cash and other interest-bearing assets and less non-interest-bearing liabilities. Calculated on the average for the past 12 months.
[2] Operating profit as a percentage of average operating capital

## SALES AND EARNINGS




## FIVE YEAR OVERVIEW

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Net sales | 7,581 | 6,944 | 6,788 | 7,171 | 5,991 |
| (of which export) | 5,073 | 4,389 | 4,258 | 4,063 | 3,141 |
| Operating profit | 746 | 621 | 635 | 883 | 620 |
| | | | | | |
| Average operating capital | 5,655 | 3,780 | 3,584 | 3,404 | 2,590 |
| Total assets | 8,415 | 7,063 | 6,165 | 5,817 | 4,454 |
| Number of employees | 4,184 | 3,908 | 3,691 | 3,518 | 2,701 |
| Return on operating capital (%) | 16.4 | 17.2 | 16.4 | 23.2 | 22.4 |
| Operating margin (%) | 10.0 | 9.4 | 8.8 | 11.6 | 10.9 |

# 2014
## HIGHLIGHTS

- Net sales rose 10 per cent and organic growth for comparable entities was unchanged adjusted for foreign exchange effects.
- Operating profit before restructuring costs increased by 16 per cent and the operating margin for continuing operations increased to 10.5 (9.9) per cent.
- Continued international expansion. Sales generated outside the Nordic region increased from 44 to 48 per cent.
- 7 businesses were acquired. They contribute annual net sales of approximately SEK 730 m, which compared with 2014 represents approximately 10 per cent growth. Of total net sales for 2014, SEK 300 m refers to the acquisitions.
- Nord-Lock was the first company to leave Latour Industries to form a separate business area.
- Relentless focus on development of the holdings with support of acquisitions, organic growth and product development.

# Hultafors Group

## Hultafors Group at a glance

Hultafors Group offers a portfolio of leading brands for professional users who demand the very best when it comes to performance, safety and productivity. We are able to give our customers the best available products in the market by focusing on brand-driven product categories in the industrial and construction sectors.

Hultafors Group's products are offered in the categories of clothing for professionals, safety footwear, hand tools, ladders and scaffolding. The products are developed, manufactured and sold through separate brands, which hold strong positions in their respective markets: Snickers Workwear, Hultafors, Wibe Ladders, Solid Gear, Toe Guard and Dunderdon. Hultafors Group is also a distributor for the German manufacturing company Fein on the Swedish market.

The Hultafors Group brands are available through distributors in about 40 markets, with an emphasis on Europe and the Nordic region.

## Important events in 2014

- Increased sales despite weak market.
- Dramatic increase in profitability thanks to efficiency improvements and foreign exchange effects.
- Strategic acquisition of the Swedish company Tradeport, which offers premium safety footwear and workwear.
- Acquisition of Specma Tools from Latour Industries.
- Launch of a number of products, including a new, unique chisel.
- Hultafors Group once again received an award in the Red Dot Awards design contest.

## Target achievement – primary factors

Although the market environment in Europe in general continued to be weak, investments in marketing activities helped boost organic growth. The growth, operating margin and return on operating capital increased thanks to completed market investments, efficiency improvements and the positive effect of movements in exchange rates.

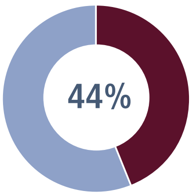
## Strategy for profitable expansion

Profitable growth will take place in existing and related markets.

- Organic growth takes place through expanded product lines, the more efficient use of sales and distribution channels, increased investment in marketing and stronger relationships with end users.
- Acquired growth takes place through complementary acquisitions of brands with strong positions among distributors and end users.

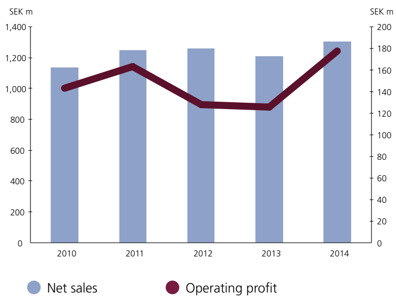
*Alexander Wennergren Helm, CEO Hultafors Group.*

### DEGREE OF INTERNATIONALISATION

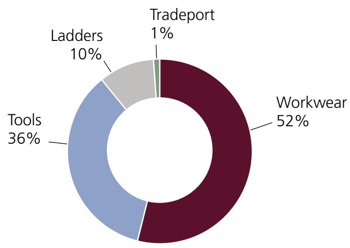



In 2014, sales outside the Nordic countries accounted for 44% of total sales compared with 2013, when the corresponding figure was 43%.

### SALES AND EARNINGS




### BREAKDOWN OF SALES BY BRAND

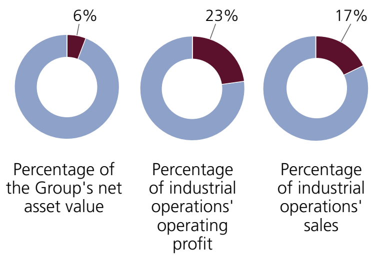



### SALES AND EARNINGS

| (SEK m) | 2014 | 2013 | 2012 | 2011 | 2010 | Latour's minimum targets |
|---|---|---|---|---|---|---|
| Net sales | 1,306 | 1,208 | 1,257 | 1,251 | 1,134 | >10% |
| (of which export) | 938 | 867 | 899 | 867 | 845 | |
| Operating profit | 177 | 126[1] | 128[1] | 163 | 143 | |
| Operating capital[2] | 1,103 | 784 | 773 | 853 | 740 | |
| Operating margin, % | 13.6 | 10.4 | 10.2 | 13.0 | 12.6 | >10 |
| Return on operating capital, % | 21.0 | 16.0 | 15.0 | 20.0 | 19.0 | >20 |
| Investment | 9 | 11 | 15 | 11 | 8 | |
| No. employees | 617 | 642 | 657 | 634 | 602 | |

[1] *After restructuring costs*
[2] *Average*

### PERCENTAGE OF NET ASSET VALUE, OPERATING PROFIT AND SALES



# "Strong position in each market"

Hultafors Group is an international supplier of an extensive range of top-quality, reliable brands in workwear, safety footwear, hand tools, ladders and scaffolding. Its products are sold through distributors to tradesmen and other professionals with high standards of quality and performance. This year's investment in marketing and ongoing efficiency measures produced good results.

All of the Hultafors Group brands are aimed at providing end users with innovative products that deliver superior performance, safety, protection and overall productivity.

"Each brand has unique expertise and insight into the specific challenges that the end users encounter in their daily tasks," says Alexander Wennergren Helm, CEO of Hultafors Group.

Hultafors Group's leading brands form a powerful combination that creates added value and synergies for the distributors, which ultimately helps to improve the customer offering and increase profitability.

"We aim to ensure that our brands are at the forefront in terms of profitability per square metre in the store," states Alexander Wennergren Helm.

**"MOVING SNICKERS WORKWEAR'S CENTRAL WAREHOUSE FROM THE NETHERLANDS TO POLAND IN 2013 HAS BEEN VERY SUCCESSFUL. IT HAS RESULTED IN LOWER COSTS, IMPROVED LEAD TIMES AND A HIGHER LEVEL OF SERVICE".**

### Impacted by construction industry

The European market for supplies to tradesmen is greatly influenced by developments in the construction industry, which has been adversely impacted in recent years by the political and economic crisis. This has had an effect on the profitability of Hultafors Group's largest customers.

Alexander Wennergren Helm says, "We have been seeing signs of recovery during the year, however, and there is much to suggest that this will continue in the years ahead".

The European market has historically been characterised by fragmented producers, with many small manufacturers. Hultafors Group, which is a major, international player, is one of the few exceptions to this. The Group's decision to build strong brands in strategically important product categories is well thought out.

"Powerful, international brands are essential to drive development forward in terms of product innovation and customer preferences, which means that users and distributors turn to us. We have managed to become a major European player with Snickers Workwear. We are aiming to make the same journey with all the brands in the future," say Alexander Wennergren Helm.

### International expansion

The Hultafors Group brands are sold at more than 10,000 outlets in almost 40 countries around the world, with an emphasis on Europe and the Nordic countries.

The company has its own sales companies in the key European markets. Other markets are covered by importers.

"In 2014, we expanded our marketing activities to create greater awareness and demand among end users and distributors. This has already produced good effects in the form of stronger positions and increased market share. We intend to continue on this course over the coming years as it will be to our advantage as demand increases."

Sales generated outside the Nordic region accounted for 44 per cent of total sales during the year.

### Platform for growth

Since 2011, Hultafors Group has been working extensively with efficiency improvement measures to increase revenue and reduce costs. Its IT system has been improved, sales offices have increased in number from 11 to 15 and efficiency enhancements have been implemented in the logistics department.

Alexander Wennergren Helm says, "Moving Snickers Workwear's central warehouse from the Netherlands to Poland in 2013 has been very successful. It has resulted in lower costs, improved lead times and a higher level of service".

### Premium Work Wear

Snickers Workwear is a leading European brand of advanced and functional workwear. The brand was represented in almost 30 countries at the end of 2014.

"Snickers Workwear is leading developments in this industry. Its innovative products are always based on essential everyday needs. In this way, we are creating goods that make life easier for end users and in which they are prepared to invest," says Alexander Wennergren Helm.

The company's successful product development has resulted in awards from the world's largest design contest, the Red Dot Awards. In 2012, Snickers Workwear was presented with the award for an innovative tool bag and, in 2014, received three of the gloves in the innovative product line of the Left & Right Glove Award for excellent design and performance. The award was received amid stiff competition. This year, no less than 4,815 entries were received from nearly two thousand manufacturers in 53 countries.

### Reliable hand tools

Hultafors Tools is number two in the Nordic market for hand tools and is strongly poised for future growth and success. It offers a broad range of products primarily for builders and construction tradesmen who rely on superior-quality tools.

"Hultafors Tools' product development shows innovative thinking in an otherwise traditional sector. This is illustrated by

this year's launch of our new, unrivalled chisel," says Alexander Wennergren Helm.

This is a series of chisels with a unique, uniform steel construction. The chisels are forged in a single piece, making them extremely robust, with outstanding strength and impact resistance.

Like Snickers Workwear, Hultafors Tools has won Red Dot design awards in the past. Just two years ago, in 2013, it received the award for a new generation of tape measures and, in 2012, it was presented with the Best of the Best Award for its adjustable wrecking bar.

Specma Tools was acquired by Latour Industries in 2014 in order to expand its product offering to distributors and end users in the Swedish market. Specma Tools generates annual sales of almost SEK 60 million and is also a distributor for the German manufacturing company Fein on the Swedish market. Fein is a leading brand in electrical hand tools.

## Safety in every step

Wibe Ladders is a leading manufacturer of ladders and scaffolding for trade professionals in the Nordic market. Just as with the other two brands, considerable emphasis is placed on user-oriented product development. It also provides training courses, inspections and surveys to create as safe a working environment as possible for users of Wibe Ladders' products.

"Quality, functionality and safety are key words throughout the process. Wibe Ladders' investment in product development leaves it well-positioned for future success," says Alexander Wennergren Helm.

In 2014, it launched the Compact Mobile Platform, which takes the development of working platforms one step further. The focus is on making the platform safer and easier to transport, climb on and work from compared with traditional platforms.

## Strategic acquisition of Tradeport – high-quality professional footwear

The Swedish company Tradeport was acquired in 2014. The company offers premium safety footwear and workwear. Its range is based on its own brands, Solid Gear, Toe Guard and Dunderdon, which are complemented by Puma safety footwear to be able to offer the best product mix in the market. Tradeport generates sales of almost SEK 70 m and primarily operates in the Swedish market.

"Tradeport is a rapidly expanding manufacturer of safety footwear in Sweden. It has contributed strongly to the development and modernisation of the market. We see excellent opportunities for international expansion with Tradeport's competitive portfolio of products, just as we did with Snickers Workwear," says Alexander Wennergren Helm.

## Sustainable and profitable long-term development

Hultafors Group sees sustainable development as an opportunity to create long-term profitability.

"We want to be associated with accountability and sustainability. That is why we are striving to integrate sustainability-related issues into our daily activities," says Alexander Wennergren Helm.

Hultafors Group's sustainability initiatives range from providing support to suppliers, distributors and end users in their sustainability activities, to being a responsible employer and partner in the community.

Hultafors Group has also decided to allow TÜV Nord to certify its production facilities in accordance with the ISO 9001 standard for quality management and the ISO 14001 standard for environmental management. Snickers Workwears' products are regularly certified in accordance with the Oeko-Tex environmental standard.

## Focus in 2015

"Continued focus on growth. This means growing together with existing distributors and expanding the customer base. Strategic acquisitions and partnerships may also materialise. The brands are well-positioned and this year's extended marketing activities are progressing smoothly. We will also be launching a considerable number of new, innovative concepts and products in 2015. Furthermore, we will see the initial effects of the internationalisation of Solid Gear and Dunderdon. The combination of these actions will allow us to continue to take market share in Europe," Alexander Wennergren Helm claims. ■

STRONG BRANDS

Hultafors | Snickers WORKWEAR | wibe LADDERS | SOLID GEAR | DUNDERDON

RIGHT TOOL FOR EXPANSION. Increased marketing activities in 2014 and continuing product development success helped secure a strong market position for Hultafors Group.

# Latour Industries

### Latour Industries at a glance

Latour Industries consists of a number of operating areas, each with its own business concept and business model. The vision is to develop independent entities within the business area so that they are eventually able to become established as separate business areas within Latour. The common denominator is that the companies have their own products with high technology content and major potential for growth.

### Important events in 2014

- Nord-Lock took the step away from Latour Industries to form a separate business area.
- Visible growth was 7.5 per cent.
- Profitability fell short of the Group's targets for the year, but the year ended substantially better than last year.
- Acquisition of Bastec in Malmö.
- Acquisition of a majority stake in Elvaco in Kungsbacka.
- Disposal of Carstens to an external buyer and Specma Tools, which was acquired by Hultafors Group.

### Target achievement – primary factors

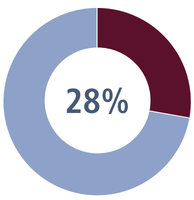
2014 began on a problematic note for several of the operations. Cost-saving measures and a continued focus on attractive products and customer segments, as well as the new companies Elvaco and Bastec, led to an increase in profitability during the year.

### Strategy for profitable expansion

- Broaden the product range, develop our portfolio and remain at the forefront of the product areas in which the business area operates. This will be achieved through investments in product development and strategic acquisitions as well as partnerships.
- Pursue expansion in new markets and markets with low penetration. Expansion will be achieved through acquisitions and existing operations.

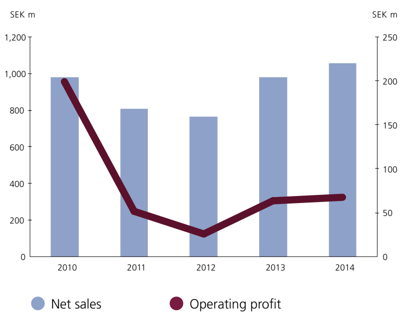
*Björn Lenander, CEO Latour Industries.*

**DEGREE OF INTERNATIONALISATION**

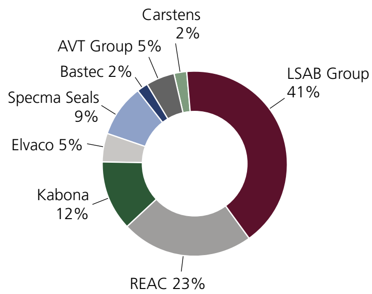



In 2014, sales outside the Nordic countries accounted for 28% of total sales compared with 2013, when the corresponding figure was 23%.

**SALES AND EARNINGS**




**BREAKDOWN OF SALES BY BUSINESS UNIT**

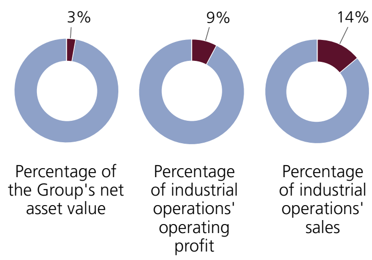



**SALES AND EARNINGS**

| (SEK m) | 2014 | 2013 | 2012 | 2011 | 2010 | Latour's minimum targets |
|---|---|---|---|---|---|---|
| Net sales | 1,055 | 982 | 764 | 806 | 982 | >10% |
| (of which export) | 393 | 329 | 223 | 203 | 456 | |
| Operating profit | 68 | 63[1] | 26[1] | 51 | 200 | |
| Operating capital[2] | 965 | 735 | 634 | 405 | 627 | |
| Operating margin, % | 6.4 | 6.5 | 3.4 | 6.4 | 20.3 | >10 |
| Return on operating capital, % | 8.0 | 9.0 | 6.0 | 13.0 | 45.0 | >20 |
| Investment | 10 | 10 | 17 | 18 | 17 | |
| No. employees | 733 | 642 | 461 | 432 | 457 | |

[1] *After restructuring costs*
[2] *Average*

**PERCENTAGE OF NET ASSET VALUE, OPERATING PROFIT AND SALES**



# "One spin-off and two strategic acquisitions"

Latour Industries is a miniature Latour, identifying and developing healthy and profitable international growth. Holdings should be able to form their own business areas within Latour once they are large enough. Nord-Lock is an excellent example of a company that has made this journey. Two businesses that display good potential for making a similar move in the future were acquired in 2014.

"The companies are Bastec and Elvaco, which have great potential for expansion in the international arena," explains Björn Lenander, CEO of Latour Industries.

Both of the companies have innovative, easy-to-use, energy-saving products for the building automation market. Latour Industries started operating in this niche when it acquired Kabona.

"The products supplied by Bastec, Elvaco and Kabona help reduce energy consumption and operating costs in buildings. They also promote sustainability. There is considerable demand for these products, which is confirmed by recent sales figures," says Björn Lenander.

**Conscientious owner**

The three companies fit like hands in the glove of Latour Industries, which takes a long-term approach to investing and developing healthy companies. Nord-Lock was acquired in 1994 and is one such example of this long-term outlook. Since its acquisition, it has enjoyed strong growth and enhanced profitability. The company was part of Latour Industries until the end of 2013. Since then, the company is reported as a separate business area. The goal is for more of the holdings eventually to make similar journeys. It is a process that takes time and requires systematic development with support from Latour Industries.

"It achieves this through proactive, careful ownership, based on industrial experience that encourages ongoing entrepreneurship," says Björn Lenander.

Latour Industries works systematically to ensure transparency of its operations, and provides support for its management and financial resources to enable continuous expansion.

**Latour Industries' holdings**

*AVT Industriteknik*

AVT Industriteknik develops and manufactures automation solutions for machine servicing, assembly, packaging and leakage control. This offers international opportunities for growth. AVT's offerings range from concepts to fully-operational facilities. Its customers are located all over the world, primarily in the automotive, electric power and heat pump industries.

**"PROACTIVE, CAREFUL OWNERSHIP, BASED ON INDUSTRIAL EXPERIENCE THAT ENCOURAGES ONGOING ENTREPRENEURSHIP."**

*Bastec*

Bastec was acquired in 2014. This expansive Swedish company develops and markets systems for building automation. The company has some 30 employees and sales in excess of SEK 45 m.

Its main product is BAS2, which is primarily used to control and monitor ventilation, heating, cooling and other technical systems in buildings. BAS2 is based on proprietary hardware and software. Sales are mainly conducted through partners that implement customer projects and contracts based on BAS2. Bastec also conducts its own contracts and customer projects in the Malmö region.

Bastec's products are installed in about 4,000 buildings which must comply with stringent requirements for reliability, ease of use and energy efficiency.

BAS2 is currently being installed in the MAX IV research laboratory in Lund, which will be ready for operations in 2016.

"Since day one, our goal has been to supply the market with the most versatile and easiest-to-use systems that also offer the lowest overall cost. Along with Latour Industries, we will continue along the route of developing our partnership network in Sweden. We will also be looking at opportunities for expansion into new markets," says Ulf Löfberg, CEO of Bastec.

*Elvaco*

An 80 percent stake of the shares in Swedish Elvaco was acquired in 2014. The company develops and markets communication equipment and software for the collection, processing and presentation of metrics data in the energy sector. Latour Industries has an option to acquire the remaining 20 per cent in the first quarter of 2017.

Elvaco has its head office in Kungsbacka, employs 20 people and generates more than SEK 70 m per year. The company's products are used primarily in properties to collect metrics data in compliance with the M-Bus EN13757 European standard. Typical customers are utility companies, such as electricity and district heating companies, with metres spread over a wide geographic area, or real estate companies that want to measure the electricity, heating, water and temperature in a property holding.

"The choice of Latour as our new co-owner was a careful and deliberate decision. We see that Latour and its people have the same visions and values, which means we can look to the future with great confidence," says David Vonasek, CEO and co-owner.

"Latour's clear focus on long-term ownership and the experience and knowledge of properties and energy efficiency available in its wholly-owned companies, Swegon and Kabona, create a solid base on which to continue Elvaco's growth."

*Kabona*

Kabona, with its head office in Borås, Sweden, is one of the leading companies in the sales and installation of automated systems for optimising the energy consumption of buildings. By coordinating existing systems in the building and taking its thermal storage capacity, weather forecasts, indoor temperatures and air quality into account, it is possible to raise energy efficiency by 25–50 per cent, thanks to Kabona's Ecopilot system.

"We are seeing a dramatically increasing demand for Ecopilot," says Kjell Carlberg, CEO for Kabona.

*LSAB Group*

LSAB, with its head office in Långshyttan, is one of Europe's largest and most modern company groups in sales and service of wood and metal cutting tools. LSAB operates in the Nordic region, the Baltic countries and Russia. It has 13 grinding stations and its own collection and delivery vehicles. The company is a leading manufacturer of wood-working tools in the Nordic region.

"The market is fragmented, creating opportunities for growth and expansion, mainly via acquisitions," explains Per Vikström, CEO of LSAB Group.

*REAC*

REAC, with its head office in Åmål, develops, manufactures and sells electromechanical actuators and lift systems, primarily to customers in the field of medical rehab where REAC is a subcontractor to several of the major manufacturers of electrical wheelchairs. Most of its customers are located in Scandinavia, Germany, the Netherlands, France, Italy and the USA.

Its manufacturing facilities are located in Åmål in Sweden and in Piotrkow Tribunalsk in Poland.

*Specma Seals*

Specma Seals is a supplier in the area of advanced sealing technology and works primarily with the Swedish processing industry and its subcontractors. The company develops and manufactures efficient sealing solutions, which provide secure installations with long operating times. The company offers its own products in combination with strong, international brands. It also offers its customers the opportunity to attend the Sealing School, Sweden's largest training centre for advanced sealing technology.

**Efficient product development**

Latour Industries aims for its operations to have as high share as possible of own products and direct sales on the international market.

"An efficient and effective product development process is central to the success of this aim. I think that the operations can show this, even if there is obviously scope for improvement here too," Björn Lenander comments.

Several new products were launched by the subsidiaries in 2014. One of them was LSAB's Supreme Hydro Profile, a unique solution that allows the cutting blade to be mounted quickly and simply. It offers huge savings in time when producing small series that involve multiple changes. LSAB has patented the technology, which is expected to bring major benefits to customers' manufacturing processes.

**More than 700 employees**
Latour Industries employs about 700 people. The Group places great emphasis on ensuring access to expertise and good leadership in each of its operations.

Development programmes are conducted at management and employee levels to ensure that the entire organisation develops at the same pace. In addition to general management courses, managers are offered individual training to enhance their skills where most needed, for example in the areas of finance, law and labour law.

Other employees are given training for their current work and as preparation for the future. Many employees would like to advance in the organisation, which requires individual development. A talent management programme has been created to identify these employees and support them in a structured way.

**High quality and sustainability standards**
Latour Industries is comprised of companies whose customers have high standards when it comes to production process and product quality. It is also necessary to take measures to reduce the impact on the environment. Reducing the consumption of energy results in financial savings too.

"Latour Industries' operations work systematically to achieve improvements in these areas," Björn Lenander comments.

**Focus in 2015**
"We are actively on the lookout for potential new acquisitions. Primarily, we are looking for companies that can strategically complement existing holdings by increasing product portfolios and geographic coverage."

"Obviously, we are continuing to develop existing operations, with a focus on product enhancement and international expansion with the aim of increasing revenue. We are also implementing cost-saving measures, primarily in the areas of production and logistics, to ensure a high level of cost efficiency," says Björn Lenander. ■

ENERGY EFFICIENCY A THEME. Elvaco and Bastec were acquired in 2014. They offer innovative, easy-to-use, energy-saving products for the building automation market. Latour Industries started operating in this niche when it acquired Kabona.
Photo: Anders Lindén

# Nord-Lock

## Nord-Lock at a glance

The Nord-Lock Group is a world leader in the market for bolt securing systems. The production is located in North America, Switzerland and Sweden. The company focuses on customers with high quality demands, who would suffer severe consequences if their bolt securing systems failed. Over 90 per cent of the production is exported. Sales are conducted through its own companies and a global network of partners.

## Important events in 2014

- Nord-Lock is reported as a separate business area since the first quarter of 2014. Nord-Lock was previously part of Latour Industries.
- Net sales increased by 16 per cent. Growth in all markets.
- Profitability increased significantly as a result of growth in volumes and the implementation of efficiency programs.
- Production capacity was expanded to meet the strong demand during the year.
- Productivity improvements across the organisation.

## Target achievement – primary factors

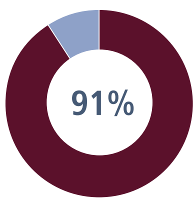
All of the financial targets were met during the year. Sales increased in all markets and profitability improved dramatically, mainly due to volume growth and implemented efficiency programs.

## Strategy for profitable expansion

- Continued focus on innovative product development to consolidate the leading position in the niche market and to minimise the risk of plagiarism.
- Strengthen sales and distribution channels. Nord-Lock aims to have its own sales companies in key markets.
- Further development of capacity and efficiency in production, as well as logistical processes to meet demand in a cost-efficient manner.
- Acquisitions and partnerships may be made to enhance product port-folios.

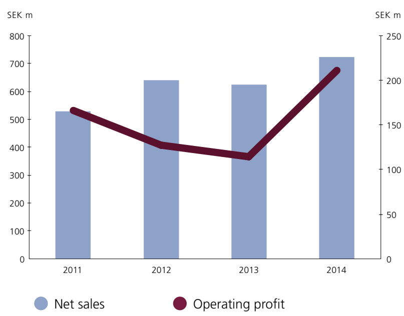
*Ola Ringdahl, CEO Nord-Lock.*

### DEGREE OF INTERNATIONALISATION

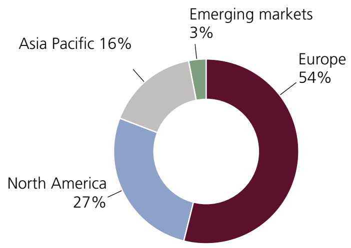



In 2014, sales outside the Nordic countries accounted for 91% of total sales compared with 2013, when the corresponding figure was 90%.

### SALES AND EARNINGS




### BREAKDOWN OF SALES BY BUSINESS UNIT

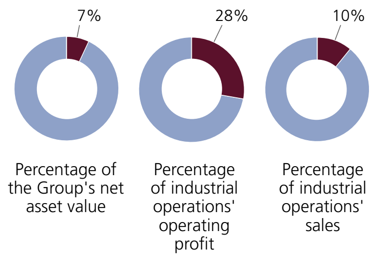



### SALES AND EARNINGS

| (SEK m) | 2014 | 2013 | 2012 | 2011 | 2010 | Latour's minimum targets |
|---|---|---|---|---|---|---|
| Net sales | 722 | 624 | 640 | 530 | – | >10% |
| (of which export) | 689 | 591 | 608 | 469 | – | |
| Operating profit | 211 | 114[1] | 128 | 166 | – | |
| Operating capital[2] | 590 | 527 | 521 | 559 | – | |
| Operating margin, % | 29.3 | 18.3 | 20.0 | 31.4 | – | >10 |
| Return on operating capital, % | 38.0 | 22.0 | 23.0 | 45.0 | – | >20 |
| Investment | 20 | 18 | 15 | 8 | – | |
| No. employees | 367 | 382 | 358 | 345 | – | |

[1] *After restructuring costs*
[2] *Average*

### PERCENTAGE OF NET ASSET VALUE, OPERATING PROFIT AND SALES



# "Dramatic increase in growth and profitability"

Nord-Lock is a world leader in innovative bolt securing systems. The company's unique combination of innovative products and expertise help solve the most complex challenges related to bolted joints. In 2014, the Group became a separate business area in Latour's wholly-owned industrial operations.

"Our mission is to safeguard human lives and our customers' investments by providing safe products for the most demanding applications in the world," says Ola Ringdahl, CEO of Nord-Lock.

**Two top brands**

The Nord-Lock Group consists of two of the world's top brands in their respective product categories: Nord-Lock and Superbolt.

Superbolt Inc. and P&S Vorspannsysteme AG (today Nord-Lock AG) were acquired by Nord-Lock in 2011, thus bringing together two of the world's most innovative and reliable bolt securing technologies.

"The combined expertise of the Group allows us to supply our global customers with an impressive range of safe and cost-efficient solutions for critical applications," says Ola Ringdahl.

**Nord-Lock wedge-locking products**

Nord-Lock wedge-locking products are known worldwide for their ability to secure bolted joints that are subjected to excessive vibrations and dynamic loads. The system will not loosen unintentionally as it creates a wedge effect underneath the bolt head or the nut.

"It's the perfect solution for ensuring that bolted joints do not loosen," says Ola Ringdahl.

Nord-Lock wedge-locking solutions offer numerous advantages. First and foremost, they offer locking reliability and excellent clamping strength. Standardised tests have demonstrated superior results when compared with alternative products in the market. Furthermore, they are quick and easy to assemble and disassemble using standard tools - just to name a few examples of the advantages they offer.

In addition to the wedge-locking washers, the product range also includes wheel nuts, combi bolts and customized solutions.

**Superbolt tensioners**

Patented, Superbolt multi-jackbolt tensioners (MJTs) are manufactured and marketed under the Superbolt brand to replace hex nuts, capsule nuts, screws, etc. An MJT is assembled together with the existing screw or stud bolt and has been designed to eliminate risky and time-consuming bolting methods. The fact that you only need a hand tool to assemble and disassemble Superbolt tensioners of all sizes is one of the many advantages.

**"OUR MISSION IS TO SAFEGUARD HUMAN LIVES AND OUR CUSTOMERS' INVESTMENTS BY PROVIDING SAFE PRODUCTS FOR THE MOST DEMANDING APPLICATIONS IN THE WORLD"**

"Thousands of companies are using our tensioners and are very satisfied. Switching from other bolting methods (like hydraulic torque wrenches and bolt heaters) can save money and increase safety in the workplace. In addition, MJTs ensure better and stronger joints than conventional hex nuts," says Ola Ringdahl.

Multi-jackbolt tensioners (MJTs) offer many advantages compared with other conventional bolting methods. For instance, they are safe and easy to use and require less space than the alternatives. The flexibility of the tensioner and the extreme clamping strength that can be generated also ensure a superior joint.

In addition to the tensioner, the Superbolt range also includes the innovative Expansion Bolts that facilitate operations, increase safety and reduce overall costs.

**Enhanced production capacity**

The Nord-Lock Group has production facilities in Sweden, Switzerland and North America, offering short lead times and high delivery performance. The production capability was enhanced in 2014 to meet growing demand.

"Quality assurance, with rigorous internal controls and full traceability throughout the production process, is extremely important to us," says Ola Ringdahl.

**Safety is the given priority**

Safety is the critical competitive advantage in all customer markets. The prevention of injury and damage is a high priority. The survey of incidents on the Norwegian oil and gas platforms in the North Sea illustrates this. After examining 3,300 cases that were reported between 2008 and 2013, it was found that on average one incident caused by bolt failure occurred every three weeks.

"This was a surprising finding considering the comprehensive safety procedures for inspections of tensioners and the amount of resources allocated to this work. Our wedge-locking products would help to reduce this problem," comments Ola Ringdahl.

This is confirmed indirectly by the fact that Nord-Lock wedge-locking products are the only ones to have been certified by both DNV (Det Norske Veritas) and ABS (American Bureau of Shipping).

The Group has also received accreditation from AbP, DIBt, TÜV and other third party certification companies.

**Knowledge and comprehensive service**

In addition to products, customers are

also offered knowledge and service via Nord-Lock Performance Services.

"We provide customers with support during the design phase, by conducting joint simulations and tests. We also offer tools to ensure the long-term success of the solutions, for example, with on-site support and online training. This way, we can be sure that our customers recoup the cost of our bolting solutions many times over," says Ola Ringdahl.

### International expansion

Nord-Lock has 18 sales companies worldwide and is represented in more than 50 countries through distributors and resellers. Export markets account for over 90 per cent of sales.

Nord-Lock reported 16 per cent growth in 2014. All markets and product lines exhibited growth. Continued investment in sales force expansion in Asia Pacific helped to increase sales by an impressive 38 per cent in the region during the year. However, Europe remains the largest market with almost SEK 395 million in sales, compared with SEK 198 million for North America and SEK 114 million for Asia Pacific.

"Our aim is to continue with geographic expansion in key industrial markets, with a focus on Asia, over the coming years," says Ola Ringdahl.

### Forefront of product development

The Nord-Lock Group considers it highly important to underpin its leading position through effective innovation and product development. This has led to a number of successful launches.

"One example is the development of the X-series, a new generation of locking washers, that was introduced in 2012 and has been very well received in the market," says Ola Ringdahl.

Initiatives for enhancing the product portfolio continued in 2014.

Nord-Lock has an efficient system in place to prevent plagiarism of its products.

"We've had great success in acting against counterfeit products this year. This ultimately benefits the customer as the safety and economic risks associated with using imitation products can be incalculable – considering what accidents might occur on an oil rig, for example, if the fastening devices are not up to standard," says Ola Ringdahl.

### 370 employees

Nord-Lock has some 370 employees around the globe. The Group works systematically to make sure it has access to competent and motivated employees. Its workplace health and safety practices are integrated into everyday operations and development activities, and are aimed at promoting job satisfaction and teamwork, whilst increasing employee commitment and motivation.

### Focus in 2015

"The focus will be on continued innovation, product quality improvements and increasing efficiency in production, logistics and sales. We will also continue to build strong relationships with global and regional customers. This will lead to organic growth in all markets. We will also evaluate potential acquisitions or partnerships to enhance our Secure Bolting Solutions portfolio," says Ola Ringdahl. ■

FACTS

**CUSTOMERS IN ALL THE MAJOR INDUSTRIES AROUND THE WORLD**

- Construction & Bridge Building
- Forestry and Agriculture
- Forging & Other Presses
- Machine Building
- Manufacturing & Processing
- Mining & Quarrying
- Oil & Gas
- Power Generation / Energy
- Railway
- Shipbuilding & Marine
- Steel
- Transportation

EXTREME REQUIREMENTS. The height, risk of corrosion and the constant threat of earthquakes made Nord-Lock the obvious choice for the Tokyo Skytree construction project. Nord-Lock wedge-locking products are known worldwide for their ability to secure bolted joints that are subjected to excessive vibrations and dynamic loads.

# Specma Group

### Specma Group at a glance

Specma Group is an industry leader and Nordic player with an international presence in application-customised systems and components for hydraulics. The business is divided into a Global Division that serves major international OEM customers, and a Nordic Division that serves smaller OEM customers, offers the industry an MRO (Maintenance, Repair & Operations) concept and serves the after-sales market in the Nordic region.

### Important events in 2014

- Net sales increased by 7.4 per cent.
- The operating margin increased to 3.2 per cent adjusted for restructuring costs.
- Ongoing initiatives to create a focused and more efficient organisation.

### Target achievement – primary factors

Specma Group has still not met Latour's profitability targets. There are several reasons for this. One is the relatively weak market and another is that the business area is in the final stages of a major restructuring programme, which has been under way since 2012 and the non-recurring costs associated with this. Specma Group anticipates an increase in sales and profitability over the coming years as a result of measures already taken and those planned.

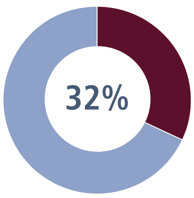
### Strategy to meet targets

Sales and profitability will be improved through:

- Cost adjustment to the market situation of each business segment, by means of increased productivity per location, continued transfer of production to lower-cost countries and intensified strategic purchasing.
- Introduction of a new, tiered pricing model, and focused marketing initiatives mainly in the Nordic Division.
- Continuous optimisation of its current product range.
- Development of system solutions for complex applications in demanding environments.
- Attractive offerings for the after-sales market.
- Growth in existing markets in the Nordic countries and expansion via the entities in Poland and China.

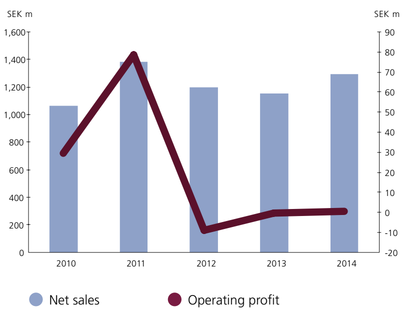
*Bo Jägnefält, CEO Specma Group.*

### DEGREE OF INTERNATIONALISATION

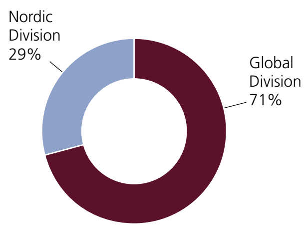



In 2014, sales outside the Nordic countries accounted for 32% of total sales compared with 2013, when the corresponding figure was 26%.

### SALES AND EARNINGS




### BREAKDOWN OF SALES BY DIVISION

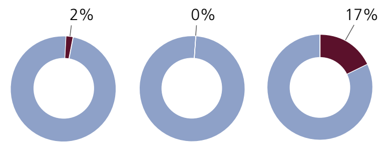



### SALES AND EARNINGS

| (SEK m) | 2014 | 2013 | 2012 | 2011 | 2010 | Latour's minimum targets |
|---|---|---|---|---|---|---|
| Net sales | 1,294 | 1,152 | 1,198 | 1,381 | 1,065 | >10% |
| (of which export) | 556 | 449 | 417 | 444 | 343 | |
| Operating profit | 1[1] | 0[1] | –9[1] | 79 | 29 | |
| Operating capital[2] | 589 | 580 | 565 | 656 | 509 | |
| Operating margin, % | 0.1 | 0.0 | -0.7 | 5.7 | 2.7 | >10 |
| Return on operating capital, % | 0.0 | 0.0 | -2.0 | 14.0 | 6.0 | >20 |
| Investment | 18 | 16 | 18 | 23 | 13 | |
| No. employees | 760 | 731 | 742 | 692 | 600 | |

*[1] After restructuring costs*
*[2] Average*

### PERCENTAGE OF NET ASSET VALUE, OPERATING PROFIT AND SALES



# "Restructuring for improved performance in the future"

In 2014, Specma Group consolidated its strong position in the hydraulics market in the Nordic region. A programme of restructuring and efficiency improvement measures has also been running throughout the year. This has laid the foundation for improved sales and profitability in 2015 when the market is expected to rise from a relatively low level.

"We are seeing a positive trend but there is still some way to go before we reach the desired level of sustainable profitability. We will therefore be maintaining our programme of improvement initiatives at the same pace in the future as well," says Bo Jägnefält, CEO of Specma Group.

These measures are necessary considering the tough market situation in recent years and following the economic and political crises in Europe. It's a situation that has led to lower volumes and downward pressure on prices.

**The measures are starting to show results**

It was therefore decided in the autumn of 2012 to begin a restructuring plan. This was implemented in 2013 and continued throughout most of 2014. It entails a greater focus on purchasing and price differentiation and higher productivity in the remaining production entities after restructuring was completed.

In 2014, a careful analysis of the Group's inventory was carried out, with the result that its value was written down by SEK 37 million. In addition, other restructuring activities contributed to a total of SEK 4 million in non-recurring costs. The sum of these non-recurring costs, SEK 41 million, was charged to the income statement for the year.

"The efficiency improvements have enabled us to free up resources that can be used to create more value that our customers are willing to pay for. It means we will be better able to maintain a stable position despite the current pressure on prices," says Bo Jägnefält.

**"THE EFFICIENCY IMPROVEMENTS HAVE ENABLED US TO FREE UP RESOURCES THAT CAN BE USED TO CREATE MORE OF THE BENEFITS THAT OUR CUSTOMERS WANT TO PAY FOR."**

**Strong position in the Nordic region**

Specma Group holds a strong position in the hydraulics market in the Nordic countries and has a definite presence in Poland and China. The Group also has production facilities in Brazil and the United States.

Sweden and Finland still account for its largest sales volumes. Future growth is predicted to occur mainly in the Nordic region, Poland and China.

Customers have high expectations in terms of technical expertise and innovation and they demand attractive offerings for the after-sales market.

"This means that we have to be extremely versatile and provide efficient and effective logistics solutions," Bo Jägnefält remarks.

For instance, it calls for local support during assembly and construction.

"That's why we offer global availability and have strategically-located production resources close to our customers."

**Customers in major industries**

Specma Group provides complete offerings of components and systems for customers with demanding applications. It customers primarily operate internationally in the following industries:

- Vehicles and transportation
- Construction equipment
- Forest industry
- Materials management
- Mining
- Marine industry
- Processing industry
- Industrial machinery
- Energy

The fact that Specma Group is an independent supplier, unlike many of its competitors, is a significant advantage. The Group's long experience of classification, conformity to industry standards and extensive in-house testing capabilities are further examples of its competitive advantage.

**Operations in two divisions**

The operations are conducted in two divisions; Global Division and Nordic Division.

*Global Division*

Global Division offers a complete range of hydraulic products, conveyance components and central lubrication systems.

Its customers are mainly international original equipment manufacturers of products linked to mobile, industrial and marine applications. They include manufacturers of trucks, forklift trucks, construction equipment, buses, military vehicles, and forestry and agricultural machinery. ABB, BAE-Systems, Kalmar, Komatsu, McGregor, Rolls Royce, Scania, Volvo and Valtra are among its customers.

"Our aim is to be the number one choice for customers with a strong base in the Nordic countries and who need an independent global partner."

This means that Specma Group follows its major international customers out into the world to where they have their manufacturing facilities.

"Our strategically located entities in China, the United States, Brazil and Poland are examples of this," says Bo Jägnefält.

*Nordic Division*
Nordic Division serves Nordic OEMs, the Nordic after-sales market for hydraulic components and systems and MRO customers with hydraulic and pneumatic components and systems.
"We offer a broad product portfolio and the highest level of expertise and service."

OEM's customers have access to project engineers within a support organisation and technical support that delivers the best possible benefit to its customers.

The after-sales market is served by more than 120 independent hydraulics workshops, under the names of Specma Service Center and Specma Technology Center.

"This makes us one of the industry's largest hydraulic & fluid conveyance service companies," says Bo Jägnefält.

**More efficient purchasing and production**

Specma Group produces and assembles hydraulic systems and conveyance components. Purchases have been concentrated among a smaller number of players and a larger amount is moving towards lower-cost countries. The measures will lead to enhanced efficiency and lower costs and Specma Group will come closer to the customers' local production units internationally.

"It allows us to cut lead times and costs, yet maintain high levels of quality and service. The relocation of more production operations to Poland and China this year is completely in line with this ambition," says Bo Jägnefält.

Specma Group has a close relationship with specialised and global leading manufacturers of hydraulic components, which is of benefit to both product development and production. Supplier assessments are conducted regularly. The Group also operates unique in-house testing activities in compliance with the applicable ISO standards.

To ensure that Specma Group has the right skills in its organisation, it works systematically to attract and retain talent, offers employees opportunities to develop their skills and regularly undertakes initiatives that promote well-being, health and a positive workplace environment.

**ISO standard certification**

Specma Group's operations have been awarded ISO 9001, ISO 14001 and ISO/TS 16949 quality and environmental management system certification. The quality management system includes individual products and entire systems, viewed from the perspectives of operation, reliability, life span and delivery performance.

**Accountable operations**

Specma Group's cornerstones with regard to accountability to customers, employees, suppliers, business partners and other stakeholders in the community are summarised in Specma CSR (Corporate Social Responsibility). This is available for viewing on the company's website, specma.com.

Specma Group's operations, products and systems should have as little impact on the environment and health as possible. Specma Group's environmental management system covers every step of the process from the extraction of raw materials to final destruction and recycling.

An important part of the work to reduce environmental impact is to lengthen the life cycle of the company's hydraulics systems.

"This yields both economic and environmental gains for users and benefits the environment in general. The interval between the oil changes can be significantly extended by using the latest technology to clean hydraulic oil."

In addition to reducing the use of hydraulic oil while maintaining lubrication properties this also reduces the wear on hoses and sealings. This, in turn, reduces the risk for hose ruptures, breakdowns and oil leakage.

**Focus in 2015**

"We are continuing to work with cost-saving and growth-promoting measures. We believe there are opportunities for acquisitions particularly in the Nordic Division. We are anticipating an increase in sales and profitability in 2015 as a result of measures already taken and those planned," Bo Jägnefält states. ■

DYNAMIC MEASURES. In 2013 and 2014, Specma Group implemented an extensive programme of measures aimed at enhancing efficiencies across all areas of its operations. This is expected to result in increased sales and profitability in 2015.

# Swegon

## Swegon at a glance

Swegon supplies the market with products and efficient system solutions that promote a healthy indoor climate and contribute to lower life-cycle costs for all types of buildings. Swegon conducts its sales and marketing activities through the Group's sales companies in 20 countries and through distributors to other markets. The company's production facilities are located in Asia, Europe and North America.

## Important events in 2014

- Volatile demand in a late cycle market that showed gradual recovery during the year.
- Net sales increased including acquisitions by 9 per cent and the operating margin was 9.4 per cent despite the underlying weakness of the market.
- Ongoing offensive strategies to build a platform for growth and increase market share in Europe.
- Four strategic acquisitions in Belgium, Canada/USA, Germany and Sweden. Acquisitions account for 14 per cent of the annual growth.
- Launch of a considerable number of new features and updates to products.
- New organisational structure based on business areas launched in January 2014.

## Target achievement – primary factors

The increase in net sales by 9 per cent was close to Latour's overall target. Organic growth was negative, however, due to a late cycle market with volatile demand in most of the markets.

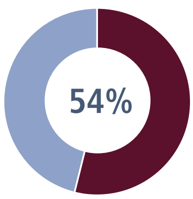
The profit margin and profitability were impacted by low volumes in the factories in the first six months. However, thanks to a much stronger second half, a satisfactory performance was achieved for the year as a whole.

## Strategy for profitable expansion

- Differentiation through leading system solutions.
- Defend its leading position in the domestic Nordic markets.
- Consolidate its position in key European markets.
- Create platforms for future growth in expanding geographic markets and customer segments. Expansion will be achieved through acquisitions and the development of existing operations.

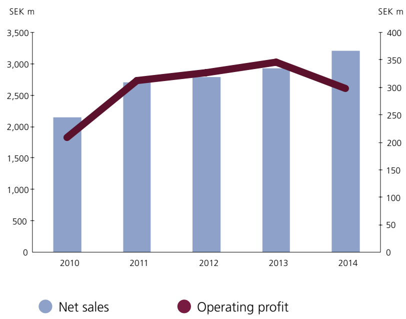
*Hannu Saastamoinen, CEO Swegon.*

### DEGREE OF INTERNATIONALISATION

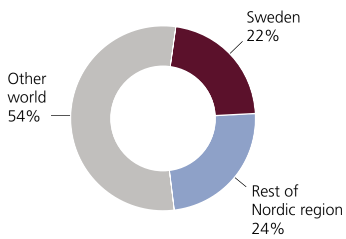



In 2014, sales outside the Nordic countries accounted for 54% of total sales compared with 2013, when the corresponding figure was 48%.

### SALES AND EARNINGS




### BREAKDOWN OF SALES BY MARKET

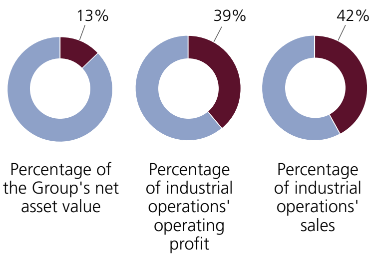



### SALES AND EARNINGS

| (SEK m) | 2014 | 2013 | 2012 | 2011 | 2010 | Latour's minimum targets |
|---|---|---|---|---|---|---|
| Net sales | 3,209 | 2,936 | 2,785 | 2,706 | 2,153 | >10% |
| (of which export) | 2,498 | 2,152 | 2,010 | 1,940 | 1,497 | |
| Operating profit | 298 | 346 | 326[1] | 312 | 208 | |
| Operating capital[2] | 2,363 | 1,177 | 987 | 1,095 | 1,042 | |
| Operating margin, % | 9.3 | 11.8 | 11.7 | 11.5 | 9.7 | >10 |
| Return on operating capital, % | 17.0 | 30.0 | 30.0 | 27.0 | 27.0 | >20 |
| Investment | 65 | 56 | 34 | 71 | 47 | |
| No. employees | 1,674 | 1,461 | 1,340 | 1,288 | 1,242 | |

[1] *After restructuring costs*
[2] *Average*

### PERCENTAGE OF NET ASSET VALUE, OPERATING PROFIT AND SALES



# "The foundations have been laid for the next phase of growth"

In 2014, Swegon laid the foundation for its future expansion with a new organisational structure and four complementary acquisitions that consolidate the leading position that Swegon already enjoys. It also launched new, efficient indoor climate solutions that enhance everyday life for many people.

"Swegon's aim is to be "The Indoor Climate Company". What we offer is neither seen or heard. Yet we successfully create an environment that promotes well-being and comfort. It is what has brought us this far today and drives us to accomplish even more," says Hannu Saastamoinen, CEO of Swegon.

Swegon aims to be a company that focuses on the user rather than solely on the technology. It has a new organisational structure that is divided into four business areas – Home Solutions, Commercial Ventilation, Cooling and North America – with a distinct focus on the customer in every respect.

"Even though Swegon creates internationally cutting-edge technology, it is always centred on the needs and perspectives of the property owners and the users. Our new structure makes this even more discernible."

Now that Swegon is about to take the next step, it might be interesting first to look back at its history. The company has performed strongly. Its sales have increased from SEK 1.2 billion in 2005 to SEK 3.2 billion in 2014. At the same time, it has had an average operating margin of 11 per cent each year.

"We will be proving in the years ahead that we still have more to give!" says Hannu Saastamoinen.

## Good indoor climate higher on the agenda

Interest in a good indoor climate has grown dramatically in the past few years. There are sound reasons for this.

"If indoor temperatures deviate from the optimal level, the operating efficiency decreases significantly. The risk of injury increases too," says Hannu Saastamoinen.

It is well known that poor air quality causes ill health in the form of fatigue, allergies and illness.

"We breathe in about 30,000 litres of air every day in schools, workplaces and at home. Obviously, it will have an adverse effect on us if it is not top quality. It comes at a price for the individual and for society too. This is something that we want to change," says Hannu Saastamoinen.

## Major energy savings

Efficient indoor climate systems also help to reduce energy consumption and environmental pollution, which naturally benefits property owners and society in general.

**"OUR FOCUS IS INCREASINGLY TURNING TO THE CREATION OF SYSTEM CONCEPTS THAT ARE SIMPLE TO INSTALL AND OPERATE AND WHICH WORK BEST IN DIFFERENT ENVIRONMENTS."**

"Properties account for 40 per cent of the annual energy consumption in Europe, which far exceeds the energy consumption of cars," says Hannu Saastamoinen.

Swegon sees huge potential here for helping the environment and the economy in the long run.

"In the very first year of using Swegon's products, the energy savings are significantly higher than the total environmental impact from production and transportation. Each year of operation after that leads to considerable environmental savings."

These can be translated into economic gains, which the property owners welcome.

"Our products and systems have very attractive payback times," says Hannu Saastamoinen.

## Focus on system concepts

The product portfolio contains industry-leading air handling units, water and air borne climate systems, chillers and heat pumps, flow control and acoustics products for all kinds of buildings.

"Our focus is increasingly turning to the creation of system concepts that are simple to design, install and operate and which work best in different environments. WISE Apartment Solution, which was nominated for the Big Indoor Climate Award in the spring, is one successful example of this," says Hannu Saastamoinen.

Swegon has received the Big Indoor Climate Award twice before, in 2007 and 2011.

## Linked to the business cycle of the construction industry

Sales gradually improved throughout 2014 as a result of Swegon's intense sales activities and a general increase in demand.

Swegon's market is generally linked to trends in the construction industry, which is usually defined as late cycle. This means that the ups and downs in demand occur slightly later than in the national economy as a whole. In general, however, indoor climate solutions have experienced a slightly higher rate of growth than the construction industry.

"One key factor here is the urgent need to upgrade to high-quality ventilation systems in renovation projects, which is taking place in parallel with new builds," says Hannu Saastamoinen.

## Strategic acquisitions in 2014

Swegon is continuing to expand its

geographic footprint at a high pace. This is partly due to the global wave of urbanisation and because there is increasing demand for good indoor climate from the growing middle class in the world's emerging countries. At the same time, there is a need of renovation in the relatively mature European markets.

"At the beginning of 2015, 54 per cent of the company's sales were generated outside of the Nordic countries," says Hannu Saastamoinen.

The increased degree of consolidation which characterises the industry, is expected to continue over the coming years. Swegon made three international acquisitions in the year thus strengthening its base for further expansion: Canadian Vibro-Acoustics®, German Econdition and a 90 per cent stake in Belgian P. Lemmens.

It also acquired the Swedish company, Luftmiljö AB, with production facilities in Lidköping. The company manufactures proprietary air handling units for residential buildings with integrated control equipment for air flows. It has annual sales of SEK 15 m and 14 employees.

**Steps firmly into the North American market via Vibro-Acoustics®**

Vibro-Acoustics® is a leading manufacturer of HVAC noise and vibration control products in North America.

Vibro-Acoustics® was established in 1960 and its head office is in Toronto, Canada. In addition to Toronto, Vibro-Acoustics® has manufacturing facilities in Nashville and Reno. The company has about 167 employees and generated sales of approximately SEK 170 m in 2013.

"The North American market for indoor climate products in buildings is huge and we have only had a limited presence there to date. We are delighted to be expanding our business together with Vibro-Acoustics®, which is an efficiently-managed company with a long and successful history. Moreover, its strong focus on delivering high-quality system solutions matches Swegon's marketing approach extremely well," says Hannu Saastamoinen.

**Enhanced position in cooling systems for data centres via Econdition**

Econdition is a leading supplier of cooling systems and service for data centres and industrial applications. The company's head office is located in Munich. It employs 40 staff and reported sales of approximately SEK 130 m in 2013.

The acquisition of Econdition is in line with Swegon's strategy to expand its presence in the German market and will increase Swegon's cooling systems sales, especially in the growing segment of data centre cooling.

**Acquisition of P. Lemmens gives lead in compact air handling units**

P. Lemmens, a leading manufacturer of air handling units in Belgium, with around 60 employees, reported a turnover of SEK 240 million in 2013.

Its largest product area is compact air handling units with built-in controls. The product range also includes fans, air curtains and products for heat recovery.

Through the acquisition of P. Lemmens, Swegon becomes Europe's leading manufacturer of compact air handling units.

### Product development with the customer and user in the centre

A series of new products was introduced and was well received in the market in 2014. One of the products was Silver C, which is built on the same platform as the best-selling GOLD but has no integrated control equipment. Silver C completes Swegon's product portfolio and ensures maximum freedom of choice in the construction process.

It conducts development activities in its own laboratories using state-of-the-art methods. Its laboratories also conduct customer-specific projects in the form of so-called full-scale tests.

"Our focus is always on property owners and users. That is why we are increasingly heading towards clear system concepts based on their specific needs," says Hannu Saastamoinen.

### Production in 11 facilities

Swegon's development and manufacturing operations are carried out at eleven facilities in Sweden, Finland, Italy, India, Belgium and North America.

"Production is highly automated and is divided into different product areas for each factory," says Hannu Saastamoinen.

High quality standards are maintained in Swegon's production processes. Swegon's operations are certified under the ISO 9001 standard for quality management. Moreover, the company's GOLD air conditioning unit, cooling and climate baffles and chillers are all certified under the Eurovent "Certify All" programme, which is a further guarantee that the products and production processes all meet the highest quality standards.

### Stimulating work environment

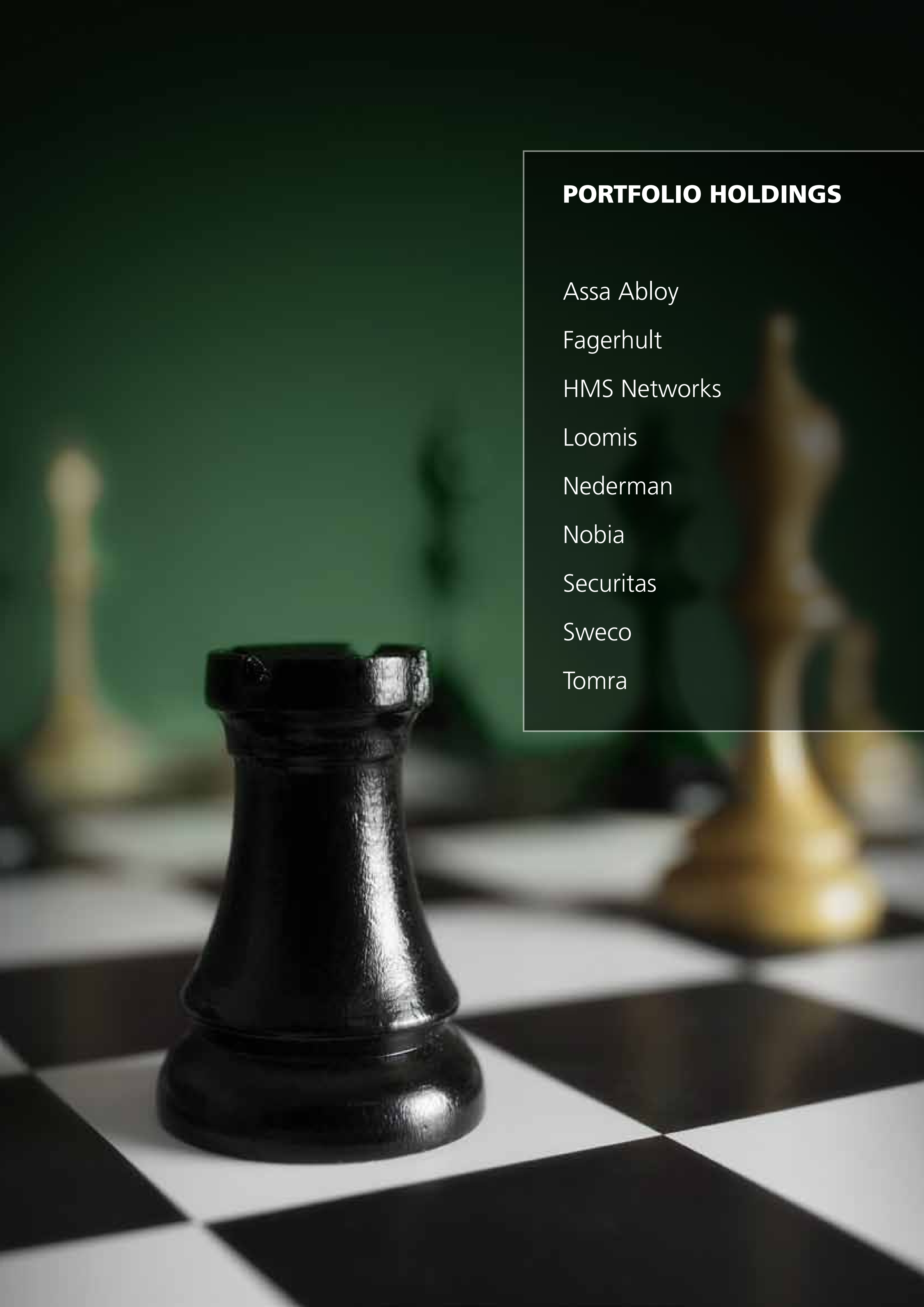
At the end of 2014, Swegon had about 1,800 employees. The company works conscientiously to create a good, stimulating workplace environment and ensure that relevant expertise is available. One of the ways the company does this is through regular courses for its employees at the Swegon School of Indoor Climate. As well as providing internal development opportunities, Swegon runs the Swegon Air Academy, which is an independent knowledge platform for indoor climate.

### Focus in 2015

"During the year, we have been working on building the company's structure and creating a stable platform for growth. With this in place, Swegon is now ready to continue increasing market share in its existing markets and to expand through successful investments both geographically and in product development. This will be performed with a high level of efficiency that will promote profitability," says Hannu Saastamoinen. ■

BUILT ON A SOLID FOUNDATION. In 2014, Swegon created a stable platform that will enable it to continue increasing market share in its existing markets and to expand internationally with a customer and user-oriented perspective with regard to both product development and marketing.

"THE PORTFOLIO COMPANIES' OPERATIONS ARE DEVELOPING STRONGLY ON THE WHOLE. THIS IS REFLECTED IN THE SHARE GROWTH AND TOTAL RETURN, WHICH HAVE BEEN STRONGER THAN THAT OF THE STOCKHOLM STOCK EXCHANGE AS A WHOLE THIS YEAR TOO."



## PORTFOLIO HOLDINGS

Assa Abloy

Fagerhult

HMS Networks

Loomis

Nederman

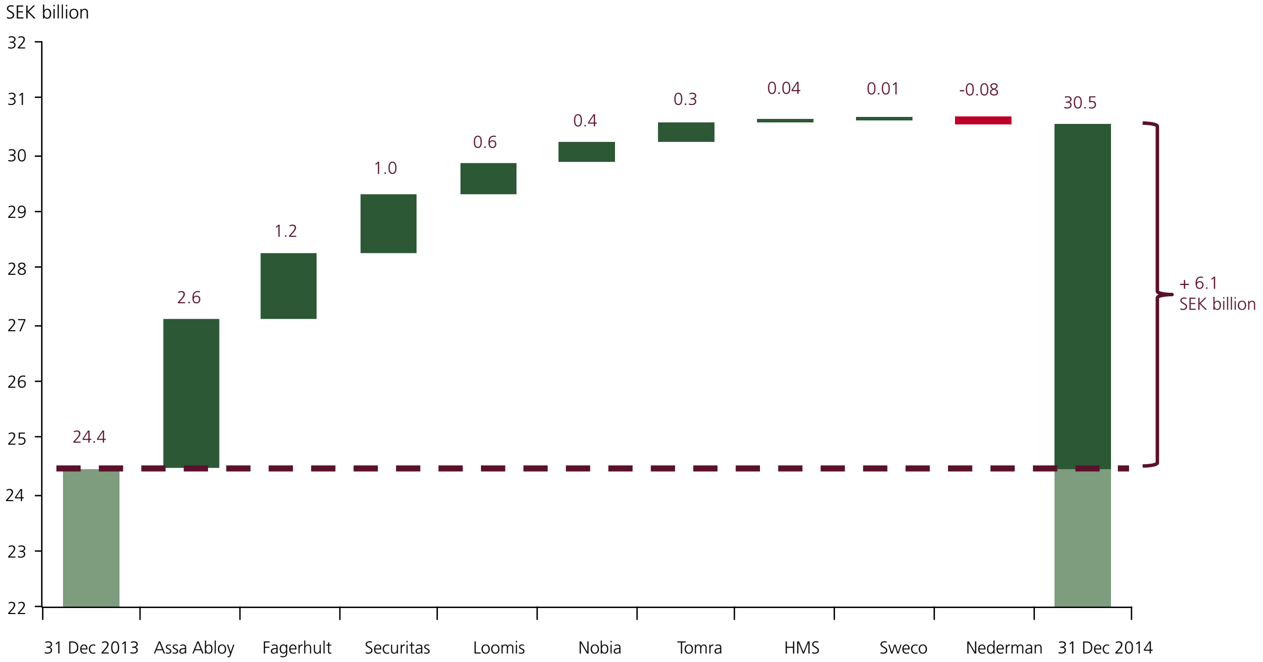
Nobia

Securitas

Sweco

Tomra

## MAJOR INCREASES IN PORTFOLIO VALUE




Movements in investment portfolio values for 2014 (SEK billion). These figures do not include dividend payments. This also includes acquired cost of more than SEK 300 m.

# Active principal owner in nine companies
## – portfolio worth more than SEK 30 billion

Latour's investment portfolio consists of nine companies where Latour is the principal owner or one of the principal owners and where Latour controls at least 10 per cent of the votes. The work is goal-oriented with low central management costs.

### More than SEK 30 billion in market value

The market value of Latour's holdings at the end of 2014 was SEK 30.5 billion.

### Total return of 26.4 per cent

The return on the investment portfolio was 26.4 per cent in 2014, adjusted for dividends. This can be compared with 15.8 per cent for NASDAQ OMX Stockholm (SIX Return Index).

### Profit amounts to more than 1 billion

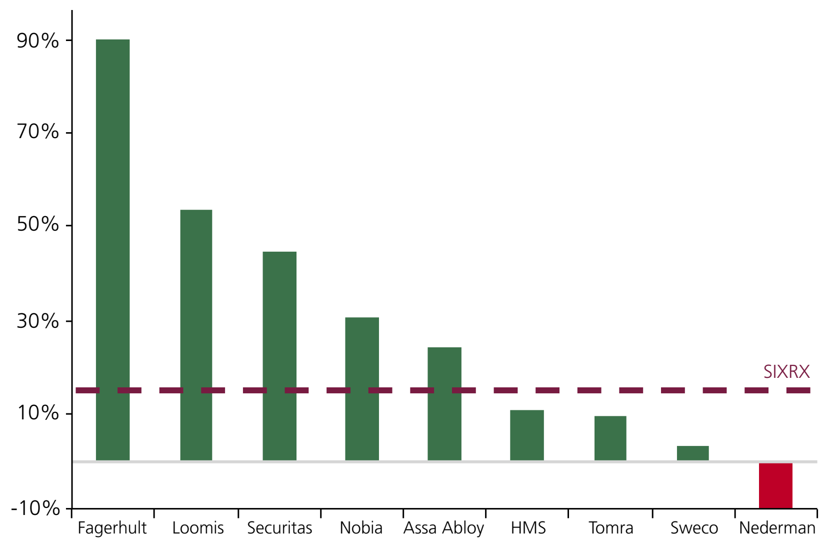
Income from portfolio management in 2014 totalled SEK 1,368 m (1,089).

### Record level dividends

The dividends from the investment portfolio companies in the spring of 2015 are expected to total SEK 688 m, in accordance with the proposals of each respective board. This means an increase of SEK 82 m.

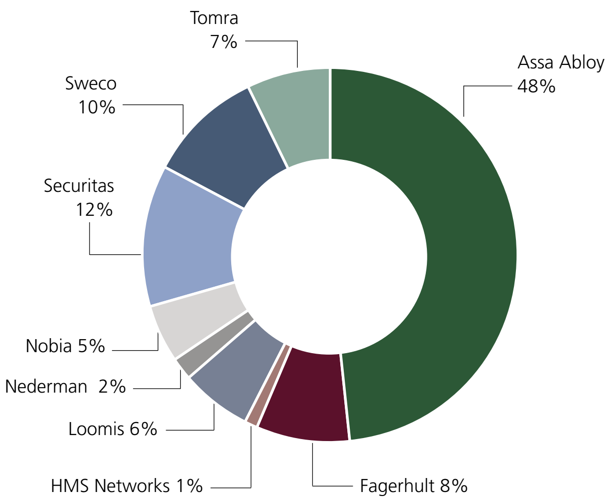
### Increased ownership in Tomra

The shareholding in Tomra increased to 24.7 per cent in 2014. ■

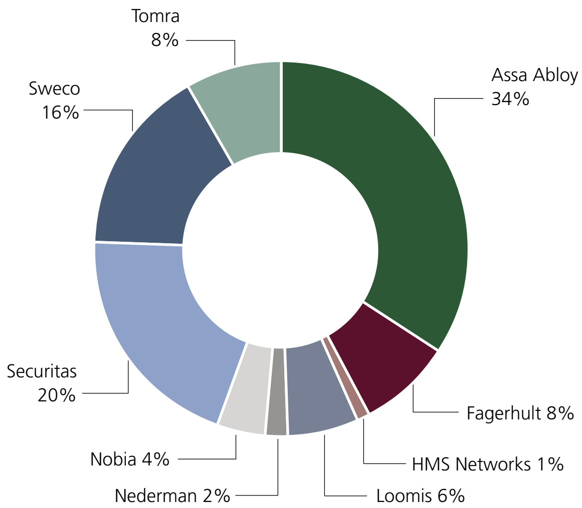



The total return, including share price growth and dividend, for each portfolio company compared with the SIXRX comparison index in 2014.

## BREAKDOWN OF INVESTMENT PORTFOLIO'S VALUE




## PERCENTAGE OF RECEIVED DIVIDENDS




### INVESTMENT PORTFOLIO

| Share | Number | Market value[1] SEK m | Listed price[1] SEK | Cost SEK m | Dividend[7] SEK m | Share of votes % | Share of equity % |
|---|---|---|---|---|---|---|---|
| Assa Abloy[2)3)] | 35,165,243 | 14,587 | 415 | 1,697 | 201 | 29.5 | 9.5 |
| Fagerhult[3)4)] | 18,620,400 | 2,566 | 138 | 571 | 45 | 49.0 | 49.2 |
| HMS Networks[3)] | 3,027,322 | 451 | 149 | 250 | 7 | 26.7 | 26.7 |
| Loomis[2)3)] | 7,538,328 | 1,704 | 226 | 108 | 38 | 28.6 | 10.0 |
| Nederman[3)] | 3,512,829 | 588 | 168 | 306 | 14 | 30.1 | 30.1 |
| Nobia | 23,100,000 | 1,605 | 70 | 469 | 23 | 13.8 | 13.8 |
| Securitas[2)3)] | 39,732,600 | 3,751 | 94 | 1,081 | 119 | 29.6 | 10.9 |
| Sweco[2)3)] | 28,997,760 | 3,074 | 106 | 152[5)] | 94 | 22.9 | 32.0 |
| Tomra[3)6)] | 36,560,000 | 2,211 | 60 (NOK) | 1,795 | 53 | 24.7 | 24.7 |
| **Total** | | **30,537** | | **6,429** | **594** | | |

1) Latest market price paid.
2) The shareholdings in Assa Abloy, Loomis, Securitas and Sweco consist of class A and class B shares. Due to limited trading in class A shares in Sweco, and the fact that the other three companies' class A shares are unlisted, the shares are reported together and have been given the same listed price.
3) Reported as associated companies in the balance sheet.
4) At the end of December 2014, 90,000 shares were on loan and are thus not included in Latour's share of votes.
5) The cost of the class B shares in the Group are SEK 34 m higher than in the parent company through the use of a call option.
6) SEK according to the annual accounts exchange rate of 1.052.
7) Dividend received in 2014, SEK 606 m including dividend from Academic Work.

### NET CHANGE IN LATOUR'S INVESTMENT PORTFOLIO IN 2014

| Share | Number 1 Jan 2014 | Purchase | Sale | Number 31 Dec 2014 |
|---|---|---|---|---|
| Tomra | 31,320,000 | 5,240,000 | | 36,560,000 |

# Assa Abloy

Assa Abloy is a world-leading manufacturer and supplier of intelligent lock and door opening solutions, meeting tough end-user demands for security, safety and convenience. The company's products are found in every tenth lock in the world.

Assa Abloy is represented all over the world, in both emerging and mature markets. The company has leading positions in most of Europe, North America, Asia, Australia and New Zealand.

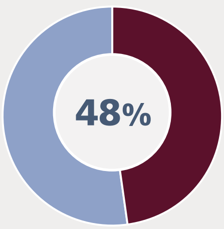
Since Assa Abloy was founded in 1994, it has grown from a regional company into an international Group with approximately 44,000 employees and sales of SEK 56.8 billion in 2014.

**2014 IN SUMMARY**

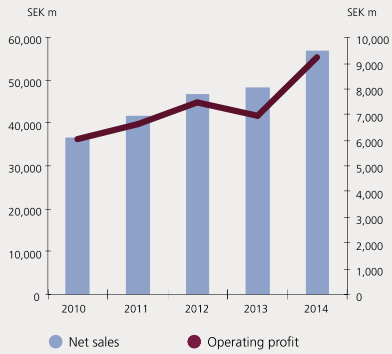
Assa Abloy's operating profit for 2014 rose 17 per cent, despite a challenging market. Net sales increased by 17 per cent. Organic growth was 3 per cent. The operating cash flow continued to be strong. The company continued its high level of acquisition activity. It entered into agreements for 20 acquisitions, with aggregate annual sales of SEK 4.2 billion, corresponding to 9 per cent of future growth.

**37%** PERCENTAGE OF LATOUR'S TOTAL NET ASSET VALUE

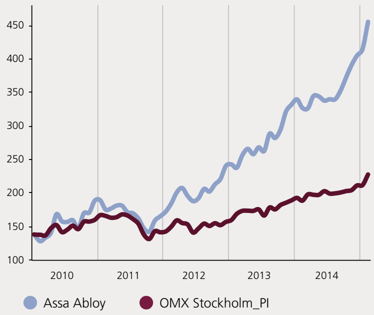
**PERCENTAGE OF LATOUR'S PORTFOLIO OF LISTED SHARES**




**SALES AND EARNINGS**




**SHARE PRICE GROWTH ASSA ABLOY**




**KEY RATIOS ASSA ABLOY**

| | Full year 2014 | Full year 2013 |
|---|---|---|
| Net sales, SEK m | 56,843 | 48,481 |
| Operating profit, SEK m[1] | 9,257 | 7,923 |
| Operating margin, %[1] | 16.3 | 16.3 |
| Profit after net financial items, SEK m[1] | 8,698 | 7,381 |
| Earnings per share, SEK[1] | 17.38 | 14.84 |
| Equity ratio, % | 45.1 | 43.8 |
| Dividend per share, SEK[2] | 6.50 | 5.70 |
| Equity per share, SEK | 97.49 | 77.83 |
| Market value as at 31 December, SEK m | 153,583 | 126,018 |

[1] Adjusted for items impacting comparability.
[2] Proposed dividend for 2014.

**KEY RATIOS FOR MEASUREMENT AND RISK[3]**

| | |
|---|---|
| EV/sales | 3.6 |
| EV/EBIT | 21.8 |
| P/E ratio | 27.8 |
| Net debt/EBIT | 2.4 |

[3] Based on last price paid 18 Feb 2015.

**LARGEST OWNERS ON 31 DECEMBER 2014**

| | A | B | Holding Total | Holding % of shares | % of votes |
|---|---|---|---|---|---|
| Investment AB Latour | 13,865,243 | 21,300,000 | 35,165,243 | 9.5 | 29.5 |
| Melker Schörling AB | 5,310,080 | 9,222,136 | 14,532,216 | 3.9 | 11.5 |
| Capital Group funds | | 29,408,393 | 29,408,393 | 7.9 | 5.4 |
| Swedbank Robur Funds | | 12,790,158 | 12,790,158 | 3.4 | 2.4 |
| Norges Bank | | 12,232,222 | 12,232,222 | 3.3 | 2.3 |
| Alecta | | 7,349,000 | 7,349,000 | 2.0 | 1.4 |
| Handelsbanken Funds | | 6,337,803 | 6,337,803 | 1.7 | 1.2 |
| AMF Insurance & Funds | | 5,179,818 | 5,179,818 | 1.4 | 1.0 |
| SEB Funds & SEB Trygg Liv | | 4,447,071 | 4,447,071 | 1.2 | 0.8 |
| Saudi Arabian Monetary Agency | | 4,000,371 | 4,000,371 | 1.1 | 0.7 |
| Other shareholders | | 239,416,483 | 239,416,483 | 64.6 | 44.1 |
| Total | 19,175,323 | 351,683,455 | 370,858,778 | 100.0 | 100.0 |

**Chairman of the Board:** Lars Renström
**President and CEO:** Johan Molin
**Board members connected to Latour:** Carl Douglas, Jan Svensson
www.assaabloy.com

# Fagerhult

Fagerhult is one of Europe's leading lighting Groups with 2,400 employees, SEK 3.7 billion in sales and operations in some 20 countries.

Fagerhult creates contemporary products and exciting, energy-efficient and environmentally adapted lighting systems that are superbly integrated into the settings in which they are used.

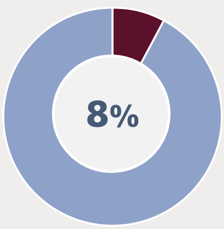
Fagerhult, Ateljé Lyktan, LTS, Whitecroft Lighting, Designplan Lighting, Eagle Lighting, I-Valo and Arlight are some of the Group's strong brands.

### 2014 IN SUMMARY

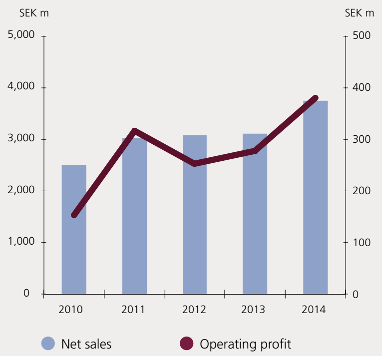
2014 was the Group's best year ever for sales, operating profit and operating cash flows. At the end of the year, the order backlog was higher than at the beginning of the year, despite record sales. The Group's strong portfolio of energy-efficient lighting solutions helped to increase market share. Sales of LED lighting solutions increased to almost 50 (30) per cent of sales in the last quarter. Efforts to develop the LED lighting and control system offering are being further accelerated.

**6%** PERCENTAGE OF LATOUR'S TOTAL NET ASSET VALUE

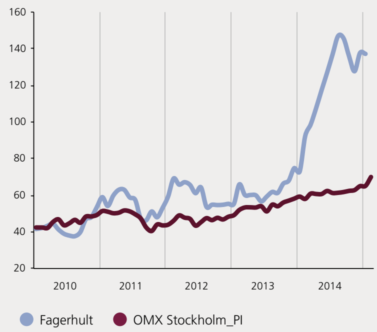
### PERCENTAGE OF LATOUR'S PORTFOLIO OF LISTED SHARES




### SALES AND EARNINGS




### SHARE PRICE GROWTH FAGERHULT




### KEY RATIOS FAGERHULT

| | Full year 2014 | Full year 2013 |
|---|---|---|
| Net sales, SEK m | 3,736 | 3,095 |
| Operating profit, SEK m | 379 | 278 |
| Operating margin, % | 10.1 | 9.0 |
| Profit after net financial items, SEK m | 348 | 247 |
| Earnings per share, SEK | 6.90 | 4.83 |
| Equity ratio, % | 38.0 | 37.0 |
| Dividend per share, SEK[1] | 3.00 | 2.42 |
| Equity per share, SEK | 35.13 | 27.22 |
| Market value on 31 December, SEK m | 5,310 | 2,885 |

[1] Proposed dividend for 2014.

### KEY RATIOS FOR MEASUREMENT AND RISK[2]

| | |
|---|---|
| EV/sales | 1.7 |
| EV/EBIT | 16.5 |
| P/E ratio | 19.5 |
| Net debt/EBIT | 2.7 |

[2] Based on last price paid 18 Feb 2015.

### LARGEST OWNERS ON 31 DECEMBER 2014

| | Holding Total | Holding % of shares | % of votes |
|---|---|---|---|
| Investment AB Latour | 18,620,400 | 49.2 | 49 |
| Fam Svensson, Family, foundation and companies | 2,836,575 | 7.5 | 7.5 |
| SSB CL Omnibus AC | 2,760,678 | 7.3 | 7.3 |
| Lannebo Funds | 2,599,081 | 6.9 | 6.9 |
| Robur Small Cap Fund | 1,582,832 | 4.2 | 4.2 |
| SEB Asset Management | 1,125,000 | 3.0 | 3.0 |
| Palmstierna Family | 1,005,000 | 2.7 | 2.7 |
| AP4 Fund | 773,334 | 2.0 | 2.0 |
| Nordea Funds | 541,500 | 1.4 | 1.4 |
| NTC Fidelity Funds | 512,812 | 1.4 | 1.4 |
| SEB Funds | 361,019 | 1.0 | 1.0 |
| Other shareholders | 5,117,769 | 13.5 | 13.6 |
| Total | 37,836,000 | 100.0 | 100.0 |

**Chairman of the Board:** Jan Svensson

**President and CEO:** Johan Hjertonsson

**Board members connected to Latour:** Eric Douglas, Fredrik Palmstierna, Jan Svensson

www.fagerhultgroup.com

# HMS Networks

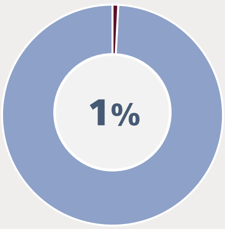
HMS Networks is a world leading supplier of communication technology for industrial automation. In 2014, sales amounted to SEK 589 m and over 90 per cent were outside of Sweden. Its development operations and some of its production are located at the head office in Halmstad in Sweden and Weingarten in Germany. It has sales offices in Japan, China, Germany, USA, Italy, France, India, the UK and Denmark. HMS has more than 350 employees and produces network cards and gateways that connect networks under the Anybus® and IXXAT® brands as well as products for remote surveillance under the Netbiter® brand.

## 2014 IN SUMMARY

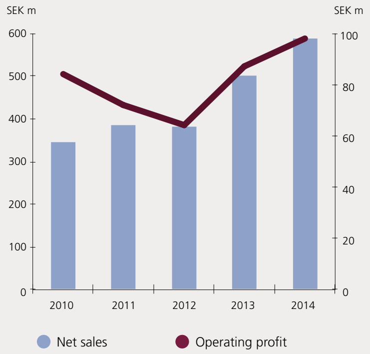
The new products that have been introduced in recent years have helped make HMS more attractive in the industrial communication market and in 2014 it posted a new sales record of SEK 589 m. The company's long-term targets are 20 per cent annual growth and a 20 per cent operating margin. In 2014, it reported 18 per cent growth and a 17 per cent operating margin. The integration of IXXAT, which was acquired in 2013, into HMS' global sales organisation has gone smoothly.

**1%** PERCENTAGE OF LATOUR'S TOTAL NET ASSET VALUE

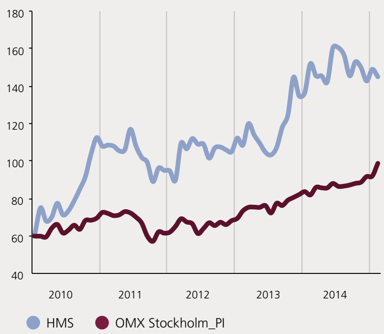
## PERCENTAGE OF LATOUR'S PORTFOLIO OF LISTED SHARES




## SALES AND EARNINGS




## SHARE PRICE GROWTH HMS




## KEY RATIOS HMS

| | Full year 2014 | Full year 2013 |
|---|---|---|
| Net sales, SEK m | 589 | 501 |
| Operating profit, SEK m | 98 | 87 |
| Operating margin, % | 16.6 | 17.3 |
| Profit after net financial items, SEK m | 86 | 81 |
| Earnings per share, SEK | 5.59 | 5.54 |
| Equity ratio, % | 50.8 | 49.0 |
| Dividend per share, SEK[1] | 2.50 | 2.25 |
| Equity per share, SEK | 37.43 | 33.44 |
| Market value on 31 December, SEK m | 1,687 | 1,546 |

[1] Proposed dividend for 2014.

## LARGEST OWNERS ON 31 DECEMBER 2014

| | Holding Total | Holding % of shares | % of votes |
|---|---|---|---|
| Investment AB Latour | 3,027,322 | 26.7 | 26.7 |
| Staffan Dahlström and companies | 1,617,073 | 14.3 | 14.3 |
| Swedbank Robur Funds | 1,146,500 | 10.1 | 10.1 |
| SEB Funds | 902,706 | 8.0 | 8.0 |
| Lannebo Funds | 778,669 | 6.9 | 6.9 |
| AP4 Fund | 498,054 | 4.4 | 4.4 |
| Handelsbanken Funds | 315,609 | 2.8 | 2.8 |
| Nordea Small Cap Fund | 280,190 | 2.5 | 2.5 |
| AMF – Insurance and Funds | 231,414 | 2.0 | 2.0 |
| HMS Management | 204,190 | 1.8 | 1.8 |
| Other shareholders | 2,320,673 | 20.5 | 20.5 |
| Total | 11,322,400 | 100.0 | 100.0 |

## KEY RATIOS FOR MEASUREMENT AND RISK[2]

| | |
|---|---|
| EV/sales | 4.2 |
| EV/EBIT | 25.3 |
| P/E ratio | 35.6 |
| Net debt/EBIT | 2.3 |

[2] Based on last price paid 18 Feb 2015.

**Chairman of the Board:** Urban Jansson
**President and CEO:** Staffan Dahlström
**Board members connected to Latour:** Henrik Johansson
www.hms.se

# Loomis

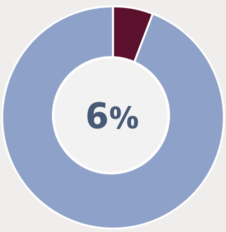
Loomis offers secure and efficient end-to-end solutions for the distribution, management, storage and recycling of cash and other valuables. Its customers are banks, distributors and other companies. It offers service solutions for cash in transit, cash management and international valuables logistics. Cash in transit remains its main source of income, but a growing part of its profits is generated through cash management services. Loomis' operations are run through an international network of about 400 operative local offices in more than 20 countries. Loomis employs about 21,000 people and generated sales of SEK 13.5 billion in 2014.

## 2014 IN SUMMARY

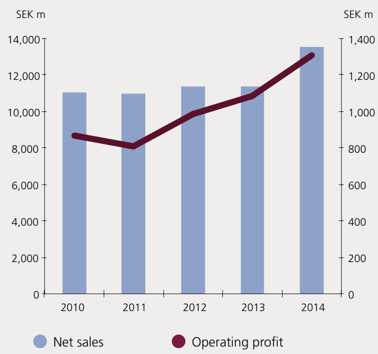
In 2010, Loomis announced its target of achieving an operating margin of 10 per cent, excluding acquisitions, by 2014. The company has gradually moved closer to this target and succeeded in reaching the target this year with an operating margin of 10.1 per cent, including its acquisition of Viamat during the year. New financial targets were presented in the autumn of 2014: SEK 17 billion in sales by 2017, an operating margin between 10 and 12 per cent between 2014 and 2017, a net debt/equity ratio not exceeding 3.0 times operating income before depreciation and amortisation (EBITDA), and that the annual dividends should be between 40 and 60 per cent of net profit.

**4%** PERCENTAGE OF LATOUR'S TOTAL NET ASSET VALUE

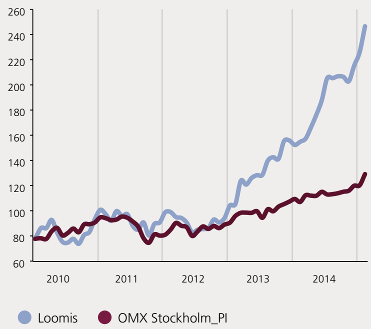
## PERCENTAGE OF LATOUR'S PORTFOLIO OF LISTED SHARES




## SALES AND EARNINGS




## SHARE PRICE GROWTH LOOMIS




## KEY RATIOS LOOMIS

| | Full year 2014 | Full year 2013 |
|---|---|---|
| Net sales, SEK m | 13,510 | 11,364 |
| Operating profit, SEK m[1] | 1,306 | 1,099 |
| Operating margin, %[1] | 9.7 | 9.7 |
| Profit after net financial items, SEK m[1] | 1,240 | 1,038 |
| Earnings per share, SEK[1] | 12.1 | 9.9 |
| Equity ratio, % | 37.7 | 44.9 |
| Dividend per share, SEK[2] | 6.0 | 5.0 |
| Equity per share, SEK | 65.24 | 55.32 |
| Market value on 31 December, SEK m | 17,013 | 11,480 |

[1] Adjusted for items impacting comparability.
[2] Proposed dividend for 2014.

## KEY RATIOS FOR MEASUREMENT AND RISK[3]

| | |
|---|---|
| EV/sales | 2.0 |
| EV/EBIT | 19.2 |
| P/E ratio | 22.9 |
| Net debt/EBIT | 3.2 |

[3] Based on last price paid 18 Feb 2015.

## LARGEST OWNERS ON 31 DECEMBER 2014

| | A | B | Holding Total | Holding % of shares | % of votes |
|---|---|---|---|---|---|
| Investment AB Latour | 2,528,520 | 5,009,808 | 7,538,328 | 10.0 | 28.6 |
| Melker Schörling AB | 900,000 | 5,400,300 | 6,300,300 | 8.4 | 13.6 |
| SSB Client Omnibus AC OM07 | | 5,440,085 | 5,440,085 | 7.2 | 5.1 |
| Didner & Gerge Funds | | 4,234,177 | 4,234,177 | 5.6 | 4.0 |
| BNY Mellon SA/NV W8IMY | | 2,463,688 | 2,463,688 | 3.3 | 2.3 |
| Handelsbanken Funds | | 2,326,747 | 2,326,747 | 3.1 | 2.2 |
| State Street Bank-SEC Finance | | 2,287,423 | 2,287,423 | 3.0 | 2.2 |
| Citibank NA New York | | 1,909,963 | 1,909,963 | 2.5 | 1.8 |
| Swedbank Robur Funds | | 1,700,822 | 1,700,822 | 2.3 | 1.6 |
| Montanaro European smaller companies | | 1,699,000 | 1,699,000 | 2.2 | 1.6 |
| Other shareholders | | 39,379,296 | 39,379,296 | 52.3 | 37.1 |
| Total | 3,428,520 | 71,851,309 | 75,279,829 | 100.0 | 100.0 |

**Chairman of the Board:** Alf Göransson
**President and CEO:** Jarl Dahlfors
**Board members connected to Latour:** Jan Svensson
www.loomis.com

# Nederman

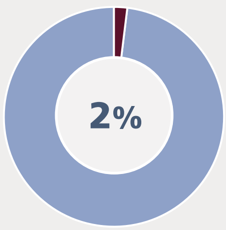
Nederman is a world leading supplier of environmental technology products and systems with a focus on air filtering and recycling. The company's solutions contribute to reducing environmental impacts from industrial production, creating a clean and safe work environment and improving production efficiency. Nederman's offering includes everything from planning to installation, commissioning and service. Its products are marketed through its own subsidiaries in 25 countries and distributors in some 30 countries. Nederman's development and production activities are conducted in its own manufacturing and assembly facilities in Europe, North America and Asia. The company has about 1,900 employees and generates sales of approximately SEK 2.8 billion.

**2014 IN SUMMARY**

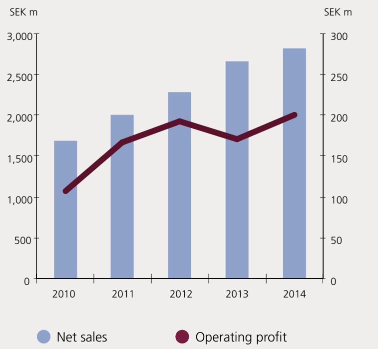
In 2014, Nederman continued to underpin its position particularly in the USA and China, while EMEA was marked by a continuing unwillingness to invest. Adjusted for exchange effects and acquisitions, sales increased by 2.3 per cent and the operating margin rose to 7.1 per cent. Consolidated cash flow was strong in the second half of the year, driven by improved profitability and a reduction in working capital. The adjusted operating margin was 10.2 per cent for the fourth quarter, which was primarily attributable to good sales volumes and a programme of efficiency improvements.

**1%** PERCENTAGE OF LATOUR'S TOTAL NET ASSET VALUE

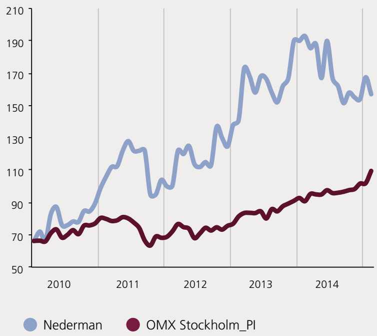
**PERCENTAGE OF LATOUR'S PORTFOLIO OF LISTED SHARES**




**SALES AND EARNINGS**




**SHARE PRICE GROWTH NEDERMAN**




**KEY RATIOS NEDERMAN**

| | Full year 2014 | Full year 2013 |
|---|---|---|
| Net sales, SEK m | 2,828 | 2,659 |
| Operating profit, SEK m[1] | 201 | 170 |
| Operating margin, %[1] | 7.1 | 6.4 |
| Profit after net financial items, SEK m[1] | 139 | 100 |
| Earnings per share, SEK[1] | 8.0 | 5.9 |
| Equity ratio, % | 30.9 | 28.5 |
| Dividend per share, SEK[2] | 4.00 | 4.00 |
| Equity per share, SEK | 62.59 | 52.90 |
| Market value on 31 December, SEK m | 1,962 | 2,226 |

[1] Adjusted for items impacting comparability.
[2] Proposed dividend for 2014.

**KEY RATIOS FOR MEASUREMENT AND RISK[3]**

| | |
|---|---|
| EV/sales | 1.0 |
| EV/EBIT, adj. | 14.1 |
| P/E ratio, adj. | 19.0 |
| Net debt/EBIT, adj. | 2.8 |

[3] Based on last price paid 18 Feb 2015.

**LARGEST OWNERS ON 31 DECEMBER 2014**

| | Holding Total | Holding % of shares | % of votes |
|---|---|---|---|
| Investment AB Latour | 3,512,829 | 30.1 | 30.1 |
| Lannebo Funds | 1,557,282 | 13.3 | 13.3 |
| Ernström Kapitalpartner | 1,175,000 | 10.1 | 10.1 |
| IF Skadeförsäkringar AB | 1,160,400 | 9.9 | 9.9 |
| Swedbank Robur Funds | 662,384 | 5.7 | 5.7 |
| Nordea Investment Funds | 471,258 | 4.0 | 4.0 |
| Fondita Nordic Micro Cap | 400,000 | 3.4 | 3.4 |
| NTC UN Joint Staff | 339,605 | 2.9 | 2.9 |
| AP4 Fund | 267,615 | 2.3 | 2.3 |
| Handelsbanken Funds | 156,894 | 1.3 | 1.3 |
| Other shareholders | 1,978,073 | 16.9 | 16.9 |
| Total | 11,681,340 | 100.0 | 100.0 |

**Chairman of the Board:** Jan Svensson
**President and CEO:** Sven Kristensson
**Board members connected to Latour:** Jan Svensson
www.nederman.com

# Nobia

Nobia develops and sells kitchens through some twenty or so strong brand names in Europe, including Magnet in the UK, Hygena in France, HTH, Norema, Sigdal, Invita and Marbodal in Scandinavia, Petra, Parma and A la Carte in Finland, Ewe, FM and Intuo in Austria, and Poggenpohl globally.

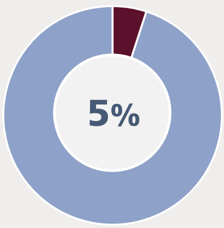
Nobia creates profitability by combining economies of scale with attractive kitchen packages. The Group has about 6,900 employees and generated sales of approximately SEK 12 billion in 2014.

## 2014 IN SUMMARY

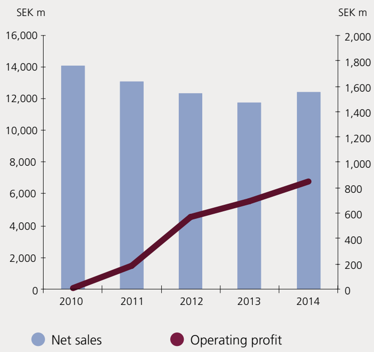
The operating margin continued to increase in 2014, for the fifth consecutive year. The operating profit was mainly boosted by increased sales values and lower material prices, which offset lower volumes. Rixonway Kitchens was acquired in December 2014. This British company generates annual sales of approximately £40 million and has an EBIT margin of about 10 per cent. An agreement has been signed with the Fourner Group for the sale of the French company, Hygena. The deal is expected to close at the start of 2015.

**4%** PERCENTAGE OF LATOUR'S TOTAL NET ASSET VALUE

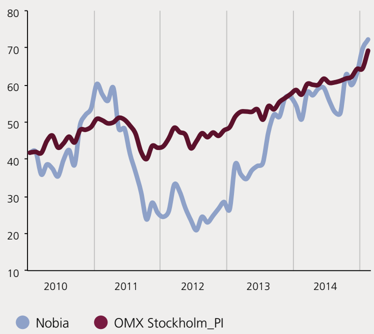
## PERCENTAGE OF LATOUR'S PORTFOLIO OF LISTED SHARES




## SALES AND EARNINGS




## SHARE PRICE GROWTH NOBIA




## KEY RATIOS NOBIA

| | Full year 2014 | Full year 2013 |
|---|---|---|
| Net sales, SEK m | 12,392 | 11,773 |
| Operating profit, SEK m[1] | 845 | 690 |
| Operating margin, %[1] | 6.8 | 5.9 |
| Profit after net financial items, SEK m[1] | 769 | 596 |
| Earnings per share, SEK[1] | 3.20 | 2.29 |
| Equity ratio, % | 41.0 | 44.0 |
| Dividend per share, SEK[2] | 1.75 | 1.00 |
| Equity per share, SEK | 18.02 | 18.90 |
| Market value on 31 December, SEK m | 12,227 | 9,553 |

[1] Adjusted for items impacting comparability.
[2] Proposed dividend for 2014.

## KEY RATIOS FOR MEASUREMENT AND RISK[3]

| | |
|---|---|
| EV/sales | 1.2 |
| EV/EBIT, adj. | 17.2 |
| P/E ratio, adj. | 34.6 |
| Net debt/EBIT, adj. | 2.9 |

[3] Based on last price paid 18 Feb 2015.

## LARGEST OWNERS ON 31 DECEMBER 2014

| | Holding Total | Holding % of shares | % of votes |
|---|---|---|---|
| Nordstjernan AB | 36,447,843 | 21.8 | 21.8 |
| Investment AB Latour | 23,100,000 | 13.8 | 13.8 |
| IF Skadeförsäkringar AB | 21,075,000 | 12.6 | 12.6 |
| Swedbank Robur Funds | 12,710,764 | 7.6 | 7.6 |
| Handelsbanken Funds | 6,680,274 | 4.0 | 4.0 |
| Lannebo Funds | 5,368,801 | 3.2 | 3.2 |
| AMF - Insurance and Funds | 4,982,714 | 3.0 | 3.0 |
| AP4 Fund | 3,965,042 | 2.4 | 2.4 |
| Nordea Investment Funds | 3,746,015 | 2.2 | 2.2 |
| Citibank NA New York | 2,555,490 | 1.5 | 1.5 |
| Other shareholders | 46,894,214 | 28.0 | 28.0 |
| Total | 175,293,458 | 100.0 | 100.0 |

**Chairman of the Board:** Johan Molin
**President and CEO:** Morten Falkenberg
**Board members connected to Latour:** Fredrik Palmstierna
www.nobia.com

# Securitas

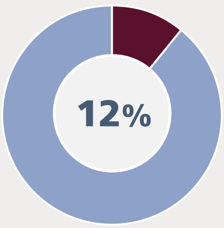
Securitas is a leading company in the security sector with operations in North America, Europe, Latin America, the Middle East, Asia and Africa. It has a flat, decentralised organisation and is divided into three business segments: Security Services North America, Security Services Europe and Security Services Ibero-America. It has customers in numerous different industries and they vary in size from street-corner shops to international corporations with sales in the billions. Securitas provides specialised surveillance and mobile security services, alarm monitoring, technology solutions and consulting and safety investigation services. Securitas has almost 320,000 employees in 53 countries.

**2014 IN SUMMARY**

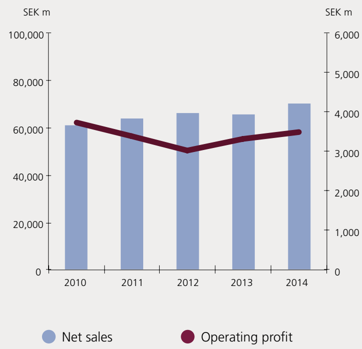
Sales rose 7 per cent to SEK 70.2 billion and organic sales grew from 1 to 3 per cent. The operating profit rose 5 per cent, and the increase when adjusted for foreign exchange effects was 3 per cent. The operating margin was down slightly, mainly due to weak growth in Spain. Securitas' key strategic focus area is increased sales of security solutions and technologies. Sales increased in 2014 by 28 per cent to SEK 6.5 billion. The company expects to be able to maintain this growth rate in 2015.

**9%** PERCENTAGE OF LATOUR'S TOTAL NET ASSET VALUE

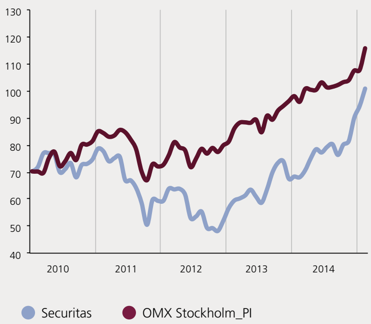
**PERCENTAGE OF LATOUR'S PORTFOLIO OF LISTED SHARES**




**SALES AND EARNINGS**




**SHARE PRICE GROWTH SECURITAS**




**KEY RATIOS SECURITAS**

| | Full year 2014 | Full year 2013 |
|---|---|---|
| Net sales, SEK m | 70,217 | 65,700 |
| Operating profit, SEK m[1)] | 3,505 | 3,329 |
| Operating margin, %[1)] | 5.0 | 5.1 |
| Profit after net financial items, SEK m[1)] | 2,909 | 2,644 |
| Earnings per share, SEK[1)] | 5.67 | 5.07 |
| Equity ratio, % | 27.5 | 25.0 |
| Dividend per share, SEK[2)] | 3.00 | 3.00 |
| Equity per share, SEK | 30.95 | 25.70 |
| Market value on 31 December, SEK m | 34,480 | 24,952 |

[1)] Adjusted for items impacting comparability.
[2)] Proposed dividend for 2014.

**KEY RATIOS FOR MEASUREMENT AND RISK[3)]**

| | |
|---|---|
| EV/sales | 0.8 |
| EV/EBIT, adj. | 15.3 |
| P/E ratio, adj. | 19.1 |
| Net debt/EBIT, adj. | 3.2 |

[3)] Based on last price paid 18 Feb 2015.

**LARGEST OWNERS ON 31 DECEMBER 2014**

| | A | B | Holding Total | Holding % of shares | % of votes |
|---|---|---|---|---|---|
| Investment AB Latour | 12,642,600 | 27,190,000 | 39,832,600 | 10.9 | 29.6 |
| Schörling family with companies | 4,500,000 | 16,001,500 | 20,501,500 | 5.6 | 11.7 |
| SEB Investment Management | | 15,197,799 | 15,197,799 | 4.2 | 2.9 |
| Citibank NA New York | | 9,879,357 | 9,879,357 | 2.7 | 1.9 |
| AMF - Insurance and Funds | | 9,547,474 | 9,547,474 | 2.6 | 1.8 |
| Swedbank Robur Funds | | 8,322,166 | 8,322,166 | 2.3 | 1.6 |
| CA CIB Treaty account | | 8,000,000 | 8,000,000 | 2.2 | 1.5 |
| Prudential assurance Co Ltd | | 7,074,784 | 7,074,784 | 1.9 | 1.4 |
| Clearstream Banking S.A. | | 6,602,298 | 6,602,298 | 1.8 | 1.3 |
| Carnegie Funds | | 6,080,000 | 6,080,000 | 1.7 | 1.2 |
| Other shareholders | | 234,020,919 | 234,020,919 | 64.1 | 45.1 |
| Total | 17,142,600 | 347,916,297 | 365,058,897 | 100.0 | 100.0 |

**Chairman of the Board:** Melker Schörling
**President and CEO:** Alf Göransson
**Board members connected to Latour:** Carl Douglas, Fredrik Palmstierna
www.securitas.com

# Sweco

Sweco is the Nordic region's leading provider of consultancy services for sustainable engineering and design. Together, the company's 9,000 engineers, architects and environmental experts develop sustainable and value-creating solutions for clients and society.

Sweco is one of Europe's ten largest consulting engineering companies and conducts annual project exports to 70 countries worldwide. The company has annual sales of approximately SEK 9 billion.

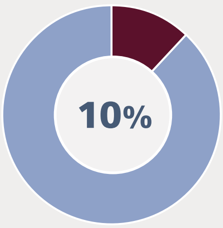
**2014 IN SUMMARY**

The successful integration of Vectura in Sweden and a stronger performance in Finland and Central Europe helped to make this year's operating profit the highest ever.

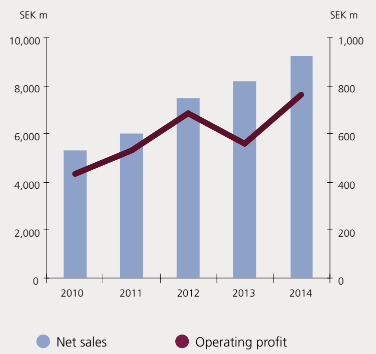
Net sales rose 13 per cent, attributable mainly to the acquisition of Vectura. In the last quarter, Sweco was entrusted with the task of bringing its expertise to some of the largest infrastructure projects in the Nordic region. For example, Sweco will be designing the first three sections of Sweden's first high-speed railway.

**8%** PERCENTAGE OF LATOUR'S TOTAL NET ASSET VALUE

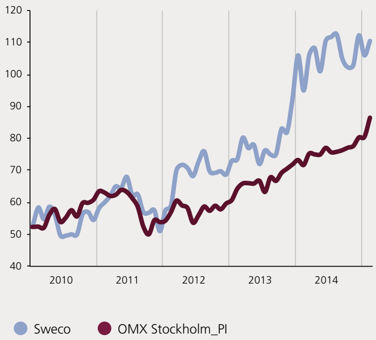
**PERCENTAGE OF LATOUR'S PORTFOLIO OF LISTED SHARES**




**SALES AND EARNINGS**




**SHARE PRICE GROWTH SWECO**




**KEY RATIOS SWECO**

| | Full year 2014 | Full year 2013 |
|---|---|---|
| Net sales, SEK m | 9,214 | 8,165 |
| Operating profit, SEK m[1] | 762 | 709 |
| Operating margin, %[1] | 8.3 | 8.6 |
| Profit after net financial items, SEK m[1] | 718 | 527 |
| Earnings per share, SEK[1] | 5.96 | 4.98 |
| Equity ratio, % | 31.9 | 27.2 |
| Dividend per share, SEK[2] | 3.50 | 3.25 |
| Equity per share, SEK | 20.64 | 17.75 |
| Market value on 31 December, SEK m | 9,796 | 9,701 |

[1] Adjusted for items impacting comparability.
[2] Proposed dividend for 2014.

**KEY RATIOS FOR MEASUREMENT AND RISK[3]**

| | |
|---|---|
| EV/sales | 1.3 |
| EV/EBIT, adj. | 14.4 |
| P/E ratio, adj. | 17.5 |
| Net debt/EBIT, adj. | 1.7 |

[3] Based on last price paid 18 Feb 2015.

**LARGEST OWNERS ON 31 DECEMBER 2014**

| | A | B | Holding Total | Holding % of shares | % of votes |
|---|---|---|---|---|---|
| G Nordström family | 5,193,616 | 8,482,797 | 13,676,413 | 15.1 | 34.5 |
| Investment AB Latour | 1,222,760 | 27,775,000 | 28,997,760 | 32.0 | 22.8 |
| J. G. Richert Foundation | 1,769,420 | 168,511 | 1,937,931 | 2.1 | 10.2 |
| JPMorgan Chase | | 3,840,330 | 3,840,330 | 4.2 | 2.2 |
| Lannebo Funds | | 3,290,000 | 3,290,000 | 3.6 | 1.9 |
| Swedbank Robur Funds | | 3,218,109 | 3,218,109 | 3.6 | 1.8 |
| Nordea Investment Funds | | 3,026,543 | 3,026,543 | 3.3 | 1.7 |
| KAS BANK Client Acc | | 2,893,289 | 2,893,289 | 3.2 | 1.7 |
| Öhman, Anders | 250,000 | 250,000 | 500,000 | 0.6 | 1.6 |
| Odin Sverige Aksjefondet | | 2,382,397 | 2,382,397 | 2.6 | 1.4 |
| Other shareholders | 932,368 | 26,068,270 | 27,000,638 | 29.8 | 20.2 |
| Total | 9,368,164 | 81,395,246 | 90,763,410 | 100.0 | 100.0 |

**Chairman of the Board:** Johan Nordström
**President and CEO:** Tomas Carlsson
**Board members connected to Latour:** Anders G. Carlberg
www.swecogroup.com

# Tomra

Tomra is a world leading company in sorting and recycling technologies. The company was founded in Norway in 1972. Today it has about 2,500 employees and operations in 80 countries all over the world.

Tomra's products and services are available in two main business areas: Tomra Collection Solutions and Tomra Sorting Solutions.

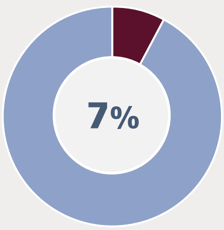
Tomra Collection Solutions comprise solutions for automated collection of deposit bottles. Tomra Sorting Solutions offer sensor-based technology for sorting and process analysis.

**IMPORTANT EVENTS IN 2014**

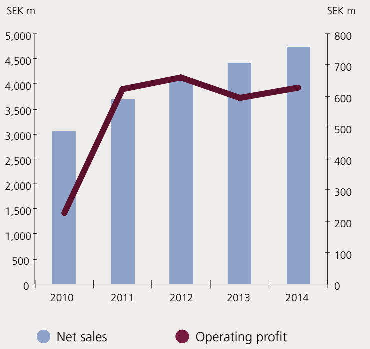
Tomra continued to expand in 2014. Net sales increased by 7.4 per cent. Tomra Collection Solutions grew by 7 per cent while Tomra Sorting Solutions' sales increased by 8 per cent. Growth was 1 and 3 per cent respectively when adjusted for foreign exchange effects. EBITA rose 5.1 per cent to NOK 737 m and the EBITA margin remained the same at 16 per cent. The year ended on a strong note with the best ever quarterly result and an EBITA margin of 19 per cent.

**6%** PERCENTAGE OF LATOUR'S TOTAL NET ASSET VALUE

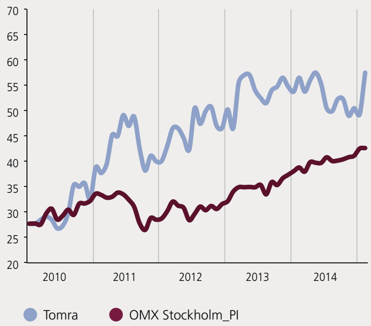
**PERCENTAGE OF LATOUR'S PORTFOLIO OF LISTED SHARES**




**SALES AND EARNINGS**




**SHARE PRICE GROWTH TOMRA**




**KEY RATIOS TOMRA**

| | Full year 2014 | Full year 2013 |
|---|---|---|
| Net sales, NOK m | 4,749 | 4,421 |
| Operating profit, NOK m | 628 | 597 |
| Operating margin, % | 13.2 | 13.5 |
| Profit after net financial items, NOK m | 603 | 557 |
| Earnings per share, NOK | 2.44 | 2.55 |
| Equity ratio, % | 50.7 | 50.2 |
| Dividend per share, NOK[1] | 1.45 | 1.35 |
| Equity per share, NOK | 22.70 | 19.11 |
| Market value on 31 December, NOK m | 8,511 | 8,363 |

[1] Proposed dividend for 2014.

**LARGEST OWNERS ON 31 DECEMBER 2014**

| | Holding Total | Holding % of shares | % of votes |
|---|---|---|---|
| Investment AB Latour | 36,560,000 | 24.7 | 24.7 |
| Folketrygdfondet | 15,232,640 | 10.3 | 10.3 |
| Jupiter Asset Management Ltd. | 8,040,877 | 5.4 | 5.4 |
| Nordea Investment Management | 6,376,561 | 4.3 | 4.3 |
| Lannebo Funds | 4,533,000 | 3.1 | 3.1 |
| Odin Norge | 3,542,532 | 2.4 | 2.4 |
| SEB Investment Management | 2,845,840 | 1.9 | 1.9 |
| Verdipapirfondet DnB | 2,737,868 | 1.9 | 1.9 |
| F&C Asset Managers Ltd. | 2,310,965 | 1.6 | 1.6 |
| Templeton Investment Counsel LLC | 2,148,200 | 1.5 | 1.5 |
| Other shareholders | 63,446,910 | 42.9 | 42.9 |
| Total | 147,775,393 | 100.0 | 100.0 |

**KEY RATIOS FOR MEASUREMENT AND RISK[2]**

| | |
|---|---|
| EV/sales | 2.4 |
| EV/EBIT | 18.0 |
| P/E ratio | 27.9 |
| Net debt/EBIT | 1.9 |

[2] Based on last price paid 18 Feb 2015.

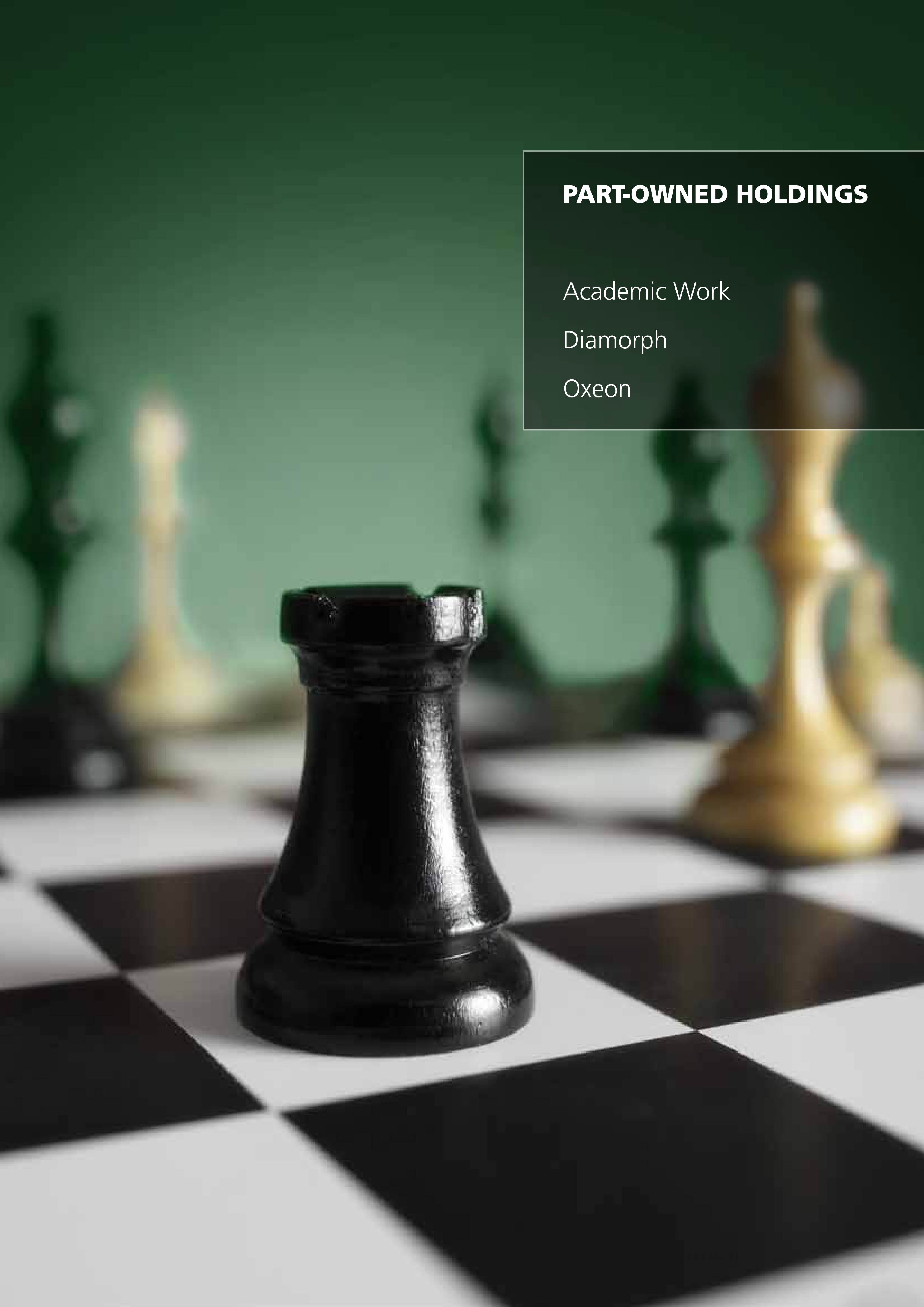
**Chairman of the Board:** Svein Rennemo
**President and CEO:** Stefan Ranstad
**Board members connected to Latour:** Jan Svensson
www.tomra.com

# PART-OWNED HOLDINGS

Academic Work

Diamorph

Oxeon



# ACADEMIC WORK

## Experts at Young Professionals in the Nordic countries, Germany and Switzerland

Academic Work specialises in the recruitment and staffing of Young Professionals – students and graduates starting their careers. The company has operations in Sweden, Norway, Finland, Denmark, Germany and Switzerland.

At the end of 2014, Academic Work acquired the Swiss staffing company Cusmic, which specialises completely in the recruitment of Young Professionals. It aims to continue expanding its operations in Switzerland and eventually the rest of Europe.

### Helping young people with careers

Academic Work was founded in 1998 by three students who realised the business potential in connecting students looking for extra work with companies looking for temporary staff.

This simple business idea laid the foundation for a steadily growing company that accounts for over 15,000 jobs each year. Today Academic Work is one of Sweden's largest staffing companies with operations all over the country.

### Recruitment and staffing

Academic Work's services include recruitment, where the candidate is directly hired by a company, and staffing, whereby consultants work on assignments for clients.

### Most students in its database

A survey conducted by Student Card in 2014 shows that Academic Work had the highest awareness rating among respondents from campuses in Sweden. Academic Work also has the most students in its CV database. Almost 30 per cent of the students who took part in the survey said that they had registered their CV with Academic Work. The company in second place had up to about half of this.

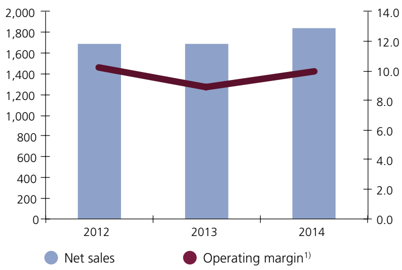
### Most satisfied customers in the industry

Academic Work has the most satisfied customers in the industry, according to surveys from the Swedish Quality Index (SKI). The company was rated best in the surveys for four consecutive years, from 2011 to 2014.

### Latour's holding

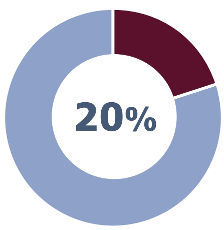
Academic Work is an unlisted company. Latour's holding at the end of the year amounted to a net asset value of SEK 319 m and 20.1 per cent of the capital and votes.

**NET SALES AND OPERATING MARGIN**




[1] Based on EBITDA

**LATOUR'S PERCENTAGE OF CAPITAL AND VOTES**



*Diamorph's lubrication-free bearings are used in the European space rocket project Ariane. The bearings are located in a critical application between the booster rockets and the main rocket engine. Photo: ESA*

# DIAMORPH

## Advanced material for demanding applications

Diamorph supplies advanced material solutions for especially demanding industrial applications.

The Diamorph Group has a global customer base covering 60 countries and approximately 260 employees in Sweden, the Czech Republic and the UK.

### Diversified products

Diamorph's advanced material is used in rockets, sports cars and buildings around the world, in the form of durable materials and high temperature materials, such as bearings, brake pads, fire protection and technical ceramics.

The company has a highly diversified portfolio of products that are leaders in their respective niches.

### Active in several markets

Diamorph supplies products to a range of industrial segments in the engineering, energy and construction industries. Mature markets – with products that in many cases have become the industry standard – are complemented by markets on which Diamorph can grow by adding new technologies and products.

### Philosophy centred on niches

Based on its technology platform, Diamorph manufactures differentiated products in narrow niches that solve particularly demanding industrial challenges.

This requires close cooperation with its customers and long sales cycles and results in high entry barriers for competitors.

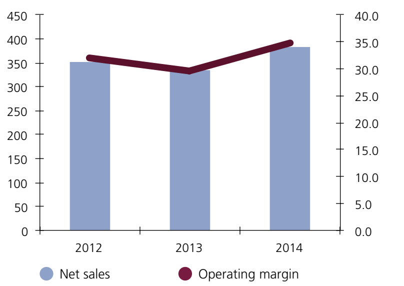
### New production resource

Equipment for new wear components was installed in 2014. The company's technical sales teams and researchers work collaboratively on the development of materials and, together with customers, carry out field testing of components that are manufactured in the new production facility.

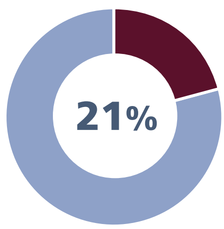
### Latour's holding

Diamorph is an unlisted company. Latour's holdings represented a net asset value of SEK 125 m at the end of the year and 21.2 per cent of the capital and votes.

**NET SALES AND OPERATING MARGIN**




**LATOUR'S PERCENTAGE OF CAPITAL AND VOTES**




# OXEON

## Unique reinforced fabric that gives its users a competitive edge

Oxeon develops, manufactures and markets a spread tow fabric that consists of fibre tows instead of threads. The company, founded in 2003, has four patents in this field. Oxeon's reinforced fabric is marketed under the TeXtreme® brand and is supplied to customers in the composite industry who need to greatly reduce the weight of their products.

### Delivers huge savings

Customers who use TeXtreme® have been able to reduce the weight of their products by as much as 25 to 30 per cent and still maintain, or improve, mechanical performance.

Weight reductions at that level lead to substantial savings. According to cautious estimates, annual fuel savings of more than EUR 40 million could be achieved by switching to TeXtreme® in the fuselages of 20 of the world's largest airlines.

### Winners use TeXtreme®

Oxeon's fabric is being used globally in an ever-increasing number of products. In the world of sport, TeXtreme® is used in F1 cars, hockey sticks, surfboards, snowboards, golf club shafts and other equipment. This carbon fibre technology has been used to reinforce the hockey sticks of more than 400 NHL players. In 2014, it was used by the winners of several international competitions, including Ironman Kona, the Olympics hockey finals and the Stanley Cup.

An agreement was signed in 2014 with STIGA, one of the world's top table tennis equipment producers. The company is planning to launch new frames with TeXtreme®, which will be revolutionary for the sport, in 2015.

### Enhanced sales team

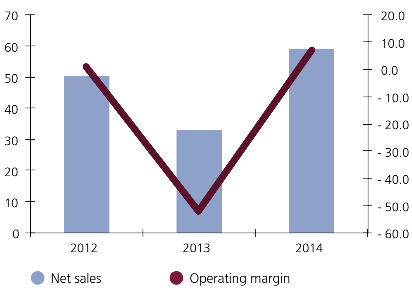
The fact that Oxeon is clearly focused on achieving international growth has resulted in it previously being awarded the Super Gazelle Prize by Dagens Industri, Sweden's largest daily business newspaper.

In 2014, the company strengthened its sales team by appointing sales managers for the Aerospace and Sporting Goods segments. It also launched a concept for enhanced cost efficiency in large-scale production, which results in the same overall cost as for alternative products but with the advantage that the product weighs less.

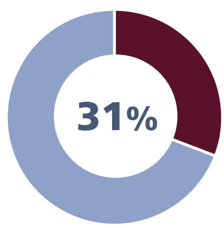
### Latour's holding

Oxeon is an unlisted company. Latour's holding at the end of the year amounted to a net asset value of SEK 25 m and 31.1 per cent of the capital and votes.

NET SALES AND OPERATING MARGIN




LATOUR'S PERCENTAGE OF CAPITAL AND VOTES



# Underlying profit for 2014

## – 79 per cent is distributed to the shareholders

**In a large Group with many different businesses where the wholly-owned operations are mixed together with a number of part-owned operations that have a differing number of owners it can be difficult to understand the income statement presented according to the IFRS. This page aims to provide a better overview of the performance of the underlying operations in the Latour Group, and how the result is connected to the proposed dividend to the shareholders after the end of the financial year.**

### DEVELOPMENTS IN OPERATIONS

**UNDERLYING OPERATING PROFIT IN THE WHOLLY-OWNED BUSINESS AREAS**

- HULTAFORS GROUP
- SPECMA GROUP
- LATOUR INDUSTRIES
- SWEGON
- NORD-LOCK

Underlying profit increased by 16 per cent

**EXPECTED DIVIDENDS FROM THE INVESTMENT PORTFOLIO AND ASSOCIATED COMPANIES**

- ASSA ABLOY
- SECURITAS
- FAGERHULT
- SWECO
- HMS NETWORKS
- TOMRA
- LOOMIS
- ACADEMIC WORK
- NEDERMAN
- DIAMORPH
- NOBIA
- OXEON

The dividends from the holdings is expected to increase by 14 per cent in comparable holdings in the spring of 2015

### LATOUR'S ACTUAL INCOME STATEMENT

| | 2014 | 2013 |
|---|---|---|
| **Business areas** | | |
| Operating profit for business areas | 755 | 650 |
| Capital gains in industrial operations | -13 | -25 |
| Other items | 4 | -13 |
| **Investment portfolio etc.** | | |
| Dividends from investment portfolio and associated companies | 688 | 596 |
| Capital gains in the investment portfolio | 0 | 0 |
| Other portfolio management/short-term trading | 36 | 32 |
| Other items | -15 | -14 |
| Net financial items for the Latour Group | -50 | -52 |
| Reported tax expense | -190 | -175 |
| Total underlying operating profit, net financial items and tax | **1,215** | **999** |

**COMMENTS:** In the above table, remeasured items, shares in associates and similar items are excluded.
The table is based on considerable simplification of accounting and does not claim to be exact. Its goal is to make it easier to understand Latour's profit.
The dividends presented in the table for 2014 are proposed to be distributed to Latour in the spring of 2015 as these dividends reflect the performance of the investment portfolio in 2014.

### EFFECT FOR SHAREHOLDERS

**Dividend policy:**
Latour shall distribute 100 per cent of incoming dividends from the investment portfolio and other holdings as well as 40–60 per cent of the net profit in the wholly-owned industrial operations.

| | SEK m spring 2015 | SEK m spring 2014 | SEK/share spring 2015 | SEK/share spring 2014 |
|---|---|---|---|---|
| Dividends from industrial operations | 269 | 281 | | |
| Per cent of underlying profit, % | 53 | 73 | | |
| Dividends from investment portfolio/associated companies | 688 | 596 | | |
| Per cent of underlying profit, % | 100 | 100 | | |
| Total ordinary dividends as stated in the policy | **957** | **877** | **6.00** | **5.50** |
| Per cent of underlying profit, % | 79 | 88 | | |

# Information by quarter

| SEK m | 2014 Full year | 2014 Q4 | 2014 Q3 | 2014 Q2 | 2014 Q1 | 2013 Full year | 2013 Q4 | 2013 Q3 | 2013 Q2 | 2013 Q1 |
|---|---|---|---|---|---|---|---|---|---|---|
| **INCOME STATEMENT** | | | | | | | | | | |
| Net sales | **7,581** | 2,018 | 1,877 | 1,940 | 1,746 | **6,944** | 1,844 | 1,716 | 1,764 | 1,620 |
| Cost of goods sold | **-4,757** | -1,257 | -1,131 | -1,263 | -1,106 | **-4,399** | -1,173 | -1,077 | -1,117 | -1,032 |
| **Gross profit** | **2,824** | **761** | **746** | **677** | **640** | **2,545** | **671** | **639** | **647** | **588** |
| Costs etc. for the operation | **-2,078** | -550 | -484 | -515 | -529 | **-1,924** | -534 | -437 | -496 | -457 |
| **Operating profit** | **746** | **211** | **262** | **162** | **111** | **621** | **137** | **202** | **151** | **131** |
| Total portfolio management | **1,368** | 422 | 304 | 335 | 307 | **1,089** | 283 | 354 | 238 | 214 |
| **Profit before financial items** | **2,114** | **633** | **566** | **497** | **418** | **1,710** | **420** | **556** | **389** | **345** |
| Net financial items | **-50** | -26 | -6 | -6 | -12 | **-52** | -4 | -24 | -7 | -17 |
| **Profit after financial items** | **2,064** | **607** | **560** | **491** | **406** | **1,658** | **416** | **532** | **382** | **328** |
| Taxes | **-190** | -55 | -67 | -38 | -30 | **-175** | -36 | -53 | -52 | -34 |
| **Profit for the period** | **1,874** | **552** | **493** | **453** | **376** | **1,483** | **380** | **479** | **330** | **294** |
| **KEY RATIOS** | | | | | | | | | | |
| Earnings per share, SEK | **11.75** | 3.46 | 3.09 | 2.84 | 2.36 | **9.30** | 2.38 | 3.01 | 2.07 | 1.85 |
| Cash flow for the period | **-86** | 19 | 121 | -47 | -179 | **230** | 194 | 73 | -9 | -28 |
| Adjusted equity ratio, % | **85** | 85 | 85 | 86 | 87 | **88** | 88 | 86 | 84 | 86 |
| Adjusted equity | **33,015** | 33,015 | 30,256 | 28,587 | 28,181 | **26,830** | 26,830 | 24,197 | 21,494 | 22,013 |
| Net asset value | **39,859** | 39,859 | 37,117 | 35,582 | 35,022 | **33,799** | 33,799 | 30,459 | 27,229 | 27,942 |
| Net asset value per share | **250** | 250 | 233 | 223 | 220 | **212** | 212 | 191 | 171 | 175 |
| Listed share price | **203** | **203** | **191** | **196** | **196** | **172** | **172** | **157** | **135** | **148** |
| **NET SALES** | | | | | | | | | | |
| Hultafors Group | **1,306** | 365 | 315 | 322 | 289 | **1,208** | 333 | 305 | 282 | 288 |
| Latour Industries | **1,055** | 286 | 229 | 281 | 274 | **982** | 264 | 223 | 256 | 239 |
| Nord-Lock | **722** | 169 | 193 | 192 | 169 | **624** | 154 | 162 | 158 | 150 |
| Specma Group | **1,294** | 328 | 302 | 344 | 320 | **1,152** | 306 | 265 | 302 | 279 |
| Swegon | **3,209** | 870 | 838 | 801 | 700 | **2,936** | 783 | 748 | 753 | 652 |
| Other companies and eliminations | **-5** | – | - | - | -6 | **42** | 4 | 13 | 13 | 12 |
| | 7,581 | 2,018 | 1,877 | 1,940 | 1,746 | 6,944 | 1,844 | 1,716 | 1,764 | 1,620 |
| **OPERATING PROFIT** | | | | | | | | | | |
| Hultafors Group | **177** | 53 | 50 | 41 | 33 | **126** | 54 | 40 | 12 | 20 |
| Latour Industries | **68** | 29 | 11 | 20 | 8 | **63** | 16 | 18 | 13 | 16 |
| Nord-Lock | **211** | 45 | 68 | 57 | 42 | **114** | 13 | 36 | 35 | 30 |
| Specma Group | **1** | 5 | 18 | -26 | 4 | **-** | -3 | 0 | 2 | 1 |
| Swegon | **298** | 98 | 90 | 74 | 37 | **346** | 89 | 101 | 96 | 59 |
| | 755 | 229 | 237 | 166 | 124 | 649 | 169 | 196 | 158 | 126 |
| Gain/loss from sale/purchase of businesses | **-13** | - | -4 | -8 | -1 | **-25** | -20 | -2 | - | -3 |
| Other companies and items | **4** | -18 | 29 | 4 | -12 | **-3** | -13 | 8 | -7 | 8 |
| | 746 | 211 | 262 | 162 | 111 | 621 | 136 | 202 | 151 | 131 |
| **OPERATING MARGIN (%)** | | | | | | | | | | |
| Hultafors Group | **13.6** | 14.5 | 15.8 | 12.8 | 11.1 | **10.4** | 16.1 | 13.3 | 4.2 | 6.9 |
| Latour Industries | **6.4** | 10.2 | 4.9 | 7.2 | 2.8 | **6.5** | 6.2 | 8.2 | 5.1 | 6.6 |
| Nord-Lock | **29.3** | 26.7 | 35.1 | 29.6 | 24.7 | **18.3** | 8.6 | 22.0 | 22.0 | 20.5 |
| Specma Group | **0.1** | 1.5 | 5.8 | -7.5 | 1.2 | **0.0** | -0.9 | -0.2 | 0.6 | 0.4 |
| Swegon | **9.3** | 11.2 | 10.7 | 9.2 | 5.3 | **11.8** | 11.4 | 13.5 | 12.8 | 9.1 |
| | 10.0 | 11.4 | 12.6 | 8.6 | 7.1 | 9.3 | 9.2 | 11.4 | 8.9 | 8.6 |

# Annual report 2014

The Board of Directors and Chief Executive Officer of Investment AB Latour (publ) herewith present the Annual Report and consolidated financial statements for 2014.

## Contents

# Directors' report

### GROUP

Investment AB Latour is a mixed investment company. Latour's investments mainly consist of a wholly-owned industrial operation and an investment portfolio containing nine holdings in which Latour is the principal owner or one of the principal owners. In addition, there are a number of other part-owned unlisted holdings. On 31 December 2014, the market value of the investment portfolio was SEK 30.5 billion.

In addition to the above two business lines, Latour owns a portfolio of other part-owned holdings, consisting of Diamorph AB (21.18 per cent), Academic Work (20.06 per cent) and Oxeon AB (31.08 per cent). Group operations are run by Latour's subsidiary Nordiska Industri AB and Latour-Gruppen AB. The subsidiary Karpalunds Ångbryggeri AB trades in shares and other securities and the subsidiary Latour Förvaltning AB specialises in the management of securities.

### Changes to industrial operations

Latour's aim is 10 per cent annual growth of its industrial operations over a business cycle through a combination of organic growth and acquisitions. The goal is to own stable industrial companies with proprietary products and favourable conditions for internationalisation.

Nord-Lock is reported as a separate business area from the start of the first quarter of 2014. Nord-Lock was previously part of Latour Industries.

In 2014, seven acquisitions were made in the business areas. The acquisitions in aggregate contributed approximately SEK 730 m to sales, of which approximately SEK 300 m is included in the net sales for 2014.

Hultafors Group acquired the shoe company Tradeport. The acquisition complements the brand portfolio in Hultafors with premium products of safety footwear, workwear and accessories. Tradeport generates a turnover of approximately SEK 70 m and a level of profitability very much in line with Hultafors Group's levels. The company has 23 employees and mainly operates in the Swedish market.

Swegon has completed four acquisitions during the year. It took a key step into the North American market in the second quarter via its acquisition of Vibro-Acoustics®, a leading manufacturer of HVAC noise and vibration control products in North America. The company has 167 employees and generated a turnover in 2013 of CAD 28 m, which is equivalent to approximately SEK 170 m.

In early July, Swegon acquired 90 per cent of the shares in P. Lemmens, a leading manufacturer of air handling units in Belgium. The company has 59 employees and reported a turnover of EUR 26 m in 2013. The acquisition had a positive impact on the Latour Group's earnings per share from the very start. Swegon holds an option to purchase the remaining outstanding 10 per cent at a price in the range of SEK 47-73 m (in March 2019 at current exchange rates for SEK/EUR) depending on the sales growth in the business. This acquisition increased the net debt of the Latour Group by approximately SEK 720 m. This figure includes full additional purchase price as the acquisition is fully consolidated from day one.

In addition, Swegon acquired Econdition GmbH in Germany at the end of August. Econdition is a leading supplier of cooling systems and service for data centres and industrial applications. The company has 40 employees and reported a turnover of approximately EUR 14 m in 2013. The products that are sold can also be produced at Blue Box, Swegon's Italian operations.

Finally, Swegon acquired Luftmiljö AB in Lidköping at the beginning of September. The company has 14 employees and manufactures proprietary air handling units for residential buildings with integrated control equipment for air flows up to about 0.5 $m^3/s$.

Latour Industries has completed two acquisitions during the year. In the first quarter, 80 per cent of the shares in Elvaco AB were acquired with an option to acquire the remaining 20 per cent in the first quarter of 2017. Elvaco has 20 employees and annual sales in excess of SEK 60 m. Through the option, Elvaco is fully consolidated from day one.

Bastec AB was acquired at the beginning of July. It is an expanding Swedish company that develops and markets systems for building automation, with a focus on energy efficiency. It has a staff of 28 and a turnover in excess of SEK 45 m.

Further information about company acquisitions and sales is presented in Notes 44 and 45.

### Changes to the investment portfolio

A total of 5,240,000 shares were acquired in Tomra Systems ASA during the year.

### Changes to other holdings

No changes were made to the portfolio of other part-owned holdings during the year.

### Events after the end of the financial year

There were no material events subsequent to the end of the reporting period.

### Results and financial position

The Group's profit after financial items was SEK 2,064 m (1,658). Profit after tax was SEK 1,874 m (1,483), which is equivalent to SEK 11.75 (9.31) per share. The Group's cash in hand and liquid investments reached SEK 428 m (472). Interest-bearing debt, excluding pension liabilities, was SEK 3,951 m (2,121). The Group's net debt, including pension liabilities, was SEK 3,516 m (1,787). The equity ratio was 85 (88) per cent calculated on reported equity in relation to total assets, including undisclosed surpluses in associated companies. For further information, see the ten-year overview on page 111.

### Investments
During the period, SEK 197 m (162) was invested in property, plant and equipment, of which SEK 129 m (128) was machinery and equipment, SEK 30 m (20) vehicles and 38 m (14) buildings. Out of total investments for the year, SEK 46 m (30) refers to fixed assets in new acquisitions.

### PARENT COMPANY
The parent company's profit after financial items was SEK 816 m (805). The parent company's equity ratio was 85 (88) per cent.

### The Latour share
The number of shares outstanding, not including repurchased shares, was 159,493,000 as at 31 December 2014. In 2014, 115,000 repurchased shares were sold through redemption of call options, giving Latour a total holding of 467,000 class B shares. The number of call options issued to senior executives as at 31 December 2014 was 730,000. 144,000 of them were issued during the year according to the resolution of the 2014 Annual General Meeting. 13,666 class A shares were converted to class B shares in December 2014. After this, the allocation of issued shares is 11,931,278 class A shares and 148,028,722 class B shares. Further share information can be found on pages 18 and 19 and in Note 35.

### Personnel
The average number of employees in the Group was 4,165 (3,909). Of these, 1,984 (1,753) were employed abroad. Information about salaries and remuneration and a breakdown of the number of employees are presented in Note 9.

### Currency exposure
The subsidiaries' sales and purchases in foreign currencies are balanced through the Group's joint financial function. On the balance sheet date, sales covered by forward exchange contracts totalled SEK 987 m. Currency hedging amounted to SEK 641 m, not including hedging through currency clauses in major import deals. There is a relatively good balance between purchases and sales in foreign currencies, with the exception of net sales in NOK, GBP and EUR and net purchases in USD. For further information, see Note 34.

### Risks in industrial operations
As an owner of diversified industrial operations and an investment portfolio with nine holdings, Latour automatically has a relatively good diversification of risks. It has customers in a range of industries with a preponderance in the construction industry. Sales in the construction industry are well distributed between new construction and repairs and maintenance. Moreover, there is a relative balance between commercial premises, public premises and housing. The Board conducts an annual risk analysis to assess and evaluate Latour's risk exposure.

### Financial risks
Information concerning financial instruments and risk exposure is presented in Note 34.

### Related party transactions
The Group did not enter into any related party transactions that had a material adverse effect on the Group's performance and financial position, except for dividend payments.

### Board of Directors
Latour's Board of Directors consists of nine members, including the Chief Executive Officer. There are no deputies. All members are elected for a one-year term. Except for the Chief Executive Officer, no members have a position or assignment in the Group. The secretary of the Board is the Chief Financial Officer of the Group. Fredrik Palmstierna was elected Chairman of the Board by the 2014 Annual General Meeting.

The members of the Board represent 87 per cent of the voting shares in the company and 79 per cent of the share capital. Employees are represented in the subsidiary Latour-Gruppen AB, which is the parent company of the wholly-owned companies in the industrial operations. They are therefore not represented in the investment company's board.

Each year, the Board establishes written rules of procedure that regulate the Board's meetings, the business of these meetings, the division of responsibilities among Board members and the Chief Executive Officer and certain other matters. The Board issues instructions for the Chief Executive Officer that regulate his work tasks and reporting obligation to the Board of Directors.

The Board has had five ordinary meetings during the year to date, not including the constitutional meeting and one additional Board meeting. Two of the Board members were unable to attend on one occasion and one of the Board members was unable to attend on two occasions. Otherwise there has been full attendance.

The company's auditor attended two Board meetings and presented reports and observations from the audits performed.

Matters dealt with by the Board include strategic changes in portfolio investments, acquisitions and sales of subsidiaries, the company’s risk exposure, budgets and forecasts for the subsidiaries as well as a financial review of operations.

Under the direction of the Chairman, the Board has evaluated its work and all Board members have presented their views.

The Corporate Governance Statement can be found on pages 102-105.

### Guidelines for remuneration to senior executives
The following guidelines were approved at the 2014 Annual General Meeting:

Remuneration to the Chief Executive Officer and other senior executives consists of basic salary, variable remuneration and pension. Other senior executives are the members of Executive management and business area managers. The variable remuneration is based on targeted goals and can amount to 0 to 100 per cent of the basic salary. To promote a long-term perspective, the Board may decide on compensation, in addition to the annual variable remuneration, related to the long-term development of the business area's value over a period of three years, capped at one-third of the basic salary per year over a three-year period.

The retirement age for the Chief Executive Officer is 62, after which pension makes up 60 per cent of the basic salary for three years. The retirement age for all other senior executives is 65.

The Board may also allow a supplemental remuneration to company management in the form of share-related incentive schemes, for example a call option programme, provided that they promote long-term commitment to the business and they are on market-based terms.

The Board's proposed guidelines for the period up to the next Annual General Meeting will be presented in the summons to the 2015 Annual General Meeting.

**Environmental impact**

The Latour Group's wholly-owned companies run operations requiring licensing and registration under the Swedish Environmental Code. Two of the Group's subsidiaries are required to have licences and ten of the subsidiaries are required to register under the Code. The companies that are required to be licensed and registered have production operations in the engineering industry. The environmental impact is emissions to air and discharge into municipal treatment plants. All of these companies have the necessary permits and have complied with the current requirements for their operations.

**Proposed dividends and allocation of profits**

The Board of Directors proposes that the Annual General Meeting resolves to pay a higher ordinary dividend of SEK 6.00 (5.50) per share, which in absolute terms equates to a payout of SEK 957 m.

The Board's proposal for the allocation of profits is presented in full on page 100.

**Prospects for 2015**

Demand was stable at the end of 2014, although there was no organic growth to speak of. Growth remains relatively slow in European markets, but the picture is not uniform. The UK, Irish and Scandinavian markets are showing good growth. Russia, Finland, France and southern Europe are weak and there are many uncertainties surrounding growth in the all-important German market.

Latour's performance has been stable, however, and the measures and acquisitions undertaken provide favourable conditions for a continuation of the positive earnings trend. However, it is uncertain whether general market developments will offer any other help.

No forecast is given for 2015. ■

# Consolidated income statement

| SEK m | Note | 2014 | 2013 |
|---|---|---|---|
| Net sales | 3.4 | 7,581 | 6,944 |
| Cost of goods sold | | -4,757 | -4,399 |
| **Gross profit** | | **2,824** | **2,545** |
| | | | |
| Sales costs | | -1,472 | -1,382 |
| Administrative costs | | -523 | -422 |
| Research and development costs | | -155 | -156 |
| Other operating income | 12 | 88 | 64 |
| Other operating expenses | 12 | -16 | -28 |
| **Operating profit** | 5-11 | **746** | **621** |
| | | | |
| Income from interests in associates | 13 | 1,347 | 1,060 |
| Income from portfolio management | 14 | 36 | 43 |
| Management costs | | -15 | -14 |
| **Profit before financial items** | | **2,114** | **1,710** |
| | | | |
| Finance income | 15 | 105 | 33 |
| Finance expense | 16 | -155 | -85 |
| **Profit after financial items** | | **2,064** | **1,658** |
| | | | |
| Taxes | 17 | -190 | -175 |
| **Profit for the year** | | **1,874** | **1,483** |
| | | | |
| *Attributable to:* | | | |
| Parent company shareholders | | 1,874 | 1,483 |
| Non-controlling interests | | – | – |
| | | | |
| **Earnings per share regarding profit attributable to parent company shareholders** | 35 | | |
| Basic share | | SEK 11.75 | SEK 9.31 |
| Diluted share | | SEK 11.70 | SEK 9.27 |

STATEMENT OF COMPREHENSIVE INCOME

| SEK m | Note | 2014 | 2013 |
|---|---|---|---|
| **Profit for the year** | | **1,874** | **1,483** |
| **Other comprehensive income** | | | |
| **Items that will not be recycled to the income statement** | | | |
| Revaluation of net pension obligations | | -3 | 6 |
| | | **-3** | **6** |
| **Items that may subsequently be recycled to the income statement** | | | |
| Translation differences | | 123 | 23 |
| Change in fair value reserve for the year | | 343 | 629 |
| Change in hedging reserve for the year | | 5 | -8 |
| Share of other comprehensive income from associates | | 383 | -256 |
| | | **854** | **388** |
| **Other comprehensive income, net after tax** | 37 | **851** | **394** |
| **Comprehensive income for the year** | | **2,725** | **1,877** |
| | | | |
| *Attributable to:* | | | |
| Parent company shareholders | | 2,725 | 1,877 |
| Non-controlling interests | | – | – |

# Consolidated balance sheet

| SEK m | Note | 2014 | 2013 |
|---|---|---|---|
| ASSETS | | | |
| Fixed assets | | | |
| *Intangible assets* | 18 | 3,576 | 2,038 |
| *Property, plant and equipment* | | | |
| Buildings | 19 | 314 | 289 |
| Land and land improvements | 20 | 18 | 17 |
| Machinery | 21 | 237 | 215 |
| Equipment | 22 | 160 | 159 |
| Construction work in progress and advances | 23 | 12 | 36 |
| *Financial assets* | | | |
| Interests in associates | 25 | 9,917 | 8,450 |
| Listed shares | 26 | 1,605 | 1,252 |
| Other long-term securities holdings | 27 | 0 | 0 |
| Deferred tax asset | 37 | 53 | 43 |
| Other long-term receivables | 28 | 37 | 36 |
| | | 15,929 | 12,535 |
| Current assets | | | |
| *Inventories etc.* | 29 | | |
| Raw materials and consumables | | 332 | 298 |
| Work-in-progress | | 89 | 64 |
| Finished work and goods for resale | | 740 | 639 |
| Advance payments to suppliers | | 10 | 4 |
| *Listed shares – trading* | 30 | 79 | 63 |
| *Current receivables* | | | |
| Accounts receivable | 31 | 1,291 | 1,136 |
| Tax asset | | 68 | 109 |
| Derivative instruments | 32 | 41 | – |
| Other current receivables | | 78 | 84 |
| Prepaid expenses and accrued income | | 105 | 76 |
| *Cash* | 33 | 428 | 472 |
| | | 3,261 | 2,622 |
| Total assets | | 19,190 | 15,480 |

# Consolidated balance sheet

| SEK m | Note | 2014 | 2013 |
|---|---|---|---|
| EQUITY | | | |
| *Capital and reserves attributable to parent company shareholders* | 35 | | |
| Share capital | | 133 | 133 |
| Repurchased own shares | | -38 | -48 |
| Reserves | | 1,196 | 725 |
| Profit brought forward | | 12,232 | 10,848 |
| | | 13,523 | 11,658 |
| *Non-controlling interests* | | 0 | 0 |
| Total equity | | 13,523 | 11,658 |
| | | | |
| LIABILITIES | | | |
| *Long-term liabilities* | | | |
| Pension obligations | 36 | 30 | 174 |
| Deferred tax liability | 37 | 166 | 130 |
| Other provisions | 38 | 55 | 55 |
| Interest-bearing liabilities | 39 | 812 | 289 |
| | | 1,063 | 648 |
| *Current liabilities* | | | |
| Bank overdraft facilities | 40 | 45 | 12 |
| Debts to credit institutions | 34 | 3,074 | 1,770 |
| Advances from customers | | 32 | 25 |
| Accounts payable | | 639 | 602 |
| Tax liabilities | | 95 | 81 |
| Other provisions | 38 | 19 | 9 |
| Derivative instruments | 32 | 21 | 6 |
| Other liabilities | | 185 | 216 |
| Accrued expenses and deferred income | 41 | 494 | 453 |
| | | 4,604 | 3,174 |
| Total liabilities | | 5,667 | 3,822 |
| Total equity and liabilities | | 19,190 | 15,480 |
| | | | |
| Pledged assets | 42 | 2,230 | 7 |
| Contingent liabilities | 43 | 18 | 17 |

# Consolidated cash flow statement

| SEK m | Note | 2014 | 2013 |
|---|---|---|---|
| Operating profit | | 746 | 621 |
| Depreciation/amortisation | | 167 | 161 |
| Capital gains | | 5 | 26 |
| Other adjustments to non-cash items | | -19 | -10 |
| Paid tax | | -118 | -162 |
| **Operating cash flows before movements in working capital** | | **781** | **636** |
| | | | |
| *Movements in working capital* | | | |
| Inventories | | -79 | 30 |
| Accounts receivable | | -77 | -30 |
| Current receivables | | 24 | 9 |
| Current operating liabilities | | -134 | -26 |
| | | **-266** | **-17** |
| | | | |
| **Operating cash flows** | | **515** | **619** |
| | | | |
| *Investments* | | | |
| Acquisition of subsidiaries | 44 | -722 | -266 |
| Sale of subsidiaries | 45 | 4 | 20 |
| Acquisition of fixed assets | | -186 | -170 |
| Sale of fixed assets | | 23 | 18 |
| **Investing cash flows** | | **-881** | **-398** |
| *Portfolio management* | | | |
| Dividends received | | 607 | 609 |
| Management costs etc. | | -16 | -16 |
| Purchase of listed shares etc. | | -234 | -344 |
| Purchase of shares in associates | | -301 | -214 |
| Sale of listed shares | | 210 | 409 |
| **Cash flow from portfolio management** | | **266** | **444** |
| | | | |
| **Cash flow after investments and portfolio management** | | **-100** | **665** |
| | | | |
| *Financial payments* | | | |
| Interest received | | 7 | 33 |
| Interest paid | | -87 | -84 |
| New borrowings | | 1,102 | 517 |
| Repayment by instalments | | -147 | -118 |
| Dividends paid | | -877 | -796 |
| Own share repurchase | | 14 | 10 |
| Issued call options | | 2 | 3 |
| **Cash flow from financial payments** | | 14 | -435 |
| | | | |
| **Change in cash** | | **-86** | **230** |
| Cash at the beginning of the year | | 472 | 241 |
| Translation difference in cash | | 42 | 1 |
| Cash at the end of the year | 33 | 428 | 472 |

# Change in consolidated equity

| | Note | Attributable to parent company shareholders | | | | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|
| | | Share capital | Repurchased own shares | Reserves | Profit brought forward | | |
| Opening equity 1 Jan 2013 | 35 | 133 | -56 | 419 | 10,383 | 0 | 10,879 |
| Total comprehensive income | | | | 644 | 1,233 | | 1,877 |
| Reclassification of associates | 25 | | | -338 | 23 | | -315 |
| Issued call options | | | | | 3 | | 3 |
| Sold repurchased own shares | | | 8 | | 2 | | 10 |
| Dividends | | | | | -796 | | -796 |
| Closing equity 31 Dec 2013 | 35 | 133 | -48 | 725 | 10,848 | 0 | 11,658 |
| Opening balance 1 Jan 2014 | 35 | 133 | -48 | 725 | 10,848 | 0 | 11,658 |
| Total comprehensive income | | | | 471 | 2,254 | | 2,725 |
| Issued call options | | | | | 3 | | 3 |
| Sold repurchased own shares | | | 10 | | 4 | | 14 |
| Dividends | | | | | -877 | | -877 |
| Closing equity 31 Dec 2014 | 35 | 133 | -38 | 1,196 | 12,232 | 0 | 13,523 |

# Change in consolidated interest-bearing net debt

| SEK m | 31 Dec 2013 | Change in cash | Change in loans | Other changes | 31 Dec 2014 |
|---|---|---|---|---|---|
| Receivables | 36 | | | 1 | 37 |
| Cash | 472 | -44 | | | 428 |
| Pension obligations | -174 | | | 144 | -30 |
| Long-term liabilities | -310 | | -502 | | -812 |
| Utilised bank overdraft facilities | -12 | | -33 | | -45 |
| Current liabilities | -1,799 | | -1,295 | | -3,094 |
| Interest-bearing net debt | -1,787 | -44 | -1,830 | 145 | -3,516 |

# Parent company's income statement

| SEK m | Note | 2014 | 2013 |
|---|---|---|---|
| Income from interests in Group companies – dividends | | 330 | 325 |
| Income from interests in associates | 13 | 464 | 448 |
| Income from portfolio management | 14 | 22 | 12 |
| Management costs | | -9 | -8 |
| Profit before financial items | | 807 | 777 |
| Interest income and similar items | 15 | 48 | 61 |
| Interest expense and similar items | 16 | -39 | -33 |
| Profit after financial items | | 816 | 805 |
| Taxes | 17 | – | – |
| Profit for the year | | 816 | 805 |

## Parent company statement of comprehensive income

| SEK m | Note | 2014 | 2013 |
|---|---|---|---|
| Profit for the year | | 816 | 805 |
| Other comprehensive income: | | | |
| Items that may subsequently be recycled to the income statement | | | |
| Change in fair value reserve for the year | | 326 | 599 |
| Other comprehensive income, net after tax | | 326 | 599 |
| Comprehensive income for the year | | 1,142 | 1,404 |

# Parent company's balance sheet

| SEK m | Note | 2014 | 2013 |
|---|---|---|---|
| ASSETS | | | |
| **Fixed assets** | | | |
| *Financial assets* | | | |
| Interests in subsidiaries | 24 | 1,246 | 1,246 |
| Interests in associates | 25 | 4,721 | 4,421 |
| Listed shares | 26 | 1,529 | 1,192 |
| Receivables from Group companies | | 2,362 | 2,382 |
| | | 9,858 | 9,241 |
| **Current assets** | | | |
| *Current receivables* | | | |
| Receivables from Group companies | | 10 | 15 |
| Other current receivables | | 0 | 0 |
| Prepaid expenses and accrued income | | 2 | 2 |
| *Cash* | | 6 | 7 |
| | | 18 | 24 |
| **Total assets** | | 9,876 | 9,265 |
| | | | |
| EQUITY AND LIABILITIES | | | |
| **Equity** | 35 | | |
| *Restricted equity* | | | |
| Share capital | | 133 | 133 |
| Other funds | | 1,185 | 859 |
| *Non-restricted equity* | | | |
| Profit brought forward | | 6,237 | 6,292 |
| Profit for the year | | 816 | 805 |
| | | 8,371 | 8,089 |
| *Provisions* | | | |
| Pension obligations | | 1 | 1 |
| | | 1 | 1 |
| *Long-term liabilities* | | | |
| Debts to credit institutions | | 100 | 100 |
| Other non-interest-bearing liabilities | | 5 | 5 |
| | | 105 | 105 |
| *Current liabilities* | | | |
| Debts to Group companies | | 1,395 | 1,056 |
| Other liabilities | | 4 | 14 |
| | | 1,399 | 1,070 |
| **Total equity and liabilities** | | 9,876 | 9,265 |
| | | | |
| Pledged assets | 42 | 1,181 | – |
| Contingent liabilities | 43 | 3,445 | 2,168 |

# Parent company cash flow statement

| SEK m | Note | 2014 | 2013 |
|---|---|---|---|
| Current receivables | | 5 | 3 |
| Current operating liabilities | | 1 | 10 |
| Operating cash flows | | 6 | 13 |
| | | | |
| *Portfolio management* | | | |
| Dividends received | | 487 | 450 |
| Management costs etc. | | -9 | -8 |
| Purchase of listed shares etc. | | -324 | -305 |
| Sale of listed shares | | – | 120 |
| Cash flow from portfolio management | | 154 | 257 |
| | | | |
| Cash flow after investments and portfolio management | | 160 | 270 |
| | | | |
| *Financial payments* | | | |
| Interest received | | 48 | 61 |
| Interest paid | | -39 | -33 |
| New borrowings | | 360 | 160 |
| Dividends received from subsidiaries | | 330 | 325 |
| Own share repurchase | | 14 | 10 |
| Dividends paid | | -877 | -796 |
| Issued call options | | 3 | 3 |
| Cash flow from financial payments | | -161 | -270 |
| | | | |
| Change in cash | | -1 | 0 |
| Cash at the beginning of the year | | 7 | 7 |
| Cash at the end of the year | | 6 | 7 |

# Parent company's statement of changes in equity

| | | | Other funds | | | |
|---|---|---|---|---|---|---|
| SEK m | Note | Share capital | Reserve fund | Fair value fund | Profit brought forward | Total |
| Closing balance 31 Dec 2012 | | 133 | 96 | 502 | 7,075 | 7,806 |
| Total comprehensive income | | | | 599 | 805 | 1,404 |
| Reclassification of associates | 25 | | | -338 | | -338 |
| Own share repurchase | | | | | 10 | 10 |
| Dividends paid | | | | | -796 | -796 |
| Issued call options | | | | | 3 | 3 |
| Closing balance 31 Dec 2013 | | 133 | 96 | 763 | 7,097 | 8,089 |
| Total comprehensive income | | | | 326 | 816 | 1,142 |
| Own share repurchase | | | | | 14 | 14 |
| Dividends paid | | | | | -877 | -877 |
| Issued call options | | | | | 3 | 3 |
| Closing balance 31 Dec 2014 | | 133 | 96 | 1,089 | 7,053 | 8,371 |

# Notes to the financial statements

(All amounts are in SEK m unless stated otherwise)

## NOTE 1 General information

Investment AB Latour (publ), corporate registration number 556026-3237, is a mixed investment company with wholly-owned industrial operations and an investment portfolio, which consists of nine significant holdings.

The parent company is a limited company registered in Gothenburg. The head office address is J A Wettergrens gata 7, Box 336, SE-401 25 Gothenburg, Sweden. The parent company is listed on the NASDAQ OMX Stockholm Large Cap list.

The Board of Directors and the Chief Executive Officer have approved these consolidated financial statements for publication on 12 March 2015. The Annual Report and consolidated financial statements will be presented to the Annual General Meeting on 5 May 2015 for approval.

## NOTE 2 Accounting policies

### Basis of preparation of the consolidated financial statements

The consolidated financial statements for Investment AB Latour have been prepared in accordance with the International Financial Reporting Standards (IFRSs) published by the International Accounting Standard Board (ISAB) as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the EU. Furthermore, the Group has applied the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Regulations for Groups.

The consolidated financial statements have been prepared using the cost method except for revaluations of available-for-sale financial assets, and financial assets and liabilities (including derivative instruments) measured at fair value through the income statement.

The preparation of statements in conformity with the IFRS requires the use of certain estimates for accounting purposes. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas that involve a significant degree of estimation, that are complex, or are areas where assumptions and estimates are critical to the consolidated financial statements are set out in Note 48.

The parent company applies the same accounting policies as the Group, except in the cases presented below in "The Parent Company's Accounting Policies". The differences between the parent company's and the Group's policies are due to limitations in the ability to apply the IFRS in the parent company because of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act (Tryggandelagen) and also, in some cases, because of tax reasons.

### New and amended accounting policies

*The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2014.*

IFRS 10 Consolidated Financial Statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 12 Disclosure of Interests in Other Entities requires extensive disclosures for the entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

Other standards, amendments and interpretations that are applicable for annual reporting periods beginning on 1 January 2014 do not have a material impact on the Group's financial statements.

*New standards, amendments and interpretations of existing standards that have not yet come into effect and will not be applied in advance.*

A number of new standards and interpretations are effective for annual reporting periods starting after 1 January 2014 and have not been adopted for the preparation of these financial statements. None of these standards and interpretations are expected to have a material impact on the Group's financial statements with the exception of the following:

IFRS 9 Financial Instruments includes requirements for classification, measurement and presentation of financial assets and liabilities. This replaces the sections of IAS 39 relating to classification and measurement of financial instruments. IFRS 9 retains a mixed measurement model but simplifies it in some respects. There will be three measurement categories for financial assets, amortised cost, fair value through other comprehensive income and fair value through profit or loss. IFRS 9 also introduces a new model for the calculation of amounts arising from expected credit losses. The standard does not change the classification and measurement of financial liabilities except when a liability is recognised at fair value through profit or loss under the fair value option. IFRS 9 relaxes the requirements for hedge accounting. The mandatory effective date for the standard will be for periods beginning on or after 1 January 2018. Early adoption is permitted. The Group has not yet assessed the impact of the standard.

IFRS 15 Revenue from Contracts with Customers specifies how revenue shall be recognised. The objective of IFRS 15 is to establish the principles that an entity is required to apply to report useful information to users about the entity's revenue. Under the new disclosure requirements, entities must provide information about the nature, timing, uncertainty of revenues and cash flows arising from contracts with customers. Under IFRS 15, an entity shall recognise revenue when the customer obtains control of the sold good or service and is able to use or benefit from the good or service.
Early adoption is permitted. The Group has not yet assessed the impact of the standard.

None of the other IFRS or IFRIC interpretations not yet in effect are expected to have any significant effect on the Group.

### Consolidated financial statements

*Subsidiaries*
Subsidiaries are all entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Business combinations are accounted for using the acquisition method. This method means that equity, including the capital portion of untaxed reserves in the subsidiary at the acquisition date, is entirely eliminated. Consequently, only profit generated after the acquisition date is included in Group equity.

The purchase price for the acquisition of a subsidiary is the fair value of transferred assets, liabilities and the shares issued by the Group. The purchase price includes the fair value of all assets or liabilities resulting from an agreement on conditional consideration. If the group-wise cost of the shares exceeds the book value of the company's net assets in the acquisition analysis, the difference is recognised as goodwill in the consolidated statement. If the acquisition cost is lower than the fair value of the acquired subsidiary's net assets and any contingent liabilities, the difference is recognised directly in the income statement. Acquisition-related costs are expensed as they occur. Identifiable acquired assets and transferred liabilities in a business combination are initially valued at fair value at the acquisition date. The Group determines, for each acquisition, if all the non-controlling interests in the acquired entity will be valued at fair value or for the proportional share of the acquired entity's net assets.

Companies acquired during the year are included in the consolidated financial statements with amounts relating to the post-acquisition period Profits from companies sold during the year have been included in the consolidated income statement for the period up to the point of divestiture.

Latour's foreign Group companies' assets and liabilities are converted at the exchange rate on the balance sheet date. All items in the income statement are converted at the average exchange rate for the year. Translation differences are recognised directly in Group equity.

Internal Group transactions, balance posts, income and expenses on transactions between Group companies are eliminated. Any profit and loss resulting from internal Group transactions reported under assets is also eliminated.

*Associated companies*
Associates are entities over which the Group exercises significant influence, but not control. As a rule, significant influence exists when the Group holds between 20% and 50% of the voting power of the entity. Investment in associates is accounted for using the equity method.

The equity method entails that the book value of shares in associated companies in the Group's accounts corresponds to the Group's participation in associated companies' equity and any residual value in group-wise surplus and deficits. The Group's share of the profit after tax of its associates, with any adjustment for impairment loss on or reversal of surpluses or deficits, is recognised in the Group's income statement as "Income from interests in associates".

When the Group no longer has a controlling or significant influence, each remaining holding is revalued at fair value and the change in carrying amount is recognised in the income statement. The fair value is used as the first carrying amount and forms the basis for further reporting of the continuing holding as an associated company, joint venture or financial asset. All amounts relating to the divested entity previously reported in other comprehensive income are reported as if the Group had directly sold the attributable assets or liabilities. This may result in amounts that were previously reported in other comprehensive income being reclassified to the income statement.

If ownership in an associated company is reduced, but a significant influence is retained, only a proportional share of the amounts previously reported in other comprehensive income are, where relevant, reclassified to the income statement.

The parent company recognises associated companies using the cost method.

### Net sales

Net sales are made up of invoiced sales, excluding value-added taxes and after deduction of discounts on goods and similar income reductions but before deductions for delivery expenses. Sales are recognised when the significant risks and rewards connected with ownership of the sold goods have been transferred to the buyer and the seller retains neither continuing managerial involvement nor effective control over the goods. Revenue arising from the rendering of services is recognised when the service has been performed. Where appropriate, the Group uses the percentage-of-completion method (see below). Group sales are primarily product sales.

### Work in progress

Income and costs attributable to completed services rendered or subcontracted assignments are reported as revenue or expense respectively in relation to the stage of completion of the assignment at the balance sheet date (percentage of completion). The stage of completion of an assignment is determined through expenditures made at the balance sheet date relative to estimated overall expenditures. If a service rendered or subcontracted assignment cannot be measured reliably, revenue is recognised only to the extent the expenses recognised are recoverable. An assignment likely to make a loss is immediately reported as an expense.

### Other operating income and operating expenses

Other operating income and operating expenses include income and costs from activities outside ordinary operations. See Note 12.

### Finance income and expenses

Finance income and expenses consist of interest income and interest costs, income from dividends and realised and unrealised exchange losses and gains.

Interest income on receivables and interest costs on liabilities are calculated using the effective interest rate method. Interest costs are recognised in the period they occur regardless of how the borrowed funds are used. Interest costs include transaction costs for loans which have been recorded over the term of the contract, which is also valid for any difference between received funds and repayment amounts. Interest from dividends is recorded when the dividend has been adopted and distribution is assured.

### Borrowing costs

Borrowing costs that are directly attributable to the production of an asset for which borrowing costs can be included as part of the cost shall be capitalised during the period of time that it takes to complete the work and prepare the asset for its intended use. Other borrowing costs are expensed in the period in which they occur.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method or the weighted average cost method if this is a good estimate of FIFO. The net realisable value is the estimated sales price in the operating activities, with a deduction for applicable variable sales costs. The value of finished goods and work-in-progress includes raw materials, direct work, other direct costs and production-related overheads. Obsolescence is depreciated separately. When assessing net realisable values, consideration is given to the age and turnover rate for the items in question. The change between the opening and closing provision for obsolescence for the year affects operating profit in its entirety.

### Translation of foreign currencies

*Functional and presentation currencies*

Items in the financial statements for the various Group entities are valued in the currency used in the economy in which each company primarily operates (functional currency). Swedish crowns are used in the consolidated financial statements and are the parent company's functional and presentation currencies.

*Transactions and balance sheet items*

Transactions in foreign currency are translated to the functional currency using the exchange rate on the balance sheet date. Exchange gains and losses that are generated through payment of such transactions and from translation of monetary assets and liabilities in foreign currency at balance date rates are reported in the income statement. The exception is when the transactions are hedges that qualify for hedge accounting of the cash flows or net investments where gains/losses are recognised in equity.

Translation differences for non-monetary items, such as shares that are valued at fair value through the income statement are recognised as part of the fair value gain/loss. Translation differences for non-monetary items such as shares that are classified as available-for-sale financial assets are recognised as reserves for fair value in equity.

*Group companies*

The result and financial position for all Group companies (none of which have a high inflation value) that have a different functional currency than presentation currency are translated to the Group's presentation currency according to the following:

- assets and liabilities for each balance sheet is recalculated to the balance date rate,
- revenue and expenses for each income statement are recalculated at the average exchange rate (unless the average rate is a reasonable approximation of the accumulated effect of the rates on the transaction date, in which case revenue and expenses are recalculated at the transaction date rate), and
- all exchange differences are recorded as a separate portion of equity.

Upon consolidation, exchange differences arising from the translation of net investments in foreign operations, loans and other currency instruments that are identified as hedges of such investments are taken to equity. When a foreign operation is sold, such exchange differences are reported in the income statement as a part of capital gains/losses.

Goodwill and adjustments in fair value that arise when acquiring a foreign company are treated as assets and liabilities in that operation and are converted at the balance date rate.

### Property, plant and equipment

Buildings and land largely comprise factories, warehouses and offices. Property, plant and equipment are booked as cost less depreciation. Cost includes expenses directly related to the acquisition of the asset.

Costs after acquisition are added to the asset's carrying amount or are reported as a separate asset, depending on what is appropriate, only when it is probable that any future economic benefit associated with the asset will flow to the Group and the asset's cost can be measured with reliability. All other repairs and maintenance are recognised as costs in the income statement in the period in which they occur.

Assets are depreciated on a straight-line basis according to plan over the estimated useful life as follows:

| | |
|---|---|
| Buildings | 25-50 years |
| Land improvements | 10–20 years |
| Machinery | 5–10 years |
| Vehicles and computers | 3–5 years |
| Other inventories | 5–10 years |

The residual values and useful lives of the assets are assessed on every balance date and adjusted as needed.

The carrying amount of an asset is immediately written down to its recoverable amount if the carrying amount exceeds its estimated recoverable amount.

Profits and losses in divestitures are determined by comparing sales revenue and carrying amount and are reported in the income statement.

### Intangible assets

*Goodwill*

Goodwill is the amount by which the cost exceeds the fair value of the Group's share of the acquired subsidiary's or associated company's identifiable net assets on the date of acquisition. Goodwill on the acquisition of subsidiaries is reported as intangible assets. Goodwill on the acquisition of associated companies is included in the value of the holding in the associated company.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill impairment is not reversed. Profit or loss when a unit is sold include the continuing carrying amount of the goodwill related to the divested entity.

Goodwill is allocated to cash generating units when an impairment test is carried out.

*Trademarks and licenses*

Trademarks and licenses are reported at cost. Trademarks and licenses have a limited useful life and are reported at cost less accumulated amortisation. Trademarks and licenses are amortised on a straight-line basis in order to spread the cost over their estimated useful life (5–20 years).

### Impairment losses

Assets that have an undefined useful life period are not written down but are tested annually for impairment. The value of depreciated assets is tested for impairment whenever there are indications that the carrying amount is possibly not recoverable. The asset is written down by the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less sales costs and value-in-use. When testing for impairment the assets are grouped in the smallest cash-generating units. An impairment test is performed on every balance sheet day on assets, other than financial assets and goodwill, which have previously been written down, to determine whether or not they should be recovered.

### Research and development

Expenses for research are recognised when they are incurred. Expenses for development are capitalised to the extent they are expected to yield economic benefits in the future. The carrying amount includes expenses for materials, direct costs for wages and salaries and indirect expenses attributable to the asset in a reasonable and consistent manner. Other expenses for development are recognised in the income statement as costs when they are incurred.

### Financial instruments

Financial instruments recognised in the balance sheet include accounts receivable, securities, loan receivables and derivatives. Accounts payable, any issued debt or equity instruments, loan liabilities and derivatives are recorded as liabilities and equity.

Financial instruments are initially recognised at cost equal to the fair value of the instrument including transaction costs for all financial instruments except those categorised as Financial assets recognised at fair value through the income statement. Recognition then takes place on the basis of classification as specified below.

A financial asset or financial liability is recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument. Accounts receivable are recorded in the balance sheet when an invoice has been sent. Liabilities are recorded when an item has been delivered and a contractual obligation to pay exists, even if an invoice has not yet been received. Accounts payable are recorded when an invoice has been received.

A financial asset is derecognised from the balance sheet when the rights in the contract are realised, mature or the company loses control over them. The same holds true for part of a financial asset. A financial liability is derecognised from the balance sheet when the commitment in the contract is met or otherwise extinguished. The same holds true for part of a financial liability.

Acquisitions and divestitures of financial assets are recognised on the transaction date. This is the date on which the company pledges to acquire or sell the asset.

Fair value of listed financial assets is the equivalent of the asset's listed purchase price on the balance sheet date. Fair value on unlisted financial assets is determined by using valuation techniques such as recent transactions, the price of a similar instrument or discounted cash flows. For further information see Note 34.

Financial assets are controlled at every external reporting instance to determine whether or not there are objective indications that one or a group of financial assets should be written down. In the case of equity instruments classified as Available-for-sale financial assets, there must be a significant or prolonged decline in the fair value of an instrument below its cost before it can be written-down. When an asset classified as available-for-sale is impaired, the cumulative amount of any fair value adjustments previously recognised directly in other comprehensive income are transferred to the income statement. Impairment losses on equity instruments recognised in the income statement are not subsequently reversed in the income statement.

Financial instruments are grouped into categories based on how the company intends to use the acquired financial instrument. Executive management determines classification at the time of acquisition.

The categories are as follows:

*Financial assets valued at fair value via profit and loss*

This category has two subgroups; financial assets held for trading and those that the company chose initially to designate to this category. A financial asset is classified in this category if the intention is to sell in the short term (for example listed shares, trading, see Note 30). Derivatives are classified as financial assets held for trading if they are not used for hedge accounting. Assets in this category are recognised continuously at fair value and changes in value are recognised in the income statement.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables arise when the company provides money, goods and services directly to a customer without any intention to conduct trading in the receivables. This category also includes acquired receivables. Assets in this category are measured at amortised cost. Amortised cost is determined based on the compound interest calculated at the time of acquisition.

*Available-for-sales financial assets*

This category includes financial assets that are not classified in any other category or financial assets designated on initial recognition as available for sale (for example, listed shares and other long-term securities holdings). Assets in this category are valued at their current fair value and changes in value are recognised in other comprehensive income . The cumulative gain or loss that was recognised in equity is recognised in profit or loss when an available-for-sale financial asset is derecognised.

*Other financial liabilities*

Financial liabilities not held for trading are initially valued at fair value, net after transaction costs, and thereafter at amortised cost. Amortised cost is determined based on the compound interest calculated at the time the liability was recognised. This means that surpluses or deficits as well as direct issue costs are distributed over the lifespan of the liability.

*Derivatives used in hedge accounting*

Derivative instruments are recognised in the balance sheet on the contract date and are valued at fair value, both initially and in subsequent remeasurements. The method of recognising the profit or loss arising from remeasurement is determined depending on whether the derivative is identified as a hedging instrument and, if so, the characteristics of the item hedged. The Group identifies certain derivatives as either: a hedge of a very probable forecast transaction (cash flow hedge); or a hedge of a net investment in a foreign operation.

When a transaction is entered into, the Group documents the relationship between the hedge instrument and the hedged item as well as the purpose of the risk management and strategy in order to take different hedging measures. The Group also documents its assessment when initiating the hedge and continuously thereafter to see if the derivative instruments used in hedging transactions are effective in terms of evening out changes in fair value or cash flows in hedged items.

*Cash flow hedges*

The effective portion of changes in fair value of derivative instruments identified as cash flow hedges, and which qualify for hedge accounting, are recognised in equity.

The gain or loss associated with the ineffective portion is recognised directly in the income statement.

The cumulative profit or loss in equity is recycled into the income statement in the same period in which the hedged item affects profit or loss (e.g. when the forecast hedged sale takes place).

When a hedging instrument matures or is sold or when the hedge no longer qualifies for hedge accounting and cumulative profits or losses relating to the hedge are recognised in equity, these profits/losses remain in equity and are recorded as income/costs at the same time as the forecast transaction is finally recorded in the income statement. When a forecast transaction is no longer assessed as probable, the cumulative profit or loss recognised in equity is transferred directly to the income statement.

*Hedge of net investment*

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Gains or losses attributable to the hedging instrument associated with the effective portion of the hedge are recognised in equity. Gains or loss associated with the ineffective portion are transferred directly to the income statement.

Any cumulative gain or loss in equity is recognised in the income statement when the foreign operations are sold.

*Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised directly in the income statement under other income alternately other costs.

*Cash*

Cash consists of cash and cash equivalents and immediately available balances in banks and similar institutions as well as short-term liquid investments with a term of less than three months that run no real risk of fluctuations in value.

*Long-term receivables and other current receivables*

Long-term receivables and other current receivables are receivables that arise when the company supplies money without intending to trade on the receivable rights. If the expected holding time of the receivable is longer than one year it is a long-term receivable and if it is shorter it is another receivable. These receivables belong to the category Loans and receivables.

### Taxes on income

Recorded taxes on income include taxes paid or recovered for the current year, adjustments for previous years' taxes and changes in deferred taxes.

Evaluation of all tax liabilities/prepayment is made on the basis of nominal amounts and according to tax regulations and fixed or announced, and likely to be stipulated, tax rates.

Tax is reported in the income statement except when the underlying transaction is recognised directly against equity, in which case the tax impact is also recognised against equity.

Deferred tax is calculated using the balance sheet method on all temporary differences arising between book and taxable values for assets and liabilities.

Deferred tax assets pertaining to future tax deductions are recorded to the extent it is likely that the deduction can be set off against a surplus on future taxation.

Untaxed reserves including deferred tax liabilities are reported in legal entities.

Deferred tax is not calculated on temporary differences in interests in subsidiaries and associates where the date for the reversal of the temporary difference can be controlled by the Group and it is probable that the difference will not be recovered in the foreseeable future.

From a fiscal perspective, Investment AB Latour is an investment company. Profits on sales of shares are not liable to tax and losses are not deductible. The company must however declare 1.5 per cent of the market value of all shareholdings at the beginning of the year as standard taxable income. However this is only valid for listed shares where the share of votes is under 10 per cent. Dividends received are taxable and dividends paid are deductible. Interest income is taxable while administration costs and interest expenses are deductible.

### Cash flow statement
The cash flow statement is prepared using the indirect method. The reported cash flow includes only transactions involving inflows and outflows of cash. Cash includes, besides cash and bank account balances, current financial investments with a maturity period of less than three months.

### Leases
A lease is classified either as a finance lease or as an operating lease in the consolidated financial statements. Leased fixed assets, where the Group essentially faces the same risks and enjoys the same benefits as direct ownership, are classified as finance leases. The leased asset is then reported as a fixed asset and future lease payments as interest-bearing debts. A leased asset is classified as an operating lease if the lessor essentially retains ownership of the asset and the rental is charged on a straight-line basis over the lease term. The parent company classifies all leases as operating leases.

### Government grants
Government grants are reported in the income statement and balance sheet when it is reasonably certain that the conditions associated with the grant will be satisfied and it is likely that the grant will be obtained. Grants are systematically distributed in the same manner and over the same periods as the costs such grants are intended to compensate. Grants pertaining to investments in property, plant and equipment have reduced the carrying amounts of the assets in question.

### Provisions
Provisions are recorded when the Group/company has a formal or informal obligation as a consequence of an event and it is likely that resources must be expended to regulate the obligation and a reliable estimation of the amount can be made.

Provisions for warranties are based on the previous years' actual costs.

### Pensions
The Group has several defined contribution and defined benefit pension plans. In Sweden, Germany, Switzerland and Italy, employees are covered by defined benefit, alternatively defined contribution, pension plans. In other countries they are covered by defined contribution plans.

In defined contribution plans, the company pays fixed fees to a separate legal entity and has no obligation to pay any additional fees. Group profit is charged with costs as the benefits are earned.

In defined benefit plans, remuneration to employees and ex-employees is paid on the basis of salary at the point of retirement and the number of years of service. The Group bears the risk for payment of the pledged remuneration.

The liability recognised in the balance sheet for defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets.

The pension cost and the pension obligation of defined benefit plans are calculated using the Projected Unit Credit Method. The method allocates the cost for pensions at the same rate as employees carry out services for the company which increase their right to future remuneration. The calculation is made annually by independent actuaries.

The company's obligations are valued at the present value of anticipated future payments by using a discount rate. The Group primarily determines this rate using the interest rate for high-quality government bonds measured in the currency in which the benefits are to be paid. For obligations in Sweden, the Group uses the interest rate for 12-year mortgage bonds which are then extrapolated with the growth rate estimate for the 23-year government bond rate to correspond to the remaining maturity period as the obligations in question.

The most important actuarial assumptions are set out in Note 36.

The net interest amount is calculated by applying the discount rate to the defined benefit plans and to the fair value of plan assets. This cost is recognised as personnel costs in the income statement.

Prior service costs are recognised directly in the income statement. Other pension expense items are charged to comprehensive income.

Actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they occur.

### Contingent liabilities
A contingent liability is reported when an obligation may result from events that have occurred and its existence is only confirmed by one or several uncertain future events or when an obligation is not recorded as a liability or provision because it is improbable that an expenditure of resources will be required to regulate it.

### Segment reporting
The Group's operations are managed and organised in the Industrial operations and Investment portfolio. The Industrial operations are in turn divided into five business areas. These business lines and the investment portfolio make up the Group's operating segments. Income, operating profit, assets and liabilities pertaining to the segments include directly attributable items together with items that can reliably be allocated to the segment in question. Non-allocated items generally comprise interest-bearing assets and liabilities, interest income and expenses, costs common to the Group and taxes.

### Parent company accounting policies
The parent company follows the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for legal entities. RFR 2 requires the parent company to follow IFRS/IAS as far as possible. Differences between parent company and Group accounting policies are primarily due to the Swedish Annual Accounts Act and the Pension Obligations Vesting Act (Tryggandelagen) and, in certain cases, special tax regulations. In the following case the parent company's accounting policies are not consistent with the IFRS.

*Payments to employees/defined benefit pensions*
The parent company's defined benefit pension plans have been calculated according to the Pension Obligations Vesting Act (Tryggandelagen) and the Swedish Financial Supervisory Authority's regulations since this is a prerequisite for fiscal deductions.

## NOTE 3 Segment reporting

### DEVELOPMENT PER BUSINESS AREA 1 JAN 2014 – 31 DEC 2014

| | Industrial operations | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| SEK m | Hultafors Group | Latour Industries | Nord-Lock | Specma Group | Swegon | Other | Portfolio management | Total |
| **REVENUE** | | | | | | | | |
| External sales | 1,305 | 1,051 | 722 | 1,294 | 3,209 | – | | 7,581 |
| Internal sales | 1 | 4 | – | – | – | – | | 5 |
| **INCOME** | | | | | | | | |
| Operating profit | 177 | 68 | 211 | 1 | 298 | -9 | | 746 |
| Income from portfolio management | | | | | | | 1,368 | 1,368 |
| Finance income | | | | | | | | 105 |
| Finance expense | | | | | | | | -155 |
| Taxes | | | | | | | | -190 |
| **Profit for the year** | | | | | | | | **1,874** |
| **OTHER DISCLOSURES** | | | | | | | | |
| Assets | 1,358 | 1,174 | 809 | 801 | 3,170 | 845 | 10,863 | 19,020 |
| Unallocated assets | | | | | | | | 170 |
| Total assets | | | | | | | | 19,190 |
| Liabilities | 339 | 335 | 112 | 201 | 924 | 15 | 5 | 1,931 |
| Unallocated liabilities | | | | | | | | 3,736 |
| Total liabilities | | | | | | | | 5,667 |
| Investments in: | | | | | | | | |
| property, plant and equipment | 9 | 17 | 20 | 18 | 102 | 31 | | 197 |
| intangible assets | 217 | 240 | – | 3 | 966 | – | | 1,426 |
| Depreciation/amortisation | 17 | 21 | 18 | 19 | 75 | 17 | | 167 |

### DEVELOPMENT PER BUSINESS AREA 1 Jan 2013 – 31 Dec 2013

| | Industrial operations | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| SEK m | Hultafors Group | Latour Industries | Nord-Lock | Specma Group | Swegon | Other | Portfolio management | Total |
| **REVENUE** | | | | | | | | |
| External sales | 1,207 | 980 | 623 | 1,152 | 2,935 | 47 | | 6,944 |
| Internal sales | 1 | 2 | 1 | – | 1 | – | | 5 |
| **INCOME** | | | | | | | | |
| Operating profit | 126 | 63 | 114 | 0 | 346 | -28 | | 621 |
| Income from portfolio management | | | | | | | 1,089 | 1,089 |
| Finance income | | | | | | | | 33 |
| Finance expense | | | | | | | | -85 |
| Taxes | | | | | | | | -175 |
| **Profit for the year** | | | | | | | | **1,483** |
| **OTHER DISCLOSURES** | | | | | | | | |
| Assets | 995 | 905 | 692 | 783 | 1,919 | 260 | 9,651 | 15,205 |
| Unallocated assets | | | | | | | | 275 |
| Total assets | | | | | | | | 15,480 |
| Liabilities | 188 | 186 | 96 | 199 | 729 | 60 | 38 | 1,496 |
| Unallocated liabilities | | | | | | | | 2,326 |
| Total liabilities | | | | | | | | 3,822 |
| Investments in: | | | | | | | | |
| property, plant and equipment | 12 | 17 | 18 | 17 | 77 | 21 | | 162 |
| intangible assets | 4 | 122 | 14 | 5 | 148 | – | | 293 |
| Depreciation/amortisation | 19 | 22 | 16 | 18 | 69 | 18 | | 162 |

Executive management has determined the operating segments based on the reports reviewed by Latour's Board of Directors that are used to make strategic decisions. The Board primarily assesses the business areas from an operational perspective but also on the basis of geographic area of interest.

The operations can be divided into two main areas: wholly-owned industrial operations and equity management. The industrial operations are grouped into five business areas: Hultafors Group, Latour Industries, Nord-Lock, Specma Group and Swegon. Nord-lock is reported as a separate business area from 1 January 2014. Nord-Lock was previously part of Latour Industries. The comparatives have been adjusted in line with this.

The equity management primarily consists of portfolio management of long-term holdings where Latour owns at least 10 per cent of the votes.

Segment revenue, segment assets and segment liabilities include amounts of such items that are directly attributable to a segment and amounts of such items that can be allocated to a segment on a reasonable and reliable basis. Segment assets and segment liabilities do not include tax assets and tax liabilities (deferred and current), nor do they include interest-bearing assets and liabilities. The segments' investments in property, plant and equipment and intangible assets include all investments, except for investment in expendable equipment and low-value equipment.

## NOTE 4 Geographic markets

Breakdown of sales by geographic markets:

| | 2014 | 2013 |
|---|---|---|
| Sweden | 2,508 | 2,555 |
| Nordic countries, excluding Sweden | 1,405 | 1,362 |
| Europe, excluding Nordic countries | 2,686 | 2,307 |
| Other markets | 982 | 720 |
| **Total** | **7,581** | **6,944** |

Breakdown of assets by geographic markets:

| | 2014 | 2013 |
|---|---|---|
| Sweden | 15,706 | 12,264 |
| Nordic countries, excluding Sweden | 683 | 558 |
| Europe, excluding Nordic countries | 2,410 | 2,248 |
| Other markets | 391 | 410 |
| **Total** | **19,190** | **15,480** |

Breakdown of investment by geographic markets:

| | 2014 | 2013 |
|---|---|---|
| Sweden | 608 | 103 |
| Nordic countries, excluding Sweden | 3 | 6 |
| Europe, excluding Nordic countries | 828 | 337 |
| Other markets | 184 | 9 |
| **Total** | **1,623** | **455** |

Historically, the Group's domestic market has been the Nordic countries, with the majority of production located in Sweden. Nowadays, the Group's main area of expansion is Europe. It is expanding in other parts of the world too. On the criteria of size, no specific countries were deemed relevant to be reported separately.

## NOTE 5 Related party transactions

The Douglas family has a controlling influence over Investment AB Latour. Privately and through companies, the Douglas family controls 79.8 per cent of voting rights in Latour. The family has received board representation fees of SEK 1,200,000. In 2014, 115,000 repurchased shares were sold through redemption of call options, giving Investment AB Latour a holding of 467,000 shares at the end of the period. The total number of call options issued to senior executives in the Latour Group is 730,000. The Board was authorised by the Annual General Meeting on 8 May 2014 to resolve on the repurchase and transfer of the company's own shares. The options are based on market-competitive terms. For information concerning salaries and other remuneration to the Board, the Chief Executive Officer and other senior executives, see Note 9.

Purchasing and sales for the year between Group companies in the Latour Group totalled SEK 2,796 m (2,529). There were no purchases or sales with the parent company. There were no essential payables or receivables with other closely related persons or associated companies on the balance sheet date. No material purchases or sales were made to associates during the year.

## NOTE 6 Breakdown of expenses by type of cost

| GROUP | 2014 | 2013 |
|---|---|---|
| Change in the stock | 3,714 | 3,417 |
| Remuneration to personnel | 2,149 | 1,965 |
| Depreciation/amortisation | 167 | 161 |
| Other costs | 805 | 844 |
| **Total** | **6,835** | **6,387** |

## NOTE 7 Exchange rate differences

Operating profit includes exchange rate differences relating to operating receivables and liabilities as follows:

| GROUP | 2014 | 2013 |
|---|---|---|
| Net sales | 4 | -1 |
| Cost of goods sold | -4 | -2 |
| Sales costs | 21 | 0 |
| Other operating income | 19 | -3 |
| Other operating expenses | -2 | -1 |
| **Total** | **38** | **-7** |

## NOTE 8 Remuneration to auditors

| GROUP | 2014 | 2013 |
|---|---|---|
| *PwC* | | |
| Audit assignment | 6 | 5 |
| Audit-related activities | 0 | 0 |
| Tax advisory services | 0 | 0 |
| Other services | 1 | 2 |
| *Other auditors* | | |
| Audit assignment | 2 | 2 |
| Other services | 1 | 1 |
| **Total** | **10** | **10** |

Remuneration to auditors for auditing services in the parent company amounted to SEK 89,000 (89,000) and for other services SEK 31,000 (53,000).

## NOTE 9 Personnel

**Salaries, other remuneration and social costs**

| | 2014 Salaries and other remuneration | 2014 Social costs (of which pension costs) | 2013 Salaries and other remuneration | 2013 Social costs (of which pension costs) |
|---|---|---|---|---|
| Parent company | 4 | 1 (0) | 4 | 1 (0) |
| Subsidiaries | 1,644 | 522 (147) | 1,498 | 480 (144) |
| **Group** | **1,648** | **523 (147)** | **1,502** | **481 (144)** |

Of the Group's pension costs, SEK 14 m (18) relates to boards and chief executive officers.

**Salaries and other remuneration by country and between board members and others, and employees:**

| | 2014 Board and CEO (of which bonus) | 2014 Other employees | 2013 Board and CEO (of which bonus) | 2013 Other employees |
|---|---|---|---|---|
| *Parent company* | | | | |
| Sweden | 4 (0) | – | 4 (0) | – |
| *Subsidiaries* | | | | |
| Sweden | 37 (7) | 833 | 36 (5) | 830 |
| Italy | 3 (0) | 86 | 3 (0) | 82 |
| Finland | 5 (0) | 76 | 6 (0) | 74 |
| Germany | 6 (1) | 106 | 6 (1) | 67 |
| Great Britain | 5 (1) | 77 | 7 (0) | 64 |
| Norway | 3 (0) | 57 | 3 (0) | 57 |
| USA | 3 (0) | 71 | 5 (0) | 49 |
| Switzerland | 4 (1) | 46 | 3 (1) | 41 |
| Denmark | 2 (0) | 27 | 3 (1) | 30 |
| Poland | 3 (2) | 27 | 5 (2) | 20 |
| France | 3 (0) | 17 | 3 (0) | 19 |
| The Netherlands | 5 (0) | 6 | 5 (0) | 14 |
| Belgium | 5 (0) | 28 | 3 (0) | 11 |
| Romania | 0 (0) | 5 | 0 (0) | 5 |
| Other countries | 7 (1) | 47 | 11 (0) | 36 |
| **Group total** | **95 (13)** | **1,509** | **103 (10)** | **1,399** |

Periods of notice within the Group are, depending on age and position, between 3 and 24 months.

**Remuneration to senior executives**
**Policies**
The Chairman of the Board and Board members receive the remuneration decided by the Annual General Meeting. They are not paid extra for committee work.

Remuneration to the Chief Executive Officer and other senior executives is comprised of basic salary, variable remuneration, other benefits and pension. Other senior executives are the members of Group management and business area managers, who report directly to the Chief Executive Officer.

The variable remuneration to the Chief Executive Officer is based on goals achieved during the year and was capped at 78.1 per cent of basic salary in 2014. Variable remuneration for other senior executives is based on profits and return on operating capital. Under current agreements, this remuneration is capped at 17 and 76 per cent of the basic salary. In order to promote a long range perspective, the Board may, in addition to the annual variable remuneration, decide on compensation connected to the business areas' long-term value development over a period of three years.

The Board may also allow a supplemental remuneration to company management in the form of share-related incentive schemes (e.g. a call option programme) provided that they promote long-term commitment to the business and they are on market-based terms.

**2014 Remuneration and other benefits during the year**

| (SEK '000) | Basic salary/Board fees | Variable remuneration[3] | Other benefits[2] | Pension costs | Total |
|---|---|---|---|---|---|
| Chairman of the Board | 1,200 | – | – | – | 1,200 |
| Other Board members (7 people)[1] | 2,800 | – | – | – | 2,800 |
| Chief Executive Officer | 4,402 | 3,039 | 128 | 1,779 | 9,348 |
| Other senior executives (6 people) [4] | 14,645 | 2,931 | 502 | 3,556 | 21,634 |

[1] Other Board members have received SEK 400,000 each.
[2] Other benefits relate mainly to car benefits.
[3] Variable remuneration to the Chief Executive Officer was equal to 69 per cent of his basic salary and to other senior executives it ranged from 0-76 per cent of their basic salary.
[4] A business area manager has been engaged on a consultancy contract from September to December, with remuneration that is included in the stated amount. This sum also includes severance pay

**2013 Remuneration and other benefits during the year**

| (SEK '000) | Basic salary/Board fees | Variable remuneration[3] | Other benefits[2] | Pension costs | Total |
|---|---|---|---|---|---|
| Chairman of the Board | 1,200 | – | – | – | 1,200 |
| Other Board members (7 people)[1] | 2,800 | – | – | – | 2,800 |
| Chief Executive Officer | 4,313 | 2,362 | 98 | 1,673 | 8,447 |
| Other senior executives (5 people) | 10,096 | 2,244 | 479 | 2,530 | 15,349 |

[1] Other Board members have received SEK 400,000 each.
[2] Other benefits relate mainly to car benefits.
[3] Variable remuneration to the Chief Executive Officer was equal to 55 per cent of his basic salary and to other senior executives it ranged from 0-44 per cent of their basic salary.

*Cont.*

*Note 9 cont.*

### Pensions

The Chief Executive Officer may retire at the age of 62, whereupon a pension of 60 percent of his basic salary is paid for 3 years.

The retirement age for other senior executives is 65, whereupon a pension is paid in accordance with the defined-benefit ITP pension scheme or the equivalent. Premiums are paid on an ongoing basis.

### Call options

At the close of the year, a total of 730,000 call options had been issued to senior executives. The option premium for the issued call shares in 2014 amounted to SEK 18.90 per call option and the redemption price per share is SEK 194.20 The call option programme should not be regarded as a share-based payment under IFRS 2 as it is based on market conditions.

### Severance payment

The period of notice between the company and Chief Executive Officer is 12 months. In the case of dismissal by the company, the Chief Executive Officer will receive severance pay amounting to 12 months' salaries. Severance pay is not set off against any other income. The Chief Executive Officer must give 6 months' notice and does not receive severance pay.

The period of notice between the company and other senior executives varies from 6 to 12 months. In the case of dismissal by the company, the senior executives receive their salary during their notice period. Senior executives must give 6 months' notice and do not receive severance pay.

### Preparation and decision process

The policies for remuneration to senior executives are decided by the Annual General Meeting. The Chief Executive Officer's salary and employment terms are determined by the Board. The Board has given the Chairman the task of reaching an agreement with the Chief Executive Officer after contact with the Remuneration Committee. The Board is then informed of the outcome of the negotiations.

Remuneration to other senior executives is determined by the Chief Executive Officer in consultation with the Chairman of the Board.

### Gender split in senior management

| | 2014 | | 2013 | |
|---|---|---|---|---|
| PARENT COMPANY | Men % | Women % | Men % | Women % |
| Board members | 63 | 37 | 63 | 37 |
| Chief Executive Officer | 100 | 0 | 100 | 0 |

100 per cent (100) of Group senior executives are men.

### Average number of employees

| | 2014 | | 2013 | |
|---|---|---|---|---|
| PARENT COMPANY | Number of employees | Of which men % | Number of employees | Of which men % |
| Sweden | – | – | – | – |
| SUBSIDIARIES | | | | |
| Sweden | 2,181 | 81 | 2,156 | 81 |
| Italy | 241 | 84 | 240 | 83 |
| Great Britain | 219 | 65 | 226 | 65 |
| Germany | 210 | 74 | 136 | 74 |
| Poland | 203 | 80 | 96 | 74 |
| USA | 168 | 89 | 114 | 88 |
| Finland | 162 | 61 | 200 | 64 |
| Norway | 102 | 72 | 105 | 71 |
| Romania | 94 | 39 | 104 | 38 |
| Latvia | 69 | 30 | 66 | 74 |
| Other countries | 516 | 82 | 466 | 71 |
| Total in subsidiaries | 4,165 | 77 | 3,909 | 77 |
| **Total** | **4,165** | **77** | **3,909** | **77** |

| OPERATING AREAS | 2014 | 2013 |
|---|---|---|
| Industrial operations | 4,164 | 3,908 |
| Portfolio management | 1 | 1 |
| **Total** | **4,165** | **3,909** |

## NOTE 10 Depreciation/amortisation

Amortisation of intangible fixed assets in the Group amounts to SEK 15 m (13) and depreciation of property, plant and equipment amounts to SEK 152 m (148). Depreciation/amortisation is distributed per function in the income statement as follows:

| GROUP | 2014 | 2013 |
|---|---|---|
| *Trademarks, licenses* | | |
| Cost of goods sold | 4 | 4 |
| Sales costs | 4 | 2 |
| Administrative costs | 3 | 2 |
| Research and development costs | 4 | 5 |
| **Total** | **15** | **13** |
| *Buildings* | | |
| Cost of goods sold | 17 | 14 |
| Sales costs | 2 | 2 |
| Administrative costs | 1 | 1 |
| Research and development costs | – | – |
| Other operating expenses | – | – |
| **Total** | **20** | **17** |
| *Land and land improvements* | | |
| Cost of goods sold | – | 1 |
| **Total** | **0** | **1** |
| *Machinery* | | |
| Cost of goods sold | 66 | 67 |
| Sales costs | 2 | 1 |
| Administrative costs | 1 | 1 |
| Research and development costs | 2 | 2 |
| **Total** | **71** | **71** |
| *Equipment* | | |
| Cost of goods sold | 24 | 26 |
| Sales costs | 11 | 10 |
| Administrative costs | 24 | 22 |
| Research and development costs | 1 | 1 |
| Other operating expenses | 1 | 0 |
| **Total** | **61** | **59** |
| **Total depreciation** | **167** | **161** |

## NOTE 11 Leases

Lease costs for premises, machinery, computers and office equipment for the Group were SEK 81 m (58).

Future minimum lease payments in the Group for non-cancellable operating leases fall due as follows:

| Year | Future minimum lease payments |
|---|---|
| 2015 | 67 |
| 2016-2019 | 143 |
| 2020– | 24 |
| **Total** | **234** |

The Group leases a building under a finance lease. This is recognised as a fixed asset at a book value of SEK 90 m (88). Future lease payments on this building are recognised as interest-bearing debt amounting to SEK 71 m (73). The term is until 2027. See Note 19. Finance lease payments of SEK 4 m (4) have been recognised in the income statement.

## NOTE 12 Operating income and operating expenses

### Other operating income

| GROUP | 2014 | 2013 |
|---|---|---|
| Capital gains on sales | 0[1)] | 2[1)] |
| Share of result in associated companies | 19[2)] | 22[2)] |
| Exchange rate differences | 19 | – |
| Other income | 50 | 40 |
| **Total** | **88** | **64** |

### Other operating expenses

| GROUP | 2014 | 2013 |
|---|---|---|
| Acquisition costs | -8 | – |
| Capital gains on sales | –7 | –20 |
| Valuation forward exchange contracts | – | –6 |
| Exchange rate differences | -1 | -1 |
| Other costs | – | -1 |
| **Total** | **–16** | **–28** |

1) SEK 0 m (2) from the reclassification of holdings to associated companies is included.
2) Relates to share of income from Oxeon at SEK 1 m (–4), Diamorph at SEK –6 m (6) and Academic Work at SEK 24 m (20).

## NOTE 13 Income from interests in associates

| GROUP | 2014 | 2013 |
|---|---|---|
| Income from interests after tax | 1,354 | 1,046 |
| Dilutive effect | -7 | 14 |
| **Total** | **1,347** | **1,060** |

### Individual holdings have affected results as follows:

| | 2014 | 2013 |
|---|---|---|
| Assa Abloy | 648 | 438 |
| Fagerhult | 134 | 93 |
| HMS Networks | 16 | 18 |
| Loomis | 90 | 97 |
| Nederman | 22 | 32 |
| Securitas | 216 | 167 |
| Sweco | 116 | 131 |
| Tomra | 105 | 84 |
| **Total** | **1,347** | **1,060** |

Since Latour normally cannot wait for the income statements from each associated company, Latour applies the principle of basing each company's quarterly financial report on the outcome of the previous quarter and then extrapolating an estimated outcome. The companies' results vary which means the reported profit share can deviate from the recorded outcome but this is corrected in the next quarterly financial report. The book value of interests in associates is compared with the market value, which is adjusted for impairment if necessary.

PARENT COMPANY
In the parent company, the dividend income from associates comprises SEK 464 m (438) and capital gains SEK 0 m (10).

## NOTE 14 Income from portfolio management

| GROUP | 2014 | 2013 |
|---|---|---|
| *Income from fixed assets* | | |
| Dividends | 23 | 11 |
| Capital gains | -1 | – |
| | 22 | 11 |
| *Income from current assets* | | |
| Dividends | 1 | 9 |
| Capital gains | 11 | 25 |
| Revaluation, booked in the income statement | 2 | -2 |
| | 14 | 32 |
| **Total portfolio management** | **36** | **43** |

| PARENT COMPANY | 2014 | 2013 |
|---|---|---|
| *Income from fixed assets* | | |
| Dividends | 22 | 12 |
| **Total portfolio management** | **22** | **12** |

## NOTE 15 Finance income

| GROUP | 2014 | 2013 |
|---|---|---|
| Interest income | 6 | 2 |
| Exchange gains | 98 | 29 |
| Other finance income | 1 | 2 |
| **Total** | **105** | **33** |

| PARENT COMPANY | 2014 | 2013 |
|---|---|---|
| Interest income from Group companies | 48 | 61 |
| Other interest income | – | – |
| **Total interest income** | **48** | **61** |

## NOTE 16 Finance expense

| GROUP | 2014 | 2013 |
|---|---|---|
| PRI interest | –5 | –6 |
| Other cost interest | -73 | –56 |
| Exchange losses | –66 | –22 |
| Costs redemption PRI | –10 | 0 |
| Other finance expense | –1 | –1 |
| **Total** | **–155** | **–85** |

| PARENT COMPANY | 2014 | 2013 |
|---|---|---|
| Interest expenses to Group companies | –37 | –30 |
| Other interest expenses | -2 | -3 |
| **Total** | **–39** | **–33** |

## NOTE 17 Tax on profit for the year

| GROUP | 2014 | 2013 |
|---|---|---|
| Current tax expense for the period | –174 | –150 |
| *Deferred tax attributable to changes in temporary differences* | | |
| Deferred tax income | 23 | 15 |
| Deferred tax expense | –39 | –40 |
| **Total** | **–190** | **–175** |

### Difference between actual tax expense and tax expense based on the effective tax rate

| GROUP | 2014 | 2013 |
|---|---|---|
| Profit before tax | 2,064 | 1,658 |
| Tax according to effective tax rate, 22% | –454 | –365 |
| Tax effect of special taxation rules for investment companies | 107 | 177 |
| Effect of associated company accounts | 168 | 62 |
| Tax effect of non-deductible costs | –23 | –50 |
| Tax effect of previous year adjustments | –22 | –12 |
| Tax effect of non-taxable income | 12 | 20 |
| Other tax effects | 22 | -7 |
| **Tax on profit for the year according to the income statement** | **–190** | **–175** |

| PARENT COMPANY | 2014 | 2013 |
|---|---|---|
| Profit before tax | 816 | 805 |
| Tax according to effective tax rate, 22% | -180 | -177 |
| Tax effect of special taxation rules for investment companies | 180 | 177 |
| **Tax on profit for the year according to the income statement** | **0** | **0** |

The effective tax rate for the Group and the parent company is 22 per cent.

Investment companies are allowed a tax deduction for the dividend approved at the subsequent Annual General Meeting. Capital gains are not taxable while capital losses are not deductible. Investment companies are taxed on a standardised basis. See Note 37.

## NOT 18 Intangible assets

| GROUP | Goodwill | Trademarks, licenses | Total |
|---|---|---|---|
| *Accumulated cost* | | | |
| Opening balance 1 Jan 2013 | 1,673 | 171 | 1,844 |
| Opening cost from acquisitions | – | 3 | 3 |
| Acquisitions for the year | 285 | 5 | 290 |
| Sales for the year | -13 | – | -19 |
| Reclassification | – | – | 0 |
| Translation difference | 24 | 2 | 32 |
| **Closing balance 31 Dec 2013** | **1,969** | **181** | **2,150** |
| Opening balance 1 Jan 2014 | 1,969 | 181 | 2,150 |
| Opening cost from acquisitions | – | 6 | 6 |
| Acquisitions for the year | 1,413 | 7 | 1,420 |
| Sales for the year | -4 | – | -4 |
| Reclassification | – | – | 0 |
| Translation difference | 128 | 8 | 136 |
| **Closing balance 31 Dec 2014** | **3,506** | **202** | **3,708** |
| *Accumulated amortisation* | | | |
| Opening balance 1 Jan 2013 | 0 | -99 | -99 |
| Amortisation for the year | – | -11 | -11 |
| Sales for the year | – | – | 0 |
| Translation difference | – | -2 | -2 |
| **Closing balance 31 Dec 2013** | **0** | **-112** | **-112** |
| Opening balance 1 Jan 2014 | 0 | -112 | -112 |
| Amortisation for the year | – | -15 | -15 |
| Sales for the year | – | – | 0 |
| Translation difference | – | -5 | -5 |
| **Closing balance 31 Dec 2014** | **0** | **-132** | **-132** |
| *Accumulated impairment losses* | | | |
| Opening balance 1 Jan 2013 | -13 | 0 | -13 |
| Sales for the year | 13 | – | 13 |
| **Closing balance 31 Dec 2013** | **0** | **0** | **0** |
| Opening balance 1 Jan 2014 | 0 | 0 | 0 |
| Sales for the year | – | – | 0 |
| **Closing balance 31 Dec 2014** | **0** | **0** | **0** |
| **Book value** | **3,506** | **70** | **3,576** |
| **Carrying amounts** | | | |
| As at 1 Jan 2013 | 1,660 | 72 | 1,732 |
| As at 31 Dec 2013 | 1,969 | 69 | 2,038 |
| As at 1 Jan 2014 | 1,969 | 69 | 2,038 |
| As at 31 Dec 2014 | 3,506 | 70 | 3,576 |

The effect of depreciation on results is detailed in Note 10.
All goodwill refers to the segment Industrial operations. After testing goodwill for impairment, no write-downs were made in 2014.

### Testing goodwill for impairment

Certain valuation assumptions, which are the basis of the evaluation, have been given for the Group's most significant goodwill items.

Group value of goodwill per business area

| GROUP | Book value, SEK m |
|---|---|
| Hultafors Group | 615 |
| Latour Industries | 743 |
| Nord-Lock | 380 |
| Specma Group | 169 |
| Swegon | 1,599 |
| | **3,506** |

Assumptions for the Group's significant goodwill items are given below

| 31 Dec 2014 | Book value, SEK m | Growth assumption (forecast) | Margin assumption (forecast) |
|---|---|---|---|
| Snickers Workwear | 357 | 2-6% | 13.6% |
| Tradeport | 217 | 4-28% | 10.5-15.0% |
| Reac | 215 | 0-4% | 14.0% |
| Kabona | 140 | 10-17% | 5.2-10.0% |
| Elvaco | 139 | 10-13% | 17.0-18.0% |
| Nord-Lock Group | 380 | 3-5% | 25.0-28.0% |
| Specma Global | 127 | 3-3.8% | 4.8-6.0% |
| P. Lemmens | 683 | 3-10% | 27.0-31.0% |
| Cooling | 443 | 3-10% | 3.2-9.0% |
| Vibro-Acoustics | 174 | 3-15% | 0.0-10.0% |

| 31 Dec 2014 | Discount rate (before tax) | Growth assumption (terminal) | Margin assumption (terminal) |
|---|---|---|---|
| Snickers Workwear | 11% | 2% | 13.6% |
| Tradeport | 12.3% | 2% | 15.0% |
| Reac | 11.3% | 2% | 14.0% |
| Kabona | 13% | 2% | 14.0% |
| Elvaco | 12.1% | 2% | 18.0% |
| Nord-Lock Group | 11.2% | 2% | 25.0% |
| Specma Global | 9.4% | 2% | 6.0% |
| P. Lemmens | 11% | 2% | 27.0% |
| Cooling | 11% | 2% | 3.0% |
| Vibro-Acoustics | 11% | 2% | 10.0% |

| 31 Dec 2013 | Book value, SEK m | Growth assumption (forecast) | Margin assumption (forecast) |
|---|---|---|---|
| Blue Box Group | 270 | 3-17% | 9-11% |
| Snickers Workwear | 357 | 0-2% | 13.5-14.3% |
| Nord-Lock Group | 336 | 3% | 15% |
| Swegon Ilto | 114 | 3-18% | 8-10% |
| Kabona | 140 | 3-27% | 8.4-12.5% |
| REAC | 212 | 3-11% | 12-13.7% |

| 31 Dec 2013 | Discount rate (before tax) | Growth assumption (terminal) | Margin assumption (terminal) |
|---|---|---|---|
| Blue Box Group | 15% | 2% | 11% |
| Snickers Workwear | 14% | 2% | 13.5% |
| Nord-Lock Group | 14% | 2% | 15% |
| Swegon Ilto | 15% | 2% | 10% |
| Kabona | 14% | 2% | 12.5% |
| REAC | 14% | 2% | 10.5% |

All Group goodwill items have been evaluated as required by IAS 36 in order to determine the individual recoverable amount for all of the smallest cash generating units. The valuations are not market value. Individual assumptions regarding growth, profit margins, tied up capital and investment needs as a risk premium have been made for each of the Group goodwill items. The risk premium increment which has been added onto the risk free interest level is made up of a general risk premium for company investments and a specific risk premium for individual operations based on their circumstances.

### Key assumptions

Impairment tests were performed with forecasts for five years (one or more years following individual testing). Estimations of future cash flows have been made based on the assets' existing structure and do not include future acquisitions. The required return after tax varies from between 9.2 per cent to 12.4 per cent (10.2 to 12.8). In most of the tests the higher part of the interval has been used.

*Market, growth and margin*
The forecasts are based on previous experience and external sources of information.

*Personnel expenses*
The forecast personnel expenses are based on anticipated inflation, a certain real wage increase (historical average) and planned rationalisations in company production. The forecast concurs with previous experience and external sources of information.

*Exchange rates*
Exchange rate forecasts are based on current listed exchange rates and forward rates. The forecast concurs with external sources of information.

| | |
|---|---|
| Exchange rate CAD | 6.4 |
| Exchange rate EUR | 9.1 |
| Exchange rate DKK | 1.22 |
| Exchange rate NOK | 1.11 |
| Exchange rate GBP | 11.4 |
| Exchange rate CHF | 7.5 |
| Exchange rate PLN | 2.05 |
| Exchange rate USD | 7.3 |

*Cont.*

*Note 18 cont.*

The recoverable amount exceeds the carrying amounts by a good margin for all essential units. The effect of a minor change to a key assumption is not so great that the recoverable amount could fall below its carrying amount. This applies to all cash-generating units where significant value is created. However, the risk is greater for some of the smallest goodwill items because the margin is smaller. Yet they have no significant impact on the Latour Group. The greatest risk of the occurrence of impairment is when disruptive changes in an industry radically alter the position of a company in the market. Each company conducts an annual risk analysis to review and modify its operations in the light of such risks.

## NOTE 19 Buildings

| GROUP | 2014 | 2013 |
|---|---|---|
| Opening cost | 519 | 531 |
| Opening cost from acquisitions | 8 | 2 |
| Purchases | 28 | 12 |
| Sales and disposals | -2 | -33 |
| Reclassification | – | -1 |
| Translation differences | 15 | 8 |
| *Closing cost* | *568* | *519* |
| Opening depreciation | -219 | -223 |
| Sales and disposals | 2 | 24 |
| Depreciation for the year | -20 | -18 |
| Translation differences | -6 | -2 |
| *Closing depreciation* | *-243* | *-219* |
| Opening impairment | -11 | -11 |
| Impairment for the year | – | – |
| Sales and reversals | – | – |
| *Closing impairment* | *-11* | *-11* |
| **Book value** | **314** | **289** |

Depreciation for the year, see Note 10.

Building items include a property held by the Group through a finance lease with the following amounts:

| | 2014 | 2013 |
|---|---|---|
| Cost - capitalised finance lease | 108 | 101 |
| Accumulated depreciation | -18 | -13 |
| **Carrying amount** | **90** | **88** |

## NOTE 20 Land and land improvements

| GROUP | 2014 | 2013 |
|---|---|---|
| Opening cost | 24 | 26 |
| Purchases | 2 | – |
| Sales and disposals | – | -2 |
| Translation differences | 0 | 0 |
| *Closing cost* | *26* | *24* |
| Opening depreciation | -7 | -7 |
| Depreciation for the year | -1 | -1 |
| Sales and disposals | – | 1 |
| Translation differences | 0 | 0 |
| *Closing depreciation* | *-8* | *-7* |
| **Book value** | **18** | **17** |

Depreciation for the year, see Note 10.

## NOTE 21 Machinery

| GROUP | 2014 | 2013 |
|---|---|---|
| Opening cost | 1,040 | 1,004 |
| Opening cost from acquisitions | 33 | 13 |
| Purchases | 52 | 50 |
| Sales and disposals | -14 | -33 |
| Translation differences | 36 | 6 |
| *Closing cost* | *1,147* | *1,040* |
| Opening depreciation | -825 | -777 |
| Sales and disposals | 15 | 28 |
| Depreciation for the year | -71 | -72 |
| Translation differences | -29 | -4 |
| *Closing depreciation* | *-910* | *-825* |
| **Book value** | **237** | **215** |

Depreciation for the year, see Note 10.

## NOTE 22 Equipment

| GROUP | 2014 | 2013 |
|---|---|---|
| Opening cost | 593 | 565 |
| Opening cost from acquisitions | 3 | 14 |
| Purchases | 71 | 71 |
| Sales and disposals | -48 | -56 |
| Reclassification | -4 | -3 |
| Translation differences | 18 | 2 |
| *Closing cost* | *633* | *593* |
| Opening depreciation | -434 | -425 |
| Sales and disposals | 35 | 47 |
| Depreciation for the year | -61 | -59 |
| Reclassification | – | 4 |
| Translation differences | -13 | -1 |
| *Closing depreciation* | *-473* | *-434* |
| **Book value** | **160** | **159** |

Depreciation for the year, see Note 10.

## NOTE 23 Construction work in progress and advances for property, plant and equipment

| GROUP | 2014 | 2013 |
|---|---|---|
| Opening cost | 36 | 11 |
| Costs expended during the year | 9 | 51 |
| Completed facilities | -33 | -26 |
| **Book value** | **12** | **36** |

## NOTE 24 Interests in subsidiaries

| | 2014 | 2013 |
|---|---|---|
| Opening cost | 1,246 | 1,246 |
| Change for the year | – | – |
| **Closing cost** | **1,246** | **1,246** |

| Company name | CRN | Domicile | No. shares | Share of equity in % | Book value (SEK m) |
|---|---|---|---|---|---|
| Karpalunds Ångbryggeri AB | 556000-1439 | Stockholm | 3,600 | 100 | 1 |
| Latour Förvaltning AB | 556832-2209 | Stockholm | 500 | 100 | 1,005 |
| Latour-Gruppen AB | 556649-8647 | Gothenburg | 400,000 | 100 | 49 |
| Hultafors Group AB | 556365-0752 | Bollebygd | 349,873 | 100 | |
| Hultafors AB | 556023-7793 | Bollebygd | 30,000 | 100 | |
| Hultafors Group Finland OY | 0664406-9 | Finland | 100 | 100 | |
| Hultafors Group Norge AS | 983513328 | Norway | 1,000 | 100 | |
| Hultafors Group Danmark AS | 14252533 | Denmark | 500,000 | 100 | |
| Hultafors UMI S.R.L. | J32/572/22.11.1996 | Romania | 78,661 | 100 | |
| Hultafors Group Italy | 1660130210 | Italy | 60,000 | 100 | |
| Fisco Tools Ltd | 755735 | UK | 200,000 | 100 | |
| Hultafors Group NL BV | 8054149 | Netherlands | 25 | 100 | |
| Hultafors Group Sverige AB | 556113-7760 | Bollebygd | 1,000 | 100 | |
| Snickers Workwear Logistics BV | 08117646 | Netherlands | 200 | 100 | |
| Snickers Workwear Ltd | 01952599 | UK | 100,000 | 100 | |
| Snickers Production SIA Latvia | 40003077239 | Latvia | 100 | 100 | |
| Hultafors Group Belgium NV | 0444.346.706 | Belgium | 50,000 | 100 | |
| Snickers Workwear France SARL | 529 004 046 | France | 7,499 | 100 | |
| Hultafors Group Poland Sp. z o.o. | 146309299 | Poland | 100 | 100 | |
| Snickers Workwear Switzerland AG | CH 036.3.044.124-4 | Switzerland | 1,000 | 100 | |
| Hultafors Group Ireland Ltd | 65695194 | Ireland | 15,700 | 100 | |
| Hultafors Group Germany GmbH | 147860778 | Germany | 50,000 | 100 | |
| Snickers Workwear Austria GmbH | ATU 65856344 | Austria | 35,000 | 100 | |
| Specma Tools AB | 556737-4664 | Gothenburg | 1,000 | 100 | |
| Tradeport AB | 556649-0230 | Stockholm | | 100 | |
| Specma AB | 556089-9550 | Gothenburg | 10,000 | 100 | |
| Specma OY | 0292607-7 | Finland | 400 | 100 | |
| Specma Hydraulic Russia | 5087746446046 | Russia | 100 | 100 | |
| Specma Co Ltd | 79274263-4 | China | 1 | 100 | |
| Specma Hydraulic Polska Sp.z o.o. | 320724049 | Poland | 500 | 100 | |
| Specma Component AB | 556219-2202 | Skellefteå | 7,500 | 100 | |
| Specma Wiro AB | 556362-4641 | Motala | 5,000 | 100 | |
| Specma Hydraulic U.S. Inc. | 30-05199401 | USA | 100 | 100 | |
| Specma Do Brasil Ltda | 10.343.468/0001-32 | Brazil | 127,500 | 51 | |
| Samwon Tech (Europe) Ltd | 4 746 517 | UK | 100 | 100 | |
| Specma Hydraulic A/S | 29 92 02 49 | Denmark | 348 | 77.7 | |
| AB Kiruna Hydraulic | 556535-6184 | Kiruna | 4,200 | 100 | |
| Landfall Management | 4542831 | UK | 1,000 | 100 | |
| Swegon AB | 556077-8465 | Vara | 400,000 | 100 | |
| Swegon GmbH | HRB209158 | Germany | 25,000 | 100 | |
| Swegon Ventilation Systems GmbH | HRB4092 | Germany | 2 | 100 | |
| Swegon Climate Systems GmbH | HRB120490 | Germany | 2 | 100 | |
| Econdition | HRB152462 | Germany | 2 | 100 | |
| Swegon Latvia SIA | 40103622444 | Latvia | 2,000 | 100 | |
| Swegon AS | 247231 | Denmark | 5 | 100 | |
| Swegon GmbH Austria | FN 229472 | Austria | 1 | 100 | |
| RCS AG | CH-514.4.028.553-2 | Austria | 100 | 100 | |
| KB Söderby 1:752 | 916634-4441 | Vara | 1 | 100 | |
| Swegon Ltd | 1529960 | UK | 50,000 | 100 | |
| Coolmation Ltd | 01744381 | UK | 63,622 | 100 | |
| Coolmation Service Ltd | 03443661 | UK | 1 | 100 | |
| Climate4Hire Ltd | 03284785 | UK | 1,000 | 100 | |
| Swegon SARL | 409-770-195 | France | 2,000 | 100 | |
| Swegon SA | 48-205-4517 | Switzerland | 100 | 100 | |
| Swegon s.r.o. | 275 90 071 | Czech Republic | 1 | 100 | |
| Swegon North America Inc | 1916764 | Canada | 6,860,001 | 100 | |
| Swegon Inc. | 26-1934480 | USA | 1,000 | 100 | |
| Swegon BVA System Inc | 98-0149314 | USA | 100 | 100 | |
| Swegon BVA System (Tennessee) Inc | 98-0150566 | USA | 100 | 100 | |
| Swegon BVA System (Texas) Inc | 46-0524581 | USA | 1,000 | 100 | |
| Swegon Eesti OU | 11726958 | Estonia | 1 | 100 | |
| Swegon Indoor Climate Systems Co. Ltd | 310000400676739 | China | 1 | 100 | |

*Cont.*

*Note 24 cont.*

| Company name | CRN | Domicile | No. shares | Share of equity in % | Book value (SEK m) |
|---|---|---|---|---|---|
| Swegon AS | 933-765-806 | Norway | 1,500 | 100 | |
| OY Swegon AB | 240.505 | Finland | 20,000 | 100 | |
| Lewaco Trading AB | 556343-3423 | Vara | 1,000 | 100 | |
| Swegon Berguven 2AB | 556935-7782 | Vara | 500 | 100 | |
| Swegon Sp.z o.o. | 632031333 | Poland | 1,454 | 100 | |
| Swegon BV | 24408522 | Netherlands | 100 | 100 | |
| Swegon Belgium S.A. | 893.224.696 | Belgium | 620 | 100 | |
| Swegon P Lemmens Group SA | 829.386.721 | Belgium | 22,142 | 90[1] | |
| P Lemmens Company SA | 429.188.970 | Belgium | 100,000 | 90[1] | |
| Swegon S.A. | A-84244763 | Spain | 6,011 | 100 | |
| Swegon ILTO OY | 1615732-8 | Finland | 1,000 | 100 | |
| Swegon BB s.r.l | 03991770276 | Italy | 1 | 100 | |
| Blue Box Group s.r.l | 02481290282 | Italy | 1 | 100 | |
| Blue Box France SA | 48535226400017 | France | 0.9 | 100 | |
| Applicaciones Climaticas BBG Sl | B 97613780 | Spain | 0.65 | 100 | |
| Blue Box Air | U74210MH2008FTC189149 | India | 2,397,500 | 100 | |
| Latour Industries AB | 556018-9754 | Gothenburg | 100,000 | 100 | |
| LSAB Group AB | 556655-6683 | Hedemora | 1,000 | 100 | |
| Fortiva AB | 556563-6742 | Malmö | 4,000 | 100 | |
| Fortiva Danmark A/S | 182650 | Denmark | 2,550 | 100 | |
| Bergmans Chuck AB | 556059-1736 | Hässleholm | 1,200 | 100 | |
| LSAB Produktion AB | 556456-8060 | Laholm | 400 | 100 | |
| LSAB Norge AS | 95882479 | Norway | 300 | 100 | |
| LSAB Sverige AB | 556222-1746 | Hedemora | 2,500 | 100 | |
| LSAB Instrument Service | 1089847103950 | Russia | 1 | 100 | |
| LSAB Suomi OY | 0140601-0 | Finland | 1,050 | 100 | |
| LSAB Vändra AS | 10120018 | Estonia | 6,000 | 100 | |
| LSAB Latvia SIA | 40003381260 | Latvia | 23,150 | 100 | |
| MachToolRent | 1107847394687 | Russia | 1 | 100 | |
| LSAB Danmark A/S | 34737886 | Denmark | 500 | 100 | |
| Kabona AB | 556609-1525 | Borås | 100 | 100 | |
| Specma Seals AB | 556198-5077 | Gothenburg | 10,000 | 100 | |
| AVT Group AB | 556863-5964 | Gothenburg | 500 | 100 | |
| AVT Industriteknik AB | 556596-5786 | Alingsås | 4,000 | 100 | |
| KLT Fastighets KB | 969674-4250 | Alingsås | 1 | 100 | |
| Elvaco AB | 556248-6687 | Kungsbacka | 800 | 80[1] | |
| Bastec AB | 556346-6738 | Malmö | 114,200 | 100 | |
| Nord-Lock International AB | 556610-5739 | Gothenburg | 1,000 | 100 | |
| Nord-Lock AG | CH-320.3.028.873-7 | Switzerland | 1,000 | 100 | |
| Nord-Lock ApS | 33 878 605 | Denmark | 100 | 100 | |
| Nord-Lock Co. Ltd | 310000400676819 | China | 1 | 100 | |
| Nord-Lock AB | 556137-1054 | Åre | 8,000 | 100 | |
| Nord-Lock Inc. | 38-3418590 | USA | 1,000 | 100 | |
| Superbolt Inc. | 25-1478791 | USA | 12,000,000 | 100 | |
| Nord-Lock Benelux BV | 2050318 | Netherlands | 180 | 100 | |
| Nord-Lock Ltd | 4117670 | UK | 100 | 100 | |
| Nord-Lock Poland Sp. z o.o. | 0000273881 | Poland | 10 | 100 | |
| Nord-Lock SARL | 439-251-901 | France | 1,000 | 100 | |
| Nord-Lock Japan Co, Ltd | 1299-01-047553 | Japan | 200 | 100 | |
| Nord-Lock OY | 0893691-1 | Finland | 100 | 100 | |
| Nord-Lock s.r.o. | 27294714 | Czech Republic | 200,000 | 100 | |
| Nord-Lock Holding GmbH | HRB 175392 | Germany | 1 | 100 | |
| Nord-Lock GmbH | HRB 510204 | Germany | 1 | 100 | |
| Nord-Lock Switzerland GmbH | CH 020.4.041.709-1 | Switzerland | 200 | 100 | |
| Nord-Lock AS | 895 421 812 | Norway | 100 | 100 | |
| Nord-Lock Italy s.r.l | 2 464 160 015 | Italy | 1 | 100 | |
| Nord-Lock PTE. LTD. | 201110682R | Singapore | 50,000 | 100 | |
| REAC AB | 556520-2875 | Åmål | 20,000 | 100 | |
| REAC A/S | 19 353 508 | Denmark | 500,000 | 100 | |
| REAC Poland Sp. z o.o. | 0000444016 | Poland | 5,000 | 100 | |
| FOV Fodervävnader i Borås AB | 556057-3460 | Gothenburg | 60,000 | 100 | |
| Nordiska Industri AB | 556002-7335 | Gothenburg | 840,000 | 100 | 191 |
| Total book value | | | | | 1,246 |

Smaller inactive subsidiaries are not included above.

[1] Consolidated to 100% due to holdings of call options for the rest of the shares.

## NOTE 25 Interests in associates

| GROUP | 2014 | 2013 |
|---|---|---|
| Opening book value | 8,450 | 6,672 |
| Reclassification Tomra[1] | – | 1,325 |
| Acquisitions during the year | 300 | 215 |
| Sold during the year | – | – |
| Profit share for the year after tax | 1,373 | 1,068 |
| Dilutive effect | -7 | 14 |
| Dividends received | –583 | –588 |
| Net change in capital | 384 | –256 |
| **Closing value** | **9,917** | **8,450** |

[1] The holding in Tomra ASA was reclassified as an associated company in 2013. The effect of this change was recognised directly in equity.

| PARENT COMPANY | 2014 | 2013 |
|---|---|---|
| Opening book value | 4,421 | 2,934 |
| Reclassification Tomra | – | 1,302 |
| Acquisitions during the year | 300 | 294 |
| Sold during the year | – | -109 |
| **Closing value** | **4,721** | **4,421** |
| | | |
| Assa Abloy | 1,199 | 1,199 |
| AB Fagerhult | 289 | 289 |
| HMS Networks AB | 250 | 250 |
| Loomis AB | 65 | 65 |
| Nederman Holding AB | 306 | 306 |
| Securitas AB | 585 | 585 |
| Sweco AB | 152 | 152 |
| Tomra Systems ASA | 1,795 | 1,495 |
| Academic Work Holding AB | 80 | 80 |
| **Closing value** | **4,721** | **4,421** |

| GROUP | Description of business | No. shares | Equity | Market value[1] | Cost | Share of equity % | Share of votes % |
|---|---|---|---|---|---|---|---|
| Assa Abloy AB (CRN 556059-3575. Stockholm)[2] | See page 50 | 35,165,243 | 3,919 | 14,587 | 1,697 | 10 | 29 |
| AB Fagerhult (CRN 556110-6203. Domicile Habo)[4] | See page 51 | 18,620,400 | 931 | 2,566 | 571 | 49 | 49 |
| HMS Networks AB (CRN 556661-8954. Halmstad) | See page 52 | 3,027,322 | 291 | 451 | 250 | 27 | 27 |
| Loomis AB (CRN 556620-8095. Stockholm)[2] | See page 53 | 7,538,328 | 444 | 1,704 | 108 | 10 | 29 |
| Nederman Holding AB (CRN 556576-4205. Domicile Helsingborg) | See page 54 | 3,512,829 | 381 | 588 | 306 | 30 | 30 |
| Securitas AB (CRN 556302-7241. Stockholm)[2] | See page 56 | 39,732,600 | 1,166 | 3,751 | 1,081 | 11 | 30 |
| Sweco AB (CRN 556542-9841. Domicile Stockholm)[5] | See page 57 | 28,997,760 | 659 | 3,074 | 186[3] | 32 | 23 |
| Tomra Systems ASA (CRN 556542-9841. Domicile Stockholm) | See page 58 | 36,560,000 | 1,849 | 2,212 | 1,795 | 25 | 25 |
| Academic Work Holding AB (CRN 556559-5450. Domicile Stockholm) | See page 60 | 26,001,200 | 99 | 319 | 80 | 20 | 20 |
| Diamorph AB (CRN 556647-5371. Domicile Stockholm) | See page 61 | 11,098,270 | 144 | 125 | 122 | 21 | 21 |
| Oxeon AB (CRN 556614-1197. Domicile Borås) | See page 62 | 215,200 | 28 | 25 | 25 | 31 | 31 |
| Other smaller holdings | | | 6 | - | 7 | | |
| | | | **9,917** | **29,402** | **6,228** | | |

[1] Listed holdings at purchase price. Unlisted holdings firstly at the last valuation, secondly at the last traded price and thirdly the acquisition price.
[2] Class A shares in Assa Abloy, Loomis and Securitas are unlisted. In this table they have been given the same listed price as corresponding class B shares.
[3] The cost of Sweco B is SEK 34 m higher in the Group due to the utilisation of a call option.
[4] At the end of 2014, 90,000 shares of Latour's holding in Fagerhult were on loan.

### THE FOLLOWING TABLE SUMMARISES INFORMATION FROM THE BALANCE SHEET

| 2014 | Fixed assets | Current assets | Total assets | Long-term liabilities | Current liabilities | Total liabilities | Net assets |
|---|---|---|---|---|---|---|---|
| Assa Abloy AB | 58,260 | 21,738 | 79,998 | 24,517 | 19,383 | 43,900 | 36,098 |
| AB Fagerhult | 1,861 | 1,671 | 3,532 | 1,435 | 768 | 2,203 | 1,329 |
| HMS Networks AB | 679 | 153 | 832 | 271 | 139 | 410 | 423 |
| Loomis AB | 9,868 | 3,159 | 13,027 | 4,992 | 3,128 | 8,120 | 4,907 |
| Nederman Holding AB | 1,072 | 1,302 | 2,373 | 881 | 759 | 1,640 | 733 |
| Securitas AB | 23,315 | 17,769 | 41,084 | 15,233 | 14,551 | 29,785 | 11,299 |
| Sweco AB | 2,759 | 3,158 | 5,917 | 1,408 | 2,622 | 4,029 | 1,888 |
| Tomra | 3,801 | 3,169 | 6,969 | 1,787 | 1,648 | 3,435 | 3,534 |
| Academic Work | 706 | 382 | 1,088 | 274 | 393 | 667 | 421 |
| Diamorph | 807 | 222 | 1,029 | 576 | 68 | 644 | 385 |
| Oxeon AB | 22 | 17 | 39 | 0 | 12 | 12 | 27 |

| 2013 | Fixed assets | Current assets | Total assets | Long-term liabilities | Current liabilities | Total liabilities | Net assets |
|---|---|---|---|---|---|---|---|
| Assa Abloy AB | 48,109 | 17,654 | 65,763 | 20,109 | 16,842 | 36,951 | 28,812 |
| AB Fagerhult | 1,404 | 1,417 | 2,821 | 1,138 | 653 | 1,791 | 1,030 |
| HMS Networks AB | 651 | 119 | 771 | 289 | 104 | 393 | 378 |
| Loomis AB | 7,045 | 2,222 | 9,267 | 2,523 | 2,579 | 5,102 | 4,165 |
| Nederman Holding AB | 998 | 1,180 | 2,178 | 849 | 710 | 1,558 | 620 |
| Securitas AB | 20,552 | 16,685 | 37,237 | 14,461 | 13,395 | 27,856 | 9,381 |
| Sweco AB | 2,690 | 3,313 | 6,003 | 1,638 | 2,732 | 4,370 | 1,633 |
| Tomra | 3,556 | 2,393 | 5,949 | 1,166 | 1,796 | 2,962 | 2,987 |
| Academic Work | 86 | 417 | 503 | 132 | 297 | 429 | 74 |
| Diamorph | 750 | 233 | 983 | 513 | 158 | 671 | 312 |
| Oxeon AB | 24 | 8 | 31 | 1 | 8 | 8 | 23 |

THE FOLLOWING TABLE SUMMARISES INFORMATION FROM INCOME AND COMPREHENSIVE INCOME

| 2014 | Income | Profit/loss | Other comprehensive income | Total comprehensive income | Dividends received |
|---|---|---|---|---|---|
| Assa Abloy AB | 56,843 | 6,436 | 2,997 | 9,433 | 200 |
| AB Fagerhult | 3,736 | 261 | 127 | 388 | 45 |
| HMS Networks AB | 589 | 63 | 6 | 69 | 7 |
| Loomis AB | 13,510 | 910 | 205 | 1,115 | 38 |
| Nederman Holding AB | 2,827 | 94 | 73 | 167 | 14 |
| Securitas AB | 70,217 | 2,072 | 922 | 2,994 | 119 |
| Sweco AB | 9,214 | 545 | -5 | 540 | 94 |
| Tomra | 5,172 | 429 | 390 | 819 | 53 |
| Academic Work | 1,875 | 79 | 0 | 79 | 12 |
| Diamorph | 384 | -6 | 84 | 78 | – |
| Oxeon AB | 63 | 4 | 0 | 4 | – |
| **2013** | | | | | |
| Assa Abloy AB | 48,481 | 4,775 | 359 | 5,134 | 179 |
| AB Fagerhult | 3,095 | 183 | -1 | 182 | 40 |
| HMS Networks AB | 501 | 63 | 1 | 64 | 6 |
| Loomis AB | 11,364 | 736 | 8 | 744 | 34 |
| Nederman Holding AB | 2,659 | 70 | -5 | 64 | 14 |
| Securitas AB | 65,700 | 1,856 | 9 | 1,865 | 119 |
| Sweco AB | 8,165 | 380 | -92 | 288 | 94 |
| Tomra | 4,903 | 457 | 303 | 760 | 41 |
| Academic Work | 1,738 | 89 | -2 | 87 | 20 |
| Diamorph | 334 | 33 | 28 | 61 | – |
| Oxeon AB | 33 | -16 | 0 | -16 | – |

SUMMARISED RECONCILIATION OF FINANCIAL INFORMATION[1)]

| 2014 | Opening net assets | Income | Changes in equity | Dividend | Closing net assets | Holdings in associates | Goodwill | Book value |
|---|---|---|---|---|---|---|---|---|
| Assa Abloy AB | 28,813 | 6,148 | 1,759 | -2,110 | 34,610 | 3,282 | 637 | 3,919 |
| AB Fagerhult | 1,030 | 274 | 86 | –91 | 1,299 | 639 | 292 | 931 |
| HMS Networks AB | 378 | 69 | 2 | –25 | 424 | 113 | 178 | 291 |
| Loomis AB | 4,165 | 901 | 218 | –376 | 4,908 | 444 | 0 | 444 |
| Nederman Holding AB | 620 | 87 | 35 | –47 | 695 | 209 | 172 | 381 |
| Securitas AB | 9,381 | 1,988 | 462 | –1,095 | 10,736 | 1,166 | 0 | 1,166 |
| Sweco AB | 1,633 | 445 | 10 | –296 | 1,792 | 572 | 87 | 659 |
| Tomra | 2,987 | 419 | –49 | –210 | 3,147 | 778 | 1,071 | 1,849 |
| Academic Work | 407 | 150 | 0 | –61 | 496 | 99 | 0 | 99 |
| Diamorph | 312 | –19 | 65 | – | 359 | 76 | 68 | 144 |
| Oxeon AB | 20 | 6 | 1 | – | 27 | 9 | 19 | 28 |
| **2013** | | | | | | | | |
| Assa Abloy AB | 26,725 | 4,486 | –1,295 | –1,891 | 28,025 | 2,658 | 637 | 3,295 |
| AB Fagerhult | 928 | 185 | –16 | –82 | 1,015 | 499 | 292 | 791 |
| HMS Networks AB | 342 | 73 | -5 | –25 | 385 | 103 | 178 | 281 |
| Loomis AB | 3,595 | 739 | 118 | –338 | 4,114 | 364 | 0 | 364 |
| Nederman Holding AB | 618 | 78 | -12 | –47 | 638 | 191 | 172 | 363 |
| Securitas AB | 8,601 | 1,861 | –170 | –1,095 | 9,196 | 998 | 0 | 998 |
| Sweco AB | 1,715 | 439 | –141 | –296 | 1,717 | 546 | 87 | 634 |
| Tomra | 2,775 | 394 | –29 | –196 | 2,944 | 624 | 885 | 1,509 |
| Academic Work | 85 | 120 | – | –299 | –94 | 85 | 0 | 85 |
| Diamorph | 234 | 43 | 4 | – | 281 | 60 | 68 | 128 |
| Oxeon AB | 39 | –11 | –7 | – | 21 | 7 | 19 | 26 |

[1)] The carrying amounts are estimated full-year values, based on each company's Q3 report, which may include some differences from the actual results presented in previous tables (Summary of information from the balance sheet, income and comprehensive income statements).

## NOTE 26 Listed shares

| GROUP | 2014 | 2013 |
|---|---|---|
| Opening cost | 469 | 1,771 |
| Purchases | – | – |
| Reclassification Tomra | – | -1,302 |
| *Closing cost* | *469* | *469* |
| | | |
| Opening fair value reserve | 783 | 481 |
| Reversed value reserve Tomra | – | -338 |
| Revaluation recognised in equity | 353 | 640 |
| *Closing fair value reserve* | *1,136* | *783* |
| **Book value** | **1,605** | **1,252** |

| PARENT COMPANY | 2014 | 2013 |
|---|---|---|
| Opening cost | 438 | 1,740 |
| Purchases | – | – |
| Reclassification Tomra | – | -1,302 |
| *Closing cost* | *438* | *438* |
| | | |
| Opening fair value reserve | 754 | 483 |
| Reversed value reserve Tomra | – | – 338 |
| Revaluation recognised in equity | 337 | 609 |
| *Closing fair value reserve* | *1,091* | *754* |
| **Book value** | **1,529** | **1,192** |

*Cont.*

*Note 26 cont.*

| INVESTMENT PORTFOLIO Share | Number | Market value SEK m | Listed price SEK | Cost SEK m | Share of votes % | Share of equity % |
|---|---|---|---|---|---|---|
| Nobia | 23,100,000 | 1,605 | 70 | 469 | 14 | 14 |
| **Total** | | **1,605** | | **469** | | |

## NOTE 27 Other securities holdings

| GROUP | 2014 | 2013 |
|---|---|---|
| Opening cost | 1 | 1 |
| Purchases | – | – |
| *Closing cost* | *1* | *1* |
| | | |
| Opening impairment | –1 | –1 |
| Impairment for the year | – | – |
| *Closing impairment* | *–1* | *–1* |
| | | |
| Book value | 0 | 0 |

## NOTE 28 Long-term receivables

| GROUP | 2014 | 2013 |
|---|---|---|
| Opening cost | 36 | 78 |
| Increase for the year | 2 | 8 |
| Decrease for the year | –1 | –50 |
| Book value | 37 | 36 |

The Group's interest-bearing receivables have an average interest rate of 3.96 per cent and run for an average period of 12 months.

## NOTE 29 Inventories

The value of goods pledged as security for loans or other obligations is SEK 0 (0).

| Inventory value: | 2014 | 2013 |
|---|---|---|
| *At net realisable value* | | |
| Raw materials and consumables | 7 | 6 |
| Work-in-progress | 2 | 1 |
| Finished work and goods for resale | 43 | 31 |
| | | |
| *At cost* | | |
| Raw materials and consumables | 325 | 292 |
| Work-in-progress | 87 | 63 |
| Finished work and goods for resale | 697 | 608 |
| | 1,161 | 1,001 |

## NOTE 30 Listed shares, trading

| GROUP | 2014 | 2013 |
|---|---|---|
| Book value at the beginning of the year | 63 | 104 |
| Acquisitions for the year | 234 | 344 |
| Sales at the actual cost | –222 | –381 |
| Revaluation, booked in the income statement | 4 | -4 |
| **Book value at the end of the year** | **79** | **63** |

| GROUP | Number | Cost | Book value | Market value |
|---|---|---|---|---|
| ABG Sundal Collier | 730,000 | 4 | 4 | 4 |
| Alfa Laval | 35,000 | 6 | 5 | 5 |
| Axis | 60,000 | 12 | 12 | 12 |
| Cavotec | 258,000 | 6 | 7 | 7 |
| Dantherm A/S | 56,364 | 1 | 1 | 1 |
| H&M | 24,000 | 7 | 8 | 8 |
| NCC | 22,000 | 5 | 5 | 5 |
| Sandvik | 60,000 | 4 | 4 | 4 |
| SCA | 37,000 | 6 | 6 | 6 |
| SKF | 23,000 | 4 | 4 | 4 |
| SSAB | 115,000 | 5 | 5 | 5 |
| Vardia Insurance Group | 568,586 | 14 | 16 | 16 |
| Volvo | 30,000 | 3 | 2 | 2 |
| | | 77 | 79 | 79 |

## NOTE 31 Accounts receivable

| GROUP | 2014 | 2013 |
|---|---|---|
| Nominal value | 1,337 | 1,185 |
| Provision for bad debts | -46 | -49 |
| **Net accounts receivable** | **1,291** | **1,136** |
| | | |
| **Reserve for bad debts** | | |
| Opening reserve | -49 | -28 |
| Opening reserve for acquired companies | -1 | -7 |
| Provisions for bad debts for the year | -13 | -16 |
| Realised losses during the year | 13 | – |
| Reversed unutilised amount | 6 | 2 |
| Exchange rate differences | -2 | 0 |
| | -46 | -49 |

Provisions for, and provisions from, bad debts are recognised in the income statement under Other operating expenses. Amounts recognised in depreciation and amortisation are normally written off when the Group does not expect to recover further amounts.
Apart from impairment losses made, the credit risk is deemed to be small since the receivables relate to bona fide, paying customers.

| Age analysis of accounts receivable | 2014 | 2013 |
|---|---|---|
| Not mature | 1,007 | 894 |
| Mature receivables not written down as at 31 December | | |
| Mature less than 3 months | 250 | 208 |
| Mature 3 to 6 months | 20 | 15 |
| Mature more than 6 months | 14 | 19 |
| | 1,291 | 1,136 |

## NOTE 32 Derivative instruments

| GROUP | 2014 | 2013 |
|---|---|---|
| **Assets** | | |
| Forward exchange contracts – cash flow hedging | 41 | 0 |
| | **41** | **0** |
| **Liabilities** | | |
| Forward exchange contracts – cash flow hedging | –2 | –6 |
| Interest rate swaps | –19 | – |
| | | |
| Total | –21 | –6 |

*Forward exchange contracts*
The nominal amount of outstanding forward exchange contracts on 31 December 2014 was SEK 394 m (358). See Note 34.
From the beginning of 2014, the cash flow hedges are deemed to meet the terms for effective hedge accounting which is why the entire change is reported in other comprehensive income. In 2014, the impact of hedge accounting on other comprehensive income was SEK 35 m and, in 2013, the impact on the income statement was SEK –13 m.

*Hedges on net investments in foreign operations*
Borrowing that has been identified as net investment hedging in Group subsidiaries is SEK 95 m in Italy and SEK 152 m in Finland.
The change in exchange rate on translation of borrowing to Swedish crowns is SEK –15 m (SEK –8 m) at the close of the reporting period and is recognised in other comprehensive income.

*Interest rate swaps*
The gain or loss associated with the ineffective portion of an interest rate swap that hedges fixed-rate borrowing is recognised in other comprehensive income and was SEK -19 m (0) in 2014.

## NOTE 33 Cash and cash equivalents

Cash and cash equivalents consist of SEK 417 m (382) in bank balances and SEK 11 m (90) in short-term bank deposits. The Group receives interest on bank balances according to a floating interest rate based on the bank's daily rate.

## NOTE 34 Financial instruments and financial risk management

### Hedge accounting

Latour uses hedge accounting on forward exchange contracts. Changes in market values of cash flow hedges are recognised in other comprehensive income when they are considered effective, otherwise directly in the income statement. Latour also uses interest rate swaps on the Group's short-term borrowing by converting the interest rates from variable to fixed and, like forward exchange contracts, the change is recognised in the market value in other comprehensive income if efficiency is achieved. Accumulated amounts in other comprehensive income are recycled to the income statement during the periods the hedged item affects results. Unrealised gains or losses that arise from market valuation of derivative instruments attributable to hedges of net investments, and which are attributable to exchange rate fluctuations, are recognised in other comprehensive income.

### Book value and fair value of financial assets and liabilities

The table below discloses how fair value is determined for the financial instruments valued at fair value in the statement on financial position. Fair value is determined according to three different levels. Compared with the 2013 annual accounts, there were no transfers between the different levels of the fair value hierarchy and there were no changes in the methods and/or principles used during 2014.

| GROUP 2014 | Available-for-sale financial assets | Financial assets valued at fair value via profit and loss | Loans and receivables | Derivatives used for hedging purposes | Other liabilities | Total fair value |
|---|---|---|---|---|---|---|
| *Financial assets* | | | | | | |
| Listed shares, management | 1,605[1] | | | | | 1,605 |
| Other long-term securities holdings | 0[2] | | | | | 0 |
| Other long-term receivables | | | 37[3] | | | 37 |
| Listed shares, trading | | 79[1] | | | | 79 |
| Unrealised gain/loss, currency derivatives | | | | 41[2] | | 41 |
| Other current receivables | | | 1,369[3] | | | 1,369 |
| Cash | | | 428[3] | | | 428 |
| **Total** | **1,605** | **79** | **1,834** | **41** | **0** | **3,559** |
| *Financial liabilities* | | | | | | |
| Long-term loans | | | | | 812[3] | 812 |
| Overdraft facility | | | | | 45[3] | 45 |
| Short-term loans | | | | | 3,093[3] | 3,093 |
| Other current liabilities | | | | | 835[3] | 835 |
| Unrealised gain/loss, currency derivatives | | | | 21[2] | | 21 |
| **Total** | | | | **21** | **4,785** | **4,806** |

| GROUP 2013 | Available-for-sales financial assets | Financial assets valued at fair value via profit and loss | Loans and receivables | Derivatives used for hedging purposes | Other liabilities | Total fair value |
|---|---|---|---|---|---|---|
| *Financial assets* | | | | | | |
| Listed shares, management | 1,252[1] | | | | | 1,252 |
| Other long-term securities holdings | 0[2] | | | | | 0 |
| Other long-term receivables | | | 36[3] | | | 36 |
| Listed shares, trading | | 63[1] | | | | 63 |
| Unrealised gain/loss, currency derivatives | | 0[2] | | | | 0 |
| Other current receivables | | | 1,220[3] | | | 1,220 |
| Cash | | | 472[3] | | | 472 |
| **Total** | **1,252** | **63** | **1,728** | **0** | **0** | **3,043** |
| *Financial liabilities* | | | | | | |
| Long-term loans | | | | | 310[3] | 310 |
| Overdraft facility | | | | | 12[3] | 12 |
| Short-term loans | | | | | 1,799[3] | 1,799 |
| Other current liabilities | | | | | 793[3] | 793 |
| Unrealised gain/loss, currency derivatives | | | | 6[2] | | 6 |
| **Total** | | | | **6** | **2,914** | **2,920** |

[1] Level 1 – measured at fair values obtained from quoted market prices in active markets for identical assets.
[2] Level 2 – measured at fair values obtained from inputs other than quoted market prices included within Level 1 that are observable for the assets and liabilities.
[3] Level 3 – measured at fair values obtained from information and data for the assets and liabilities which is not based on observable market inputs.

Listed financial assets are stated at their market values at the balance sheet date. Fair value on unlisted financial assets is determined by using valuation techniques such as a recent transaction, the price of a similar instrument or discounted cash flows.

Currency derivatives consist of forward exchange contracts and are included in level 2. Valuation at fair value of forward exchange contracts is based on forward rates established by banks on an active market.

The fair value of accounts receivable and other receivables, current receivables, cash and other liquid funds, accounts payable and other liabilities as well as long-term liabilities are estimated to have the same value as their carrying amount. Market interest is not believed to materially deviate from the discount rate for interest-bearing long-term liabilities and therefore the carrying amount is considered in essence equal to the fair value.

The Group’s valuation process is carried out by the Group finance and treasury department where a team works with valuation of the financial assets and liabilities held by the Group.

### Financial risk management

The Group's financing operations and management of financial risks is primarily centralised to Group staff. Operations are run according to the finance policy adopted by the Board and are characterised by a low level of risk. The purpose is to ensure the Group's long-term financing, minimise the Group's capital expense and effectively manage and control the Group's financial risks.

### Currency exposure

The Group's operations face currency exposure in the form of exchange rate fluctuations. The Group's currency exposure consists partly of transaction exposure relating to purchases and sales in foreign currency, and partly to translation exposure relating to net investments in foreign subsidiaries and exchange rate fluctuations when the results from foreign subsidiaries are converted to Swedish crowns.

*Cont.*

*Note 34 cont.*

*Transaction exposure*
The Group's goal concerning transaction exposure is to hedge 50 per cent of the coming 12 months' budgeted cash flows. The impact of hedging transactions on income was SEK 35 m and is recognised in other comprehensive income. See Note 35.

The net currency flows for the year for Swedish units were distributed as follows:

| Currencies (amounts in SEK m) | 2014 | 2013 |
|---|---|---|
| NOK | 316 | 301 |
| DKK | 56 | 58 |
| GBP | 122 | 149 |
| USD | -227 | -209 |
| EUR | 191 | 253 |
| CHF | 44 | 62 |
| Total | 502 | 614 |

+ = net inflow, – = net outflow

Given a net transaction exposure equivalent to the one in 2014, and provided that hedging measures had not been taken, if the Swedish crown had increased by one percentage point against all transaction currencies it would have had a beneficial impact on profit of SEK 5 m.

As at 31 December 2014, the Group had outstanding hedging contracts in the following currencies and on these maturity dates.

| Amount in SEK m | 2015 | 2016 | 2017 | Total |
|---|---|---|---|---|
| Sell EUR | 308 | 149 | 42 | 499 |
| Sell NOK | 181 | – | – | 181 |
| Sell DKK | 80 | 77 | 23 | 180 |
| Sell GBP | 44 | – | – | 44 |
| Sell USD | 47 | – | – | 47 |
| Sell CHF | 16 | – | – | 16 |
| Sell PLN | 22 | – | – | 22 |
| *Sell total* | *698* | *226* | *65* | *989* |
| | | | | |
| Buy GBP | -4 | -1 | – | -5 |
| Buy USD | -261 | -282 | -94 | -637 |
| *Buy total* | *-265* | *-283* | *-94* | *-642* |
| | | | | |
| Net | 433 | -57 | -29 | 347 |

The valuation of the forward exchange contracts at fair value is a derivative instrument and totals SEK 41 m (-6), stated in the consolidated balance sheet.

*Translation exposure*
The need to hedge net assets in foreign subsidiaries is decided on a case-to-case basis and hedges are based on the group-wise value of the net assets. Hedging is conducted through loans in foreign currency. Profit from hedges in foreign operations was SEK –15 m (-8). The amount is reported in other comprehensive income and in reserves in equity (see Note 35).

Net assets of the foreign subsidiaries are allocated as follows:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| Currency | Amount SEK m | % | Amount SEK m | % |
| EUR | 353 | 47 | 214 | 43 |
| DKK | 15 | 2 | 13 | 3 |
| NOK | 123 | 16 | 114 | 23 |
| USD | 92 | 12 | 54 | 11 |
| GBP | 66 | 9 | 32 | 6 |
| RON | 21 | 3 | 17 | 3 |
| LVL | – | – | 13 | 3 |
| PLN | 93 | 12 | 50 | 10 |
| JPY | 8 | 1 | 5 | 1 |
| CHF | 18 | 2 | 6 | 1 |
| Other | -38 | -5 | -16 | -3 |
| Total | 751 | 100 | 502 | 100 |

Exchange rate difference for the year from translation of foreign net assets amounted to SEK 123 m (23) and is reported in other comprehensive income and reserves in equity. See Note 35.

## Financing risk and liquidity risk
The Group handles the more short-term liquidity risk within the framework of the financing risk. In a business like Latour's, where long-term financial resources are procured centrally, the short-term liquidity risk is automatically handled within long-term financing. Nonetheless, high demands are placed on the regular reporting of the cash flow situation in each of the individual business units.
In order to reduce the risk of difficulties in procuring capital in the future and refinancing of matured loans, the Group has the following contracted lines of credit:

| | | Of which has been used |
|---|---|---|
| Bank overdraft facility, etc. | 221 | 45 |
| Credits granted through 2015 | 802 | 659 |
| Credits granted through 2016 | 1 | 0 |
| Credits granted through 2017 | 1 | 0 |
| Credits granted through 2018 | 1,566 | 1,566[1)] |
| Credits granted through 2019 | 2,535 | 1,372[2)] |
| | 5,126 | 3,642 |

[1) 2)] Promissory notes with maturities of up to 1 year are recognised in the balance sheet as current liabilities, even though they are included under long-term credit facilities.

The Group's net financial liabilities, excluding shareholdings and other securities, was SEK 3,516 m as at 31 December 2014. Most of the Group's loans are in SEK with a maturity period of less than one year, but within the framework for the long-term lines of credit presented above.

The reported interest-bearing long-term liabilities of SEK 812 m, which are due through 2019, correspond to a cash outflow of SEK 866 m, of which SEK 54 m is accumulated interest.

Contracts for granted credits with terms longer than one year contain financial covenants, which state that net borrowing debt may not exceed a certain level in relation to the listed market price of the Group's listed securities. This condition was complied with in 2014.

## Interest rate risk
The Latour Group's major source of financing is the cash flows from operating activities and the portfolio management as well as from loans. The loans are interest-bearing and thus expose the Group to interest rate risk. The Group uses interest rate swaps to minimise the interest rate risk. See Note 32.

Interest rate risk relates to the possibility of change in the interest rate level having an adverse impact on the Group's net interest and/or cash flows. The Group's financing policy establishes guidelines for setting fixed rates and average loan periods for borrowings. The Group strives to achieve a balance between the estimated cost of servicing loans and the risk that major interest rate fluctuations might adversely affect profits. At the end of 2014, the average fixed loan period was about 6 months.

If the interest rate level had been one percentage point higher, profit/loss for the year would have been impacted by SEK –30 m.

The average cost for outstanding long and short term borrowing on the balance sheet date (for long-term borrowing also see Note 39):

| | 2014 Debt | | 2013 Debt | |
|---|---|---|---|---|
| | % | SEK m | % | SEK m |
| Long-term borrowing SEK | 2.2 | 571 | 2.7 | 188 |
| Long-term borrowing EUR | 2.1 | 105 | 2.1 | 74 |
| Long-term borrowing PLN | 1.5 | 104 | – | – |
| Long-term borrowing CNY | 1.7 | 25 | – | – |
| Long-term borrowing DKK | 2.5 | 2 | 2.5 | 2 |
| | 2.1 | 807 | 2.5 | 264 |
| | | | | |
| Short-term borrowing SEK | 1.4 | 1,962 | 2.1 | 1,287 |
| Short-term borrowing DKK | – | – | 3.5 | 46 |
| Short-term borrowing EUR | 1.4 | 1,041 | 1.3 | 369 |
| Short-term borrowing USD | 1.4 | 117 | 1.5 | 98 |
| Short-term borrowing CNY | – | – | 1.7 | 21 |
| Short-term borrowing CAD | 3.3 | 19 | – | – |
| | 1.4 | 3,139 | 2.1 | 1,821 |

## Capital management
The Group's long-term capital structure goals are to ensure that the Group is able to continue developing its operations, so that it can generate returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure in order to keep capital expenses low. The Group is able to change the dividend that is paid to the shareholders or sell assets to reduce debt in order to maintain or adjust the capital structure. The Group assesses its capital adequacy by reference to its debt levels. Latour's Board of Directors has set limits on debt levels. The Group's debt cap is set at 10 per cent of the investment portfolio's value and 2.5 times the wholly-owned industrial operations' EBITDA, measured as an average for the last three years and adjusted for acquisitions and divestitures. The debt has always been clearly below this threshold.

## Credit risk
The Group has limited exposure to credit risks. These risks are primarily related to outstanding accounts receivable. Losses on accounts receivable arise when customers become insolvent or for other reasons fail to meet their payment obligations. The risks are limited through credit insurance policies. Certain businesses even require payment in advance. Group management is of the opinion that there is no significant credit risk concentration in relation to any specific customer or counterparty or in relation to any specific geographic region.

*Cont.*

Note 34 cont.

**Price risk**
The Group is exposed to a price risk concerning shares due to investments held by the Group and which, in the Group's balance sheet are classified either as available-for-sale financial instruments or assets valued at fair value via profit or loss. The price risk on shares consists of share price risks, liquidity risks and counterparty risks. Share price risk is the risk of value loss due to changes in prices on the stock market. This is the greatest risk in Latour's business and occurs primarily in the valuation of the investment portfolio companies. If the market price of holdings in the investment portfolio changed by 5 per cent it would affect comprehensive income and equity by SEK 80 m (63). Share prices are regularly analysed and monitored by Latour's group management. Latour has an influence on the companies' strategies and decisions through its active ownership, which is in part manifested through board participation. Liquidity risk can occur if a share, for example, is hard to sell. However, liquidity risk is limited. Counterparty risk is the risk that a party in a transaction with a financial instrument cannot fulfil its obligations and thereby creates a loss for the other party.

The Group is not exposed to any price risk concerning raw materials or commodities.

**Operational risks**
Operational risk is the risk of loss due to inadequate or failed internal processes and systems. A number of internal guidelines and regulations as well as policies adopted by the Board are the basis of Latour's risk management. Legal reviews of contracts and relations are performed regularly. The Group also has a system of continuous controls that regulate and ensure responsibility and authority in operating activities.

Insurance risks in the Group are managed according to the assessed need for insurance. Matters concerning confidentiality and information security are highly prioritised at Latour and are regulated by internal guidelines. Latour also continuously controls and develops its systems and procedures for IT security.

## NOTE 35 Equity

**Reserves**

| GROUP | Hedging reserve | Translation reserve | Fair value reserve | Total |
|---|---|---|---|---|
| **Opening balance 1 Jan 2013** | **6** | **-86** | **499** | **419** |
| Translation differences for the year | | 23 | | 23 |
| Available-for-sales financial assets: | | | | |
| Revaluation recognised directly in other comprehensive income | | | 629 | 629 |
| Reclassification to associates | | | -338 | -338 |
| Net asset hedge, currency effects | –8 | | | –8 |
| **Closing other reserves 31 Dec 2013** | -2 | **-63** | **790**[1)] | **725** |
| | | | | |
| **Opening balance 1 Jan 2014** | **-2** | **-63** | **790** | **725** |
| Translation differences for the year | | 123 | | 123 |
| Available-for-sales financial assets: | | | | |
| Revaluation recognised directly in other comprehensive income | | | 343 | 343 |
| Cash flow hedges | 35 | | | 35 |
| Interest rate swaps | -15 | | | -15 |
| Net asset hedge, currency effects | –15 | | | –15 |
| **Closing other reserves 31 Dec 2014** | 3 | **60** | **1,133**[1)] | **1,196** |

1) The investment portfolio has a fair value of SEK 1,133 m and issued call options have a fair value of SEK 0 m.

*Share capital*
The parent company's share capital. The par value of each share is SEK 0.83.

*Other contributed capital*
Refers to equity contributed by the shareholders. Contributed capital is included here as a form of issue in kind and a new issue at a rate exceeding the par value.

*Repurchased shares*
Repurchased shares comprise the cost of the company's shares held by the parent company and are recognised as a deduction from equity. Consideration received for the sale of own shares is recognised as an increase in equity and transactions costs are recognised directly in equity.

*Reserves*
Translation reserve
The translation reserve includes all exchange rates differences that occur when the currencies of the financial statements of foreign operations are translated into the presentation currency of the consolidated financial statements. The parent company and the Group present their financial statements in Swedish krona (SEK).

Hedging reserve
The hedging reserve consists of exchange rate differences that occur when translating debts, derivatives classified as hedging instruments of net investments in a foreign operation and interest rate swaps.

Fair value reserve
The fair value reserve includes the accumulated net change of the fair value of available-for-sale financial assets until the asset is derecognised in the balance sheet.

*Profit brought forward including part of comprehensive income for the year*
Profit brought forward including part of comprehensive income for the year contains profits earned in the parent company, its subsidiaries and associates. Previous provisions to the statutory reserve, not including transferred share premium reserves, are incorporated in this equity item.

*Non-controlling interests*
Non-controlling interests comprise the share of equity not owned by the parent company.

*Dividends*
Dividends are proposed by the Board in accordance with the Swedish Companies Act and are approved by the Annual General Meeting. The dividends proposed, but not as yet approved, for 2014 are SEK 957.0 m (SEK 6.00 per share). The amount has not been reported as a liability.

**Earnings per share**

| GROUP | 2014 | 2013 |
|---|---|---|
| Profit for the year | 1,874 | 1,483 |
| Average number of shares outstanding basic share | 159,445,425 | 159,357,121 |
| Average number of shares outstanding diluted share | 160,121,214 | 159,986,921 |
| Earnings per share related to profit attributable to parent company shareholders | | |
| Basic share | SEK 11.75 | SEK 9.31 |
| Diluted share | SEK 11.70 | SEK 9.27 |

*Cont.*

*Note 35 cont.*

| Outstanding shares | Class A | Class B | Total |
|---|---|---|---|
| Number of shares as at 1 January 2014 | 11,944,944 | 147,433,056 | 159,378,000 |
| Repurchase | – | 115,000 | 115,000 |
| Conversion | -13,666 | 13,666 | 0 |
| **Total outstanding shares as at 31 December 2014** | **11,931,278** | **147,561,722** | **159,493,000** |

| Own shares | Class A | Class B | Total |
|---|---|---|---|
| Shares held as at 1 January 2014 | – | 582,000 | 582,000 |
| Repurchase during the year | – | – | 0 |
| Divestiture | – | -115,000 | -115,000 |
| **Total own shares held as at 31 December 2014** | **0** | **467,000** | **467,000** |
| **Total number of shares as at 31 December 2014** | **11,931,278** | **148,028,722** | **159,960,000** |

| | 2014 | | 2013 | |
|---|---|---|---|---|
| Own shares | Number | Cost | Number | Cost |
| Accumulated at the beginning of the year | 582,000 | 47 | 697,000 | 56 |
| Repurchase during the year | – | – | – | – |
| Repurchase during the year | -115,000 | -9 | -115,000 | -9 |
| **Accumulated at the end of the year** | **467,000** | **38** | **582,000** | **47** |

The par value of own holdings that were repurchased was SEK 0.4 m as at 31 December 2014. This represents 0.3 per cent of the share capital. The transaction costs in connection with the shares bought back are reported as a deduction from equity. These costs have not affected recognised tax expenses. Group own shares have been repurchased to create added value for continuing shareholders in Latour. Call options have been issued to senior executives on all of the repurchased shares.

## NOTE 36 Pension obligations

Nearly all employees in the Latour Group are covered either by defined benefit or defined contribution pension plans. Defined benefit pension plans mean that the employee is guaranteed a pension corresponding to a certain percentage of his or her salary. The pension plans comprise retirement pension, sickness pension and family pension. The pension obligations are secured through provisions in the balance sheet and through premiums to insurance companies which thereby assume the obligations towards the employees. The Group's employees outside of Sweden, Italy, Germany and Switzerland are covered by defined benefit pension plans. Payments for these plans normally constitute a percentage of the employee's salary.

Obligations for retirement and family pensions for white-collar workers in Sweden are largely secured through insurance with Alecta. Since Alecta cannot provide enough information to report the ITP plan as a defined benefit plan it is reported as a defined contribution plan. Payments for pension insurance policies with Alecta for the year were SEK 37 m. Alecta's surplus can be divided amongst the insurance policy holders and/or the insured. At the end of 2014, Alecta's surplus in the form of the collective consolidation level was 143 per cent. Pension plans for blue-collar workers in Sweden are defined contribution plans.

The company's costs and the value of outstanding obligations for defined benefit plans are calculated using actuarial calculations which aim to establish the present value of the obligations.

GROUP

| Defined benefit obligations | 2014 | 2013 |
|---|---|---|
| Present value at the beginning of the periods | 216 | 204 |
| Benefits earned during the period | 0 | 0 |
| Interest | 6 | 6 |
| Pension payments | -2 | -12 |
| Acquisition (company) | 0 | 25 |
| Actuarial result | 3 | -7 |
| Redemption | -147 | -1 |
| Translation difference | 1 | 1 |
| **Closing balance** | **77** | **216** |
| **Plan assets** | | |
| Opening balance | 42 | 29 |
| Acquisition (company) | 0 | 16 |
| Change in reserves | 5 | -3 |
| **Closing balance** | **47** | **42** |
| **Net defined benefit obligations** | **30** | **174** |

| Defined benefit obligations per country | 2014 | | | | |
|---|---|---|---|---|---|
| | Sweden | Switzerland | Germany | Italy | Total |
| Present value of obligations | 1 | 35 | 30 | 11 | 77 |
| Fair value of plan assets | 0 | -26 | -21 | 0 | -47 |
| **Total** | **1** | **9** | **9** | **11** | **30** |

| Defined benefit obligations per country | 2013 | | | | |
|---|---|---|---|---|---|
| | Sweden | Switzerland | Germany | Other | Total |
| Present value of obligations | 148 | 32 | 25 | 11 | 216 |
| Fair value of plan assets | 0 | -26 | -16 | 0 | -42 |
| **Total** | **148** | **6** | **9** | **11** | **174** |

At the last measurement date, the present value of the defined benefit obligation was approximately SEK 29 m, attributable to active employees and SEK 1 m to retired employees.

| Amount reported in the income statement | 2014 | 2013 |
|---|---|---|
| Redemption costs for PRI | 10 | – |
| Interest on pension provision | 6 | 6 |
| **Cost of defined benefit plans** | **16** | **6** |
| Pension costs, defined contribution plans | 130 | 128 |
| Special employer's tax and taxes on return | 16 | 16 |
| **Total pension costs** | **162** | **150** |

The actuarial calculation of pension obligations and pension costs is based on the following key assumptions:

| | 2014 | | |
|---|---|---|---|
| % | Switzerland | Germany | Italy |
| Discount rate[1] | 1.5 | 1.9 | 1.9 |
| Inflation | 1.0 | 1.8 | 1.5 |
| Pay increases | 1.0 | 2.5 | – |
| Pension indexation | 0.0 | 2.0 | 0.0 |

| | 2013 | | |
|---|---|---|---|
| % | Sweden | Switzerland | Germany |
| Discount rate[1] | 4.0 | 2.0 | 3.2 |
| Inflation | 1.8 | 1.0 | 1.8 |
| Pay increases | – | 1.0 | 2.5 |
| Pension indexation | 1.8 | 0.0 | 2.0 |

[1] See policies in Note 2 page 77.

If the discount rate is lowered by 0.5 per cent, the present value of the obligations increases by 6.7 per cent. If the discount rate is raised by 0.5 per cent, the present value of the obligations decreases by 6.1 per cent.

*Cont.*

## NOTE 37 Taxes

**Deferred tax in the balance sheet**
Temporary differences exist where the carrying amount and taxation value differ for a given asset or liability. Temporary differences have resulted in total deferred tax assets and deferred tax liabilities for the Group as follows:

| GROUP | 2014 | 2013 |
|---|---|---|
| **Deferred tax assets** | | |
| Intangible assets | 4 | 4 |
| Buildings and land | 1 | – |
| Machinery and equipment | 2 | 1 |
| Inventories | 23 | 19 |
| Current receivables | 4 | 5 |
| Provisions | 13 | 10 |
| Current liabilities | 6 | 3 |
| Other items | – | 1 |
| | 53 | 43 |
| **Deferred tax liabilities** | | |
| Intangible assets | -25 | -3 |
| Buildings and land | -3 | -2 |
| Machinery and equipment | -3 | -2 |
| Inventories | -1 | -3 |
| Current receivables | -9 | – |
| Untaxed reserves | -125 | -115 |
| Provisions | – | -5 |
| | -166 | -130 |

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax system. Deferred tax recognised in other comprehensive income amounts to SEK -4 m (4).

There is a fiscal loss carry-forward in the parent company of SEK 1,338 m (1,197) which has not taken into account deferred tax.

## NOTE 38 Other provisions

| GROUP | Provision for securities | Other provisions | Total |
|---|---|---|---|
| **Opening value 1 Jan 2013** | 57 | 7 | 64 |
| Acquisition (company) | 10 | – | 10 |
| Provisions for the year | 10 | 2 | 12 |
| Amounts claimed during the year | -22 | – | -22 |
| **Closing value 31 Dec 2013** | 55 | 9 | 64 |
| Acquisition (company) | 9 | – | 9 |
| Provisions for the year | 6 | 11 | 17 |
| Amounts claimed during the year | -16 | -3 | -19 |
| Exchange rate difference | 2 | 1 | 3 |
| **Closing value 31 Dec 2014** | 56 | 18 | 74 |

| **The provisions consist of:** | 2014 | 2013 |
|---|---|---|
| Long-term part | 55 | 55 |
| Current part | 19 | 9 |
| | 74 | 64 |

Other provisions primarily consist of provisions for restructuring costs.

## NOTE 39 Long-term liabilities

| GROUP | 2014 | 2013 |
|---|---|---|
| Liabilities to credit institutions falling due in 1-5 years | 523 | 194 |
| Liabilities to credit institutions falling due in >5 years | – | 1 |
| Liabilities referring to finance leases | 68 | 70 |
| Other long-term liabilities | 221 | 24 |
| **Total** | 812 | 289 |

For other details concerning long-term liabilities see Note 34.

## NOTE 40 Bank overdraft facility

The bank overdraft facility available to the Group is SEK 200 m (200), of which SEK 45 m (12) has been used.

## NOTE 41 Accrued expenses and deferred income

| GROUP | 2014 | 2013 |
|---|---|---|
| Accrued interest expenses | 2 | 4 |
| Accrued social security fees | 73 | 67 |
| Accrued other pay-related costs | 179 | 171 |
| Other items | 240 | 211 |
| **Total** | 494 | 453 |

## NOTE 42 Pledged assets

| GROUP | 2014 | 2013 |
|---|---|---|
| **For own liabilities and provisions** | | |
| Relating to pension obligations | | |
| – Floating costs | – | – |
| – Other securities | 2 | 2 |
| Shares as collateral for net loans | 2,223 | – |
| **Other** | | |
| – Floating costs | 3 | 3 |
| – Property mortgages | 2 | 2 |
| – Other securities | 0 | 0 |
| **Total** | 2,230 | 7 |

| PARENT COMPANY | 2014 | 2013 |
|---|---|---|
| **For the Group's liabilities** | | |
| Shares as collateral for net loans | 1,181 | 0 |
| **Total collateral pledged** | 1,181 | 0 |

## NOTE 43 Contingent liabilities

| GROUP | 2014 | 2013 |
|---|---|---|
| Underwriting commitment | 9 | 9 |
| Other obligations | 9 | 8 |
| **Total** | 18 | 17 |

| PARENT COMPANY | 2014 | 2013 |
|---|---|---|
| Guarantees for subsidiaries | 3,445 | 2,168 |
| **Total** | 3,445 | 2,168 |

The parent company has pledged to assume certain obligations that may befall Group companies.

## NOTE 44 Business combinations

| | 2014 | 2013 |
|---|---|---|
| Intangible assets | 93 | 3 |
| Property, plant and equipment | 44 | 26 |
| Financial assets | – | 28 |
| Inventories | 95 | 77 |
| Accounts receivable | 86 | 64 |
| Other current receivables | 46 | 6 |
| Cash | 181 | 22 |
| Deferred tax liability | -32 | – |
| Long-term net borrowing | -304 | -58 |
| Current liabilities | -243 | -100 |
| **Net identifiable assets and liabilities** | -34 | 68 |
| Group goodwill | 1,320 | 285 |
| **Total purchase price** | 1,286 | 353 |
| Additional purchase price | -415 | -59 |
| Previously settled purchase price | – | -3 |
| **Cash settlement purchase price** | 871 | 291 |
| Acquisition of non-cash items | 32 | -3 |
| Cash in acquisitions | -181 | -22 |
| **Effect on Group cash** | 722 | 266 |

Transaction costs in connection with business combinations for the year amount to SEK 8 m (6).

**Elvaco AB**
On 17 March 2014, the Group acquired 80 per cent of the shares in Elvaco AB. The acquired operations contributed SEK 55 m in revenues and SEK 7 m in net profit for the period 17 March to 31 December 2014. If the acquisition had been made on 1 January 2014, the company's revenues would have been SEK 75 m and profit for the year would have been SEK 12 m. Goodwill is attributable to

*Cont.*

*Note 44 cont.*

the earning capacity the company is expected to deliver. An estimated additional purchase price has been reserved. The final price is based on performance over the next two years and may amount to as much as SEK 60 m. This sum has also been reserved. As Latour holds an option to purchase remaining shares in the company, it is consolidated to 100%. Transaction costs for the acquisition, that were charged to the income statement for the period, amounted to SEK 1 m.

| | |
|---|---|
| Inventories | 8 |
| Accounts receivable | 9 |
| Other receivables | 2 |
| Cash | 4 |
| Current liabilities | -9 |
| Net identifiable assets and liabilities | 14 |
| Group goodwill | 139 |
| Total purchase price | 153 |
| Additional purchase price | -56 |
| Cash settlement purchase price | 97 |
| Acquired cash | -4 |
| Change in Group cash at acquisition | 93 |

Vibro-Acoustics

On 4 June 2014, the Group acquired 100 per cent of the shares in Vibro-Acoustics. Apart from the parent company, Vibro-Acoustics, the Vibro Group consists of the wholly-owned companies BVA Systems (Delaware) Inc., BVA Systems (Tennessee) Inc. and BVA Systems (Texas) Inc. The acquired operations contributed SEK 81 m in revenues and a net loss of SEK –13 m for the period 4 June to 31 December 2014. If the acquisition had been made on 1 January 2014, the company's revenues would have been SEK 141 m and loss for the year would have been SEK –13 m. An estimated additional purchase price has been reserved. The final price is based on performance over the next years and may amount to as much as CAD 14 m. This sum has also been reserved. Goodwill is attributable to the synergies that will be created when the manufacturing and sales organisations are merged with Swegon's existing operations. Transaction costs for the acquisition, that were charged to the income statement for the period, amounted to SEK 2 m.

| | |
|---|---|
| Intangible assets | 86 |
| Property, plant and equipment | 18 |
| Inventories | 18 |
| Accounts receivable | 28 |
| Other receivables | 3 |
| Deferred tax | -2 |
| Long-term liabilities | -60 |
| Current liabilities | -35 |
| Net identifiable assets and liabilities | 35 |
| Group goodwill | 78 |
| Total purchase price | 134 |
| Additional purchase price | -88 |
| Cash settlement purchase price | 46 |
| Acquired non-cash items | 2 |
| Change in Group cash at acquisition | 48 |

Bastec AB

On 27 June 2014, the Group acquired 100 per cent of the shares in Bastec AB. The acquired operations contributed SEK 22 m in revenues and a net profit of SEK 2 m for the period 27 June to 31 December 2014. If the acquisition had been made on 1 January 2014, the company's revenues would have been SEK 47 m and profit for the year would have been SEK 7 m. An estimated additional purchase price has been reserved. The final price is based on performance over the next years and may amount to as much as SEK 30 m. This sum has also been reserved. Goodwill is attributable to the earning capacity the company is expected to deliver.

| | |
|---|---|
| Inventories | 4 |
| Accounts receivable | 7 |
| Other receivables | 1 |
| Cash | 6 |
| Current liabilities | -12 |
| Net identifiable assets and liabilities | 6 |
| Group goodwill | 100 |
| Total purchase price | 106 |
| Additional purchase price | -29 |
| Cash settlement purchase price | 77 |
| Acquired cash | -6 |
| Change in Group cash at acquisition | 71 |

P.Lemmens

On 8 July 2014, the Group acquired 90 per cent of the shares in P. Lemmens Group N.V. Apart from the parent company, the Lemmens Group consists of the wholly-owned company P.Lemmens Company S.A. The acquired operations contributed SEK 84 m in revenues and a net profit of SEK 15 m for 2014. If the acquisition had been made on 1 January 2014, the company's revenues would have been SEK 207 m and profit for the year would have been SEK 55 m. Goodwill is attributable to the synergies that will be created when the manufacturing and sales organisations are merged with Swegon's existing operations. As Latour holds an option to purchase remaining shares in the company, it is consolidated to 100%. An estimated additional purchase price has been reserved. The final price is based on performance over the next years and may amount to as much as EUR 8 m. This sum has also been reserved. Transaction costs for the acquisition, that were charged to the income statement for the period, amounted to SEK 4 m.

| | |
|---|---|
| Intangible assets | 2 |
| Property, plant and equipment | 12 |
| Inventories | 37 |
| Accounts receivable | 14 |
| Other receivables | 30 |
| Cash | 121 |
| Deferred tax | -29 |
| Long-term liabilities | -237 |
| Current liabilities | -134 |
| Net identifiable assets and liabilities | -184 |
| Group goodwill | 656 |
| Total purchase price | 472 |
| Additional purchase price | -68 |
| Cash settlement purchase price | 404 |
| Acquired non-cash items | 29 |
| Acquired cash | -121 |
| Change in Group cash at acquisition | 312 |

Econdition GmbH

On 30 August 2014, the Group acquired 100 per cent of the shares in Econdition GmbH. The acquired operations contributed SEK 39 m in revenues and a net profit of SEK 2 m for the period 30 August to 31 December 2014. If the acquisition had been made on 1 January 2014, the company's revenues would have been SEK 137 m and profit for the year would have been SEK 14 m. Goodwill is attributable to the synergies that will be created when the service and sales organisations are merged with Swegon's existing operations. An estimated additional purchase price has been reserved. The final price is based on performance in 2014 to 2016 and may amount to as much as EUR 4 m. This sum has also been reserved.

| | |
|---|---|
| Property, plant and equipment | 1 |
| Inventories | 2 |
| Accounts receivable | 11 |
| Other receivables | 4 |
| Cash | 50 |
| Long-term liabilities | -3 |
| Current liabilities | –26 |
| Net identifiable assets and liabilities | 39 |
| Group goodwill | 105 |
| Total purchase price | 144 |
| Additional purchase price | -35 |
| Cash settlement purchase price | 109 |
| Acquired cash | –50 |
| Change in Group cash at acquisition | 59 |

Luftmiljö AB

On 1 September 2014, the Group acquired 100 per cent of the shares in Luftmiljö AB. The acquired operations contributed SEK 7 m in revenues and SEK 0 m in net profit for the period 1 September to 31 December 2014. If the acquisition had been made on 1 January 2014, the company's revenues would have been SEK 21 m and profit for the year would have been SEK 0 m. An estimated additional purchase price has been reserved. The final price is based on performance over the next years and may amount to as much as SEK 18 m. This sum has also been reserved. Goodwill is attributable to the synergies that will be created when the manufacturing and sales organisations are merged with Swegon's existing operations.

| | |
|---|---|
| Intangible assets | 5 |
| Inventories | 4 |
| Other receivables | 3 |
| Long-term liabilities | -3 |
| Current liabilities | –7 |
| Net identifiable assets and liabilities | 2 |
| Group goodwill | 25 |
| Total purchase price | 27 |
| Additional purchase price | -17 |
| Change in Group cash at acquisition | 10 |

Tradeport AB

On 6 November 2014, the Group acquired 100 per cent of the shares in Tradeport AB. The acquired operations contributed SEK 9 m in revenues and SEK 0 m in net profit for the period 6 November to 31 December 2014. If the acquisition had been made on 1 January 2014, the company's revenues would have been SEK 70 m and profit for the year would have been SEK 11 m. An estimated additional purchase price has been reserved. The final price is based on performance over the next years and may amount to as much as SEK 130 m. This sum has also been reserved. Goodwill is attributable to the synergies that will be created when the service and sales organisations are merged with Hultafors Group's existing operations.

*Cont.*

*Note 44 cont.*

| | |
|---|---|
| Property, plant and equipment | |
| Inventories | 22 |
| Accounts receivable | 17 |
| Other receivables | 3 |
| Current liabilities | –20 |
| Net identifiable assets and liabilities | 22 |
| Group goodwill | 217 |
| Total purchase price | 239 |
| Additional purchase price | -122 |
| Change in Group cash at acquisition | 117 |

**Other acquisitions**
In addition to reported acquisitions, the Group also made a couple of other smaller acquisitions. Assets of approximately SEK 6 m were taken over and generated SEK 0 m in Group goodwill. The impact of these acquisitions on earnings in 2014 was marginal.

Please turn to the Director's Report on page 66 for more information about business combinations.

## NOTE 45 Disposal of subsidiaries

| | 2014 | 2013 |
|---|---|---|
| Intangible assets | 3 | – |
| Property, plant and equipment | 3 | 7 |
| Long-term receivables | – | – |
| Inventories | 10 | 19 |
| Accounts receivable | 8 | 10 |
| Other receivables | – | 2 |
| Cash | 4 | – |
| Long-term net borrowing | -8 | -14 |
| Current liabilities | -6 | -4 |
| Net result as at sales date | 0 | 0 |
| Result on sale of subsidiaries | -6 | 0 |
| Received purchase price | 8 | 20 |
| Non-cash items | – | – |
| Cash in divested companies | -4 | – |
| **Effect on Group cash** | **4** | **20** |

Carstens AB was sold in the fourth quarter of 2014. The company had annual sales in excess of SEK 60 m and an operating profit of SEK 0 m in 2014.

## NOTE 46 Government grants

Government grants have affected the Group's income statement and balance sheet as follows:

| GROUP | 2014 | 2013 |
|---|---|---|
| Grants that affected income for the year | 1 | 2 |
| Grants that affected assets | 7 | 7 |

Grants consist primarily of development and investment aid.

## NOTE 47 Post balance sheet events

There were no material events subsequent to the end of the reporting period.

## NOTE 48 Significant estimates and judgements

To be able to prepare the financial statements in accordance with generally accepted accounting practice, executive management and the Board of Directors must make judgements and assumptions that affect the asset and liability items, and revenue and expense items reported in the annual accounts, as well as other disclosures, for example contingent liabilities. These judgements are based on historic experience and the various assumptions that the management and the Board of Directors consider reasonable in the current circumstances. In cases where it is not possible to ascertain the carrying amounts of assets and liabilities through information from other sources these estimations and assumptions form the basis of the valuation. Actual outcomes could differ from these estimates if other assumptions are made or other circumstances arise.

The assumptions can have a significant effect on Latour's result and financial position especially in the areas of income accounting and uncertain receivables, measurement of intangible and fixed assets, restructuring measures, pension obligations, taxes, disputes and contingent liabilities (see each respective note).

Executive management and the audit committee have discussed the development, the selection and the disclosures concerning the Group's critical accounting policies and estimations, and the application of these policies and estimations.

**Testing goodwill for impairment**
Each year, the Group tests goodwill for impairment according to the accounting principle described in Note 2.

The recoverable amount for cash generating units is determined by calculating value-in-use. These calculations require certain estimations to be made (Note 18).

**Pension obligations**
The present value of pension obligations depends on a number of factors that are established on an actuary basis with the help of a number of assumptions. Discount interest is included in the assumptions used to determine the net cost (income) of pensions.

The Group establishes appropriate discount interest rates at the end of every year. This is the interest used to determine the present value of estimated future payments that are assumed necessary to pay for pension obligations. See Accounting Policies Note 2 (page 80) for information on how the Group determines an appropriate discount rate.

Other important actuarial assumptions concerning pension obligations are based in part on current market conditions. Further details are given in Note 36.

**Warranties**
The management of each subsidiary estimates necessary reserves to guarantee future warranty demands based on information concerning historical warranty demands as well as current trends which indicate that historical information can differ from future demands.

The factors that may affect the information about warranty demands include the success of the Group's productivity and quality initiative as well as the cost of labour and material.

## NOTE 49 Definitions

| | |
|---|---|
| **Return on equity** | The amount of net income returned as a percentage of shareholders' equity. |
| **Return on operating capital** | Operating profit as a percentage of average operating capital |
| **Return on total capital** | Profit/loss after net financial items plus financial costs in relation to the average balance sheet total. |
| **Direct return** | Dividends as a percentage of the share purchase price. |
| **EBIT (Operating profit)** | Earnings before interest and taxes. |
| **EBIT multiple** | Operating profit in relation to market value adjusted for net debt. |
| **EBITA** | Earnings before interest, taxes and amortisation of acquisition-related intangible assets. |
| **EV (Enterprise Value)** | The company's market value plus net debt. |
| **Adjusted equity** | Equity and the difference between book value and fair value in associated companies. |
| **Adjusted equity ratio** | Equity and the difference between book value and fair value in associated companies in relation to adjusted total assets. |
| **Net debt/equity ratio** | Interest-bearing liabilities and interest-bearing provisions less cash and cash equivalents in relation to adjusted equity. |
| **Net borrowings** | Interest-bearing liabilities plus interest-bearing provisions less cash and interest-bearing receivables. |
| **P/E ratio** | The share purchase price in relation to profit after paid tax. |
| **Operating margin** | Operating profit as a percentage of net sales. |
| **Equity ratio** | Equity in relation to total assets. |
| **Net asset value** | The difference between the company's assets and liabilities, when the investment portfolio (incl. associated companies) is recognised at market value and operative subsidiaries that are owned at the end of the period are recognised in an interval based on EBIT multiples for comparable listed companies in each business area. |
| **Operating capital** | Total assets less cash and cash equivalents and other interest-bearing assets and non interest-bearing liabilities. |
| **Profit margin** | Profit after net financial items plus finance expense as a percentage of invoiced sales. |

# Proposed allocation of profits

SEK 1,089 m of parent company equity on the balance sheet date was attributable to assets and liabilities valued at fair value in accordance with Chapter 4, paragraph 14a of the Swedish Annual Accounts Act. Group equity includes changes in value for the net sum of SEK 1,133 m.

The following profits in the parent company are at the disposal of the Annual General Meeting:

| | |
|---|---|
| Profit brought forward | SEK 6,235.3 m |
| Profit for the year | SEK 816.1 m |
| | SEK 7,051.4 m |

The number of shares entitling the holder to receive dividends was 159,493,000 as at 12 March 2015, after the exclusion of repurchased shares. The Board of Directors proposes the following allocation:

| | |
|---|---|
| A dividend payment to shareholders of SEK 6.00 per share | SEK 957.0 m |
| To be carried forward | SEK 6,094.4 m |
| | SEK 7,051.4 m |

The Board of Directors is of the opinion that the proposed dividend payment is justified in view of the demands that the operations place on the amount of equity, taking into consideration the scope and risks of the business and the company's and Group's consolidation requirements, liquidity and overall position.
The income statement and balance sheet will be presented for approval by the Annual General Meeting on 5 May 2015.

The Board of Directors and the Chief Executive Officer declare that the consolidated financial reports have been prepared in accordance with the International Financial Reporting Standards (IFRS), as approved by the European Union, and that they give a true and fair view of the Group's financial position and performance. The Annual Report has been prepared in line with generally accepted accounting practice in Sweden and gives a true and fair view of the parent company's financial position and performance. The Directors' Report for the Group and the parent company gives a true and fair view of the development of Group and parent company operations, financial positions and performance and describes the principal risks and uncertainties faced by the parent company and the Group's companies.

Gothenburg, 12 March 2015

Fredrik Palmstierna
*Chairman*

Mariana Burenstam Linder
*Member*

Anders G. Carlberg
*Member*

Anders Böös
*Member*

Carl Douglas
*Member*

Elisabeth Douglas
*Member*

Eric Douglas
*Member*

Jan Svensson
*Member/CEO*

Caroline af Ugglas
*Member*

Our independent Auditor's Report was given on 13 March 2015

Öhrlings PricewaterhouseCoopers AB

Helén Olsson Svärdström
*Authorised Public Accountant*
*Principal Auditor*

# Auditor's report

To the Annual General Meeting of the shareholders of Investment AB Latour (publ), corporate identity number 556026-3237

### Statement on the Annual Report and the consolidated financial statements

We have conducted an audit of the Annual Report and consolidated financial statements of Investment AB Latour for 2014. The company's Annual Report and consolidated financial statements are included in the printed version of this document on pages 66-100.

*The responsibilities of the Board of Directors and the Chief Executive Officer for the Annual Report and the consolidated financial statements*
The Board of Directors and the Chief Executive Officer are responsible for the preparation of an annual report that gives a true and fair view, as required by the Swedish Annual Accounts Act, and consolidated financial statements that give a true and fair view, as required by the International Financial Reporting Standards (IFRS), as approved by the European Union, and the Swedish Annual Accounts Act, and for the internal control that the Board of Directors and the Chief Executive Officer consider necessary in the preparation of an annual report and consolidated financial statements that are free from material misstatement, whether due to irregularities or errors.

*Auditor's responsibility*
Our responsibility is to express an opinion on the Annual Report and consolidated financial statements based on our audit. We conducted our audit in line with International Standards on Auditing and generally accepted auditing practice in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Annual Report and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report and consolidated financial statements. The auditor decides which procedures to use, by assessing the risks of material misstatement in the Annual Report and the consolidated financial statements, whether due to irregularities or errors. In making those risk assessments, the auditor considers the components of the internal control that are relevant to how the company prepares the Annual Report and consolidated financial statements to give a true and fair view, 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 involves evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Chief Executive Officer, as well as evaluating the overall presentation of the Annual Report and the consolidated financial statements.

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

*Opinion*
In our opinion, the Annual Report has been prepared as required by the Swedish Annual Accounts Act and presents fairly, in all material respects, the financial position of the parent company as at 31 December 2014, and its financial performance and its cash flows for the year, in accordance with the Swedish Annual Accounts Act. The consolidated financial statements have been prepared as required by the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and cash flows for the year, in accordance with the International Financial Reporting Standards (IFRS), as approved by the European Union, and the Swedish Annual Accounts Act. The Directors' Report is consistent with the other sections of the Annual Report and the consolidated financial statements.

We therefore recommend that the Annual General Meeting adopts the income statement and the balance sheet of the parent company and the Group.

### Statement on other legal and statutory requirements

In addition to our audit of the Annual Report and consolidated financial statements, we have conducted an audit of the proposal for the appropriation of the company's profit or loss, and an audit of the management of Investment AB Latour by the Board of Directors and the Chief Executive Officer for the 2014 financial year.

*Responsibilities of the Board of Directors and the Chief Executive Officer*
The Board of Directors is responsible for the proposal for the appropriation of the company's profit or loss, and the Board of Directors and the Chief Executive Officer are responsible for the management of the company in accordance with the Swedish Companies Act.

*Auditor's responsibility*
Our responsibility is to express an opinion, with a reasonable level of assurance, on the proposal for appropriation of the company's profit or loss and on its management based on our audit. We conducted the audit in line with generally accepted auditing practice in Sweden.

As a basis for our opinion on the Board of Directors' proposal for appropriation of the company's profit or loss, we have 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 compliance with the Swedish Companies Act.

As a basis for our opinion on whether discharge shall be granted to the members of the Board and the Chief Executive Officer for their activities during the financial year, in addition to our audit of the Annual Report and consolidated financial statements, we have examined significant decisions, actions taken and circumstances in the company in order to determine the possible liability to the company of any member of the Board or the Chief Executive Officer. We have also examined whether any member of the Board or the Chief Executive Officer has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Anual Accounts Act or the company's Articles of Association.

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

*Opinion*
We recommend that the Annual General Meeting appropriate the profit as proposed in the Directors' Report and grant the members of the Board and the Chief Executive Officer discharge from liability for the financial year.

Gothenburg, 13 March 2015

Öhrlings PricewaterhouseCoopers AB

Helén Olsson Svärdström
*Authorised Public Accountant*
*Principal Auditor*

# Corporate Governance

Investment AB Latour (publ) is a Swedish public limited company whose shares are listed on NASDAQ OMX Stockholm Large Cap list. Latour's corporate governance is based on laws, listing agreements, guidelines and best practice. This corporate governance statement has been prepared in accordance with the provisions of the Swedish Code of Corporate Governance ("the Code"), and chapter 6, paragraphs 6–9 of the Swedish Annual Accounts Act and chapter 9, paragraph 31 of the Swedish Companies Act and is applicable to the 2014 financial year. The auditor is of the opinion that the corporate governance statement has been prepared and that disclosures according to chapter 6, paragraph 6 second paragraph 2–6 of the Swedish Annual Accounts Act (for example, the most important parts of the company's system for internal control and risk management pertaining to financial reporting) are consistent with other parts of the Annual Report.

Latour's Articles of Association and further information about Latour's corporate governance practices can be found on the website www.latour.se/en Corporate Governance.

## Annual General Meeting

The Annual General Meeting must be held within six months of the end of the financial year. The Annual General Meeting may be held in Gothenburg or Stockholm. All shareholders recorded in the registered list of shareholders before the Annual General Meeting and who have announced their intention to attend have the right to participate and vote for their entire shareholdings.

The 2014 Annual General Meeting authorised the Board to decide on the acquisition of Latour shares on one or more occasions until the next Annual General Meeting. Both class A and class B shares may be acquired and the total number of shares may be such that, after acquisition, the company does not hold more than ten (10) per cent of all shares issued in the company.

## Nomination process

Board members are elected by the Annual General Meeting to serve for one year. At the 2014 Annual General Meeting, the Nomination Committee presented proposals for election of the Chairman and other members of the Board, remuneration to the Board and possible remuneration for committee work. The Annual General Meeting decided that the Nomination Committee until the 2015 Annual General Meeting shall be comprised of Gustaf Douglas and at least two representatives for other major shareholders. Since then the following members have been appointed to the Nomination Committee: Gustaf Douglas (chairman, principal owner), Björn Karlsson (Bertil Svensson's family and foundation) and Johan Strandberg (SEB Funds). None of them has received any remuneration for their work in the Nomination Committee.

## Board of Directors

Latour's Board of Directors is comprised of nine members, including the Chief Executive Officer (see page 106). There are no deputies. All members are elected for a one-year term. The secretary of the Board is the Chief Financial Officer of the Group. Fredrik Palmstierna was elected Chairman of the Board by the 2014 Annual General Meeting. The members of the Board represent 87 per cent of the voting shares in the company and 79 per cent of the share capital. Employees are represented in the subsidiary Latour-Gruppen AB, which is the parent company of the wholly-owned companies in the industrial operations. They are therefore not represented in the investment company's board.

Each year, the Board establishes written rules of procedure that regulate the Board's meetings, the business of these meetings, the division of responsibilities among Board members and the Chief Executive Officer and certain other matters. The Board issues instructions for the Chief Executive Officer that regulate his work tasks and reporting obligation to the Board of Directors.

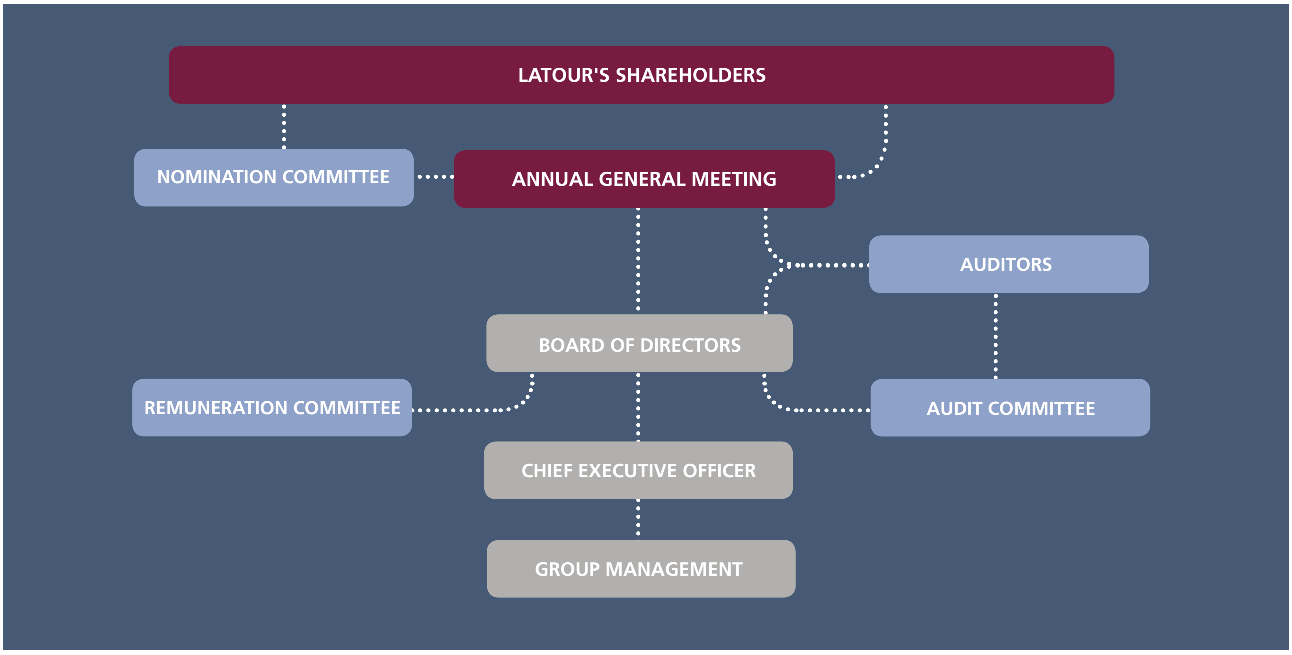
The present Board has had five ordinary meetings to date, not including the constitutional meeting and one extraordinary Board meeting. Two of the Board members were unable to attend on one occasion and one of the Board members was unable to attend on two occasions. Otherwise there has been full attendance. The company's auditor attended two Board meetings and presented reports and observations from the audits performed. Matters dealt with by the Board include strategic changes in portfolio investments, acquisitions and sales of subsidiaries, the company's risk exposure, budgets and forecasts for the subsidiaries as well as a financial review of operations.

Under the direction of the Chairman, the Board has evaluated its work and all Board members have presented their views.

**The composition of the Board of Directors, the number of meetings and attendance to date in the 2014/2015 financial year**

| Name | Board meetings* | Remuneration, SEK'000 |
|---|---|---|
| Mariana Burenstam Linder | 7 of 7 | 400 |
| Anders Böös | 7 of 7 | 400 |
| Anders G. Carlberg | 7 of 7 | 400 |
| Carl Douglas | 6 of 7 | 400 |
| Elisabeth Douglas | 6 of 7 | 400 |
| Eric Douglas | 5 of 7 | 400 |
| Fredrik Palmstierna | 7 of 7 | 1,200 |
| Jan Svensson | 7 of 7 | 0 |
| Caroline af Ugglas | 7 of 7 | 400 |

** Of which one was the constitutional meeting.*




*Latour's corporate governance process from owner to Group management. The Annual General Meeting is the highest decision-making body in the Group where the company's Board of Directors is elected.*

## Committees

The Board has appointed a Remuneration Committee and an Audit Committee. The Remuneration Committee consists of Fredrik Palmstierna (chairman), together with Anders G. Carlberg, Caroline af Ugglas and Eric Douglas. Chief Executive Officer Jan Svensson participates as an additional member. The Audit Committee is comprised of the entire Board except the Chief Executive Officer.

The Remuneration Committee has held one meeting and all members were present. The Committee presents proposals to the Board concerning remuneration to the Chief Executive Officer and supports him in determining remuneration to the other senior executives. The Board then decides on these matters.

The Chief Executive Officer receives fixed and variable remuneration. Variable remuneration is based on the achievement of individual goals. Remuneration to other senior executives consists of a basic salary and variable remuneration based on a fixed key ratio. The variable remuneration is capped at a certain number of monthly salaries.

The Audit Committee has met twice. All members and the company's auditor were present. The business of the meetings has included financial risks and the focus of auditing. The auditor also presented observations made during the audit.

## Auditors

The 2014 Annual General Meeting elected Öhrlings PricewaterhouseCoopers to serve as auditors. Helén Olsson Svärdström is the principal auditor. Helén Olsson Svärdström has been active in the auditing firm since 1985 and involved in Latour auditing since 2004, with the responsibility for Group coordination. She has no other assignments in companies that are closely related to Latour's major shareholders or Chief Executive Officer.

The auditors presented oral and written reports at the Board meetings in December 2014 and March 2015 concerning auditing and internal control, to the extent that it is relevant to the Group's financial reporting.

## Group management

Latour's industrial operations are grouped into five business areas. The investment portfolio is managed by the parent company, Investment AB Latour. The subsidiary Latour-Gruppen AB is the parent company for all the business areas that are part of the wholly-owned industrial operations.

The Group management consists of the Chief Executive Officer and the Chief Financial Officer. The business area managers lead operations in the operative parent companies that own shares in the underlying companies and are responsible for business areas' performance and management. The Group's business organisation is built on decentralised responsibility and authority. The business areas are responsible for developing their own operations and for meeting financial targets that include return on operating capital, tied up capital, operating margins and growth.

## Internal control relating to financial reporting

Internal control relating to financial reporting is based on a control environment that includes the organisation, decision-making channels, authorisation and responsibilities documented and communicated in steering documents, such as the delegation of duties between the Board and the Chief Executive Officer, and instructions for authorisation, accounting and reporting.

The risks identified concerning financial reporting are managed by the Group's control structure.

Steering documents have been distributed to the appropriate staff to support complete and correct financial reporting.

Follow-up of efficiency and compliance is conducted through programmed controls and manual procedures. All reporting is done in the Group's common reporting system. The Group management makes regular visits to the subsidiaries for a financial follow-up and it actively participates in the subsidiaries' boards where it reviews financial reporting.

The Board of Latour receives monthly financial reports and the Group's financial situation is discussed at every Board meeting.

A review of the Group's internal control of essential processes was carried out. The majority of the companies have presented a self-assessment concerning the reliability of their procedures. The inadequacies that were noted did not affect the reliability of control over reporting but necessary measures are being taken. This is followed up throughout the year.

The above information concerning internal control has not been reviewed by an auditor.

### Structured process for risk management

Latour makes an annual structured analysis of the risk exposure in the company and the aggregate investment portfolio. This analysis assesses each business area on the basis of a number of external and internal factors. External factors are business cycles, environmental impact and political decisions. Internal factors are financial risk and risks connected to IT structure and management as well as customer, competition and supplier trends and developments.

Latour's investment portfolio companies are analysed from a financial, industrial and geographic perspective. When both the portfolios have been analysed, a balanced risk assessment is made for Latour's aggregate investment portfolio.

An important risk exposure that was identified from an investment portfolio perspective is the fact that many holdings have customers in construction-related sectors. However, construction-related sectors have multiple dimensions as described in the Directors' Report.

From a financial perspective, another potential risk is the need for new share issues in the larger listed holdings. However, the risk for defensive new share issues or crisis issues is considered low at present. Offensive new share issues for expansion are not considered a risk. They are considered the same as any other investment opportunity.

An account of how Latour manages financial risks is presented in Note 34 on pages 93-95.

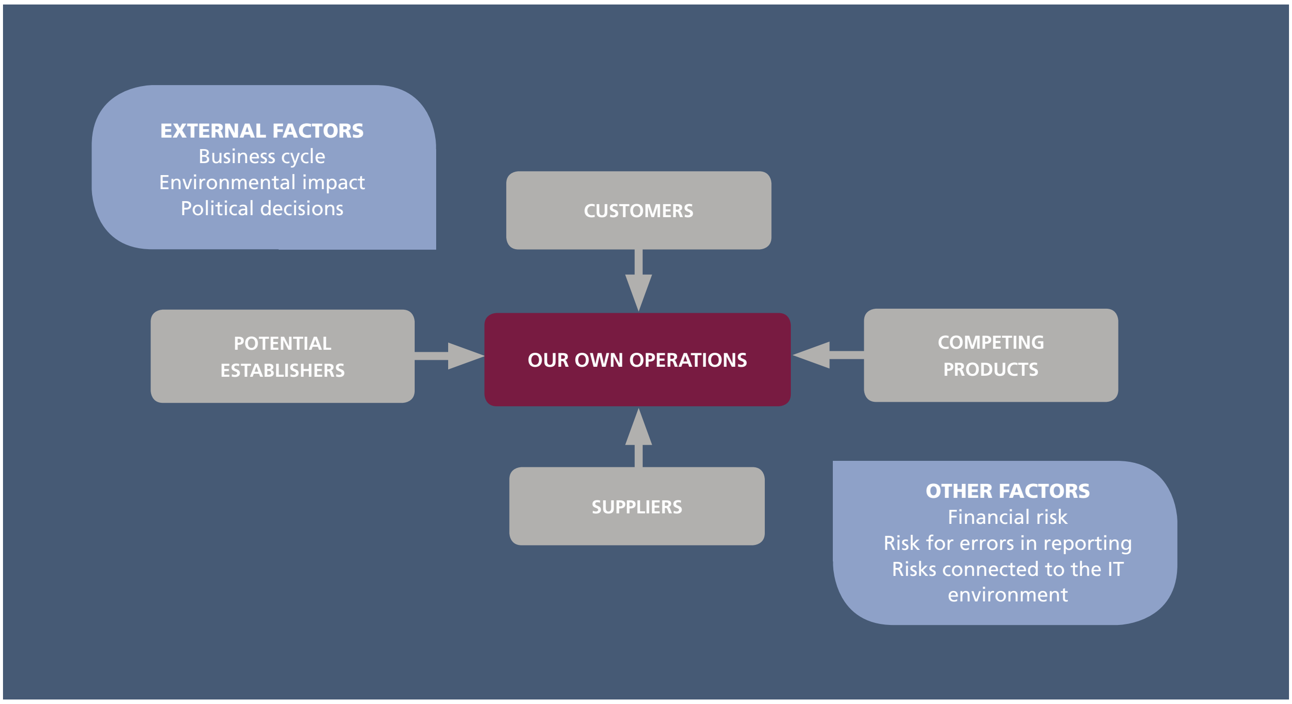
Latour's policy concerning wholly-owned industrial operations is that Latour will own high-quality companies with long-term, sound profitability, and minimise risks by investing in product development, focusing on quality in internal processes, maintaining cost awareness and ensuring access to competent employees and managers.

The Board is of the opinion that, from a business perspective, the Group has a well-balanced spread of risk in line with the comprehensive and communicated company policy.

### Application of the Swedish Code of Corporate Governance

Latour applies the Swedish Code of Corporate Governance with the following exceptions.

According to definitions in the Code, the majority of Latour's Board is not independent and several of the Board members




*Latour analyses risk exposure in the company and investment portfolio every year. The assessment of each business area is based on a number of critical factors shown in the diagram.*

have been on the Board for a long time. The company is of the opinion that long experience of the business and continuity offer enormous advantages in a company like Latour.

The special auditing function in the form of internal auditing does not exist in the Latour Group. Discussions with the company's external auditors concerning the focus of auditing, together with the controls performed by Group management and existing control functions in the various business areas, are considered to be of an acceptable level.

Gothenburg, 12 March 2015
Board of Directors
Investment AB Latour (publ)

# Auditor's report on the Corporate Governance Statement

To the Annual General Meeting of shareholders of Investment AB Latour (publ) Corporate identity number 556026-3237

The Board of Directors is responsible for the Corporate Governance Statement for 2014 on pages 101-104 and for ensuring that it has been properly prepared in accordance with the Swedish Annual Accounts Act.

We have read the Corporate Governance Statement and based on that reading and our knowledge of the company and the Group we believe that we have a sufficient basis for our opinion. This means that our statutory review of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing practice in Sweden.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the Annual Report and the consolidated financial statements.

Gothenburg, 13 March 2015
Öhrlings PricewaterhouseCoopers AB

Helén Olsson Svärdström
*Authorised Public Accountant*
*Principal Auditor*

# Latour's Board of Directors

Fredrik Palmstierna

Mariana Burenstam Linder

Anders Böös

Anders G. Carlberg

Carl Douglas

Elisabeth Douglas

Eric Douglas

Jan Svensson

Caroline af Ugglas

**FREDRIK PALMSTIERNA** born 1946. Chairman of the Board since 2008, Board member 1985-87 and since 1990. Bachelor of Science (Econ.). M.B.A. Member of the boards of Securitas AB, AB Fagerhult, Hultafors AB, Nobia AB, Academic Work AB and Stiftelsen Viktor Rydbergs Skolor. Shares in Latour*: 1,802,600 class A, 2,120,000 class B (Fredrik Palmstierna with family and companies).

**MARIANA BURENSTAM LINDER** born 1957. Board member since 2011. Bachelor of Science (Econ.). CEO of Burenstam & Partners AB. Chairman of the board of the Sweden America Foundation. Member of the boards of BTS AB and Stiftelsen Svenska Dagbladet. Shares in Latour*: 17,461 class B.

**ANDERS BÖÖS** born 1964. Board member since 2005. Former CEO of H&Q AB and Drott AB. Chairman of IFS AB. Member of the boards of Stronghold AB, Newsec AB and Tundra Fonder AB. Shares in Latour*: 30,000 class B.

**ANDERS G. CARLBERG** born 1943. Board member since 2011. Bachelor of Science (Econ.). Chairman of the boards of Herenco AB and Gränges AB. Member of the boards of Axel Johnsson Inc, Beijer-Alma and Sweco AB.
Shares in Latour*: 29,100 class B (with family).

**CARL DOUGLAS** born 1965. Board member since 2008. BA (Bachelor of Arts), D. Litt (h.c.) (Doctor of Letters). Entrepreneur. Vice chairman of Assa Abloy AB and Securitas AB. Member of the board of Swegon AB. Shares in Latour*: 384,000 class B.

**ELISABETH DOUGLAS** born 1941. Board member since 1987, Chairman 1991-1993. University studies at Sorbonne, Paris, France, and the University of Stockholm. Shares in Latour*: 1,040,000 class B and through companies 9,935,000 class A and 111,114,500 class B.

**ERIC DOUGLAS** born 1968. Board member since 2002. Economic college graduate and three years studies at the University of Lund in "Economy for Entrepreneurs". Entrepreneur since 1992. Chairman of Pod Investment AB and Sparbössan Fastigheter AB. Vice chairman of AB Fagerhult. Board member of Latour Industries AB, etc. Shares in Latour*: 454,000 class B.

**JAN SVENSSON** born 1956. Board member since 2003. Mechanical engineer and Bachelor of Science (Econ.). President and CEO of Investment AB Latour. Chairman of the board of AB Fagerhult, Nederman Holding AB and Oxeon AB. Member of the boards of Assa Abloy AB, Loomis AB and Tomra Systems ASA. Shares in Latour*: 180,000 class B and 121,000 call options class B (with family).

**CAROLINE AF UGGLAS** born 1958. Board member since 2003. Bachelor of Science (Econ.) from the University of Stockholm. Incoming President of The Confederation of Swedish Enterprise (Svenskt Näringsliv). Member of the board of The Swedish Corporate Governance Board. Shares in Latour*: 4,300 class B.

Except for Jan Svensson, everyone is independent in relationship to the company and the company management.

Caroline af Ugglas, Mariana Burenstam Linder, Anders Böös, Anders G. Carlberg and Jan Svensson are independent in relationship to the major shareholders in the company.

*Ownership at the end of 2014

# Latour

*From the left: Torbjörn Carlén, cash manager, Elma Delic, project employee, Katarina Rautenberg, CEO assistant and accountant, Jonas Davidsson, Group controller, Anders Mörck, Chief Financial Officer, Angelica Pavlic, Group accountant, Pär Arvidsson, business development, Frida Löveryd, project employee, Jan Svensson, President and Chief Executive Officer.*

Latour's company culture is characterised by the fact that we are a small, flexible organisation with short decision-making channels. The parent company consists of some ten employees and the aim is to provide an attractive, stimulating and productive workplace. The main functions in the parent company are management, treasury and finance and business development. Group management has the overriding responsibility for management, business development, financial governance, follow-up of results and communication.

**Clear and delegated responsibilities**
The wholly-owned companies are managed with clear and delegated responsibilities. Leadership plays a central role in Latour's corporate governance and close collaboration with the management teams in the wholly-owned companies is of great importance. Corporate governance of the listed holdings is performed efficiently by experienced Board members. This is an area where Latour benefits from our broad business network.

**Good relationships with stakeholders**
Latour is committed to maintaining good relationships with representatives in the company's network and other stakeholders with long-term, substantial influence on the company. External stakeholders should feel that the company's communication with the wider community is open and maintains a high standard and that contact with Latour is easy and straight-forward.

## Group management

**Jan Svensson** born 1956
President and Chief Executive Officer since 2003.

Mechanical engineer and Bachelor of Science (Econ.).
Shares in Latour: 180,000 class B and 121,000 call options class B (with family).

**Anders Mörck** born 1963
Chief Financial Officer since 2008.

Bachelor of Science (Econ.).
Shares in Latour: 25,000 class B and 53,000 call options class B.

## Auditor

**Öhrlings PricewaterhouseCoopers AB**

Helén Olsson Svärdström born 1962.
Authorised public accountant, Principal auditor.

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# Ten-year overview

| SEK m | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| PARENT COMPANY | | | | | | | | | | |
| Dividends paid | 957[1] | 877 | 796 | 957 | 491 | 360 | 491 | 458 | 371 | 306 |
| Adjusted equity ratio [2] (%) | 95 | 95 | 96 | 96 | 100 | 98 | 98 | 95 | 95 | 84 |
| GROUP | | | | | | | | | | |
| Dividends received | 606 | 560 | 499 | 430 | 279 | 292 | 320 | 274 | 256 | 223 |
| Return on equity (%) | 15 | 13 | 13 | 18 | 6 | 6 | 16 | 8 | 11 | 9 |
| Return on total capital (%) | 13 | 12 | 12 | 17 | 6 | 6 | 14 | 8 | 10 | 10 |
| Adjusted equity ratio [2] (%) | 85 | 88 | 86 | 84 | 85 | 82 | 75 | 78 | 80 | 78 |
| Adjusted equity [2] | 33,015 | 26,830 | 20,223 | 16,709 | 13,783 | 11,051 | 8,524 | 12,003 | 12,467 | 9,862 |
| Net debt/equity ratio [2] (%) | 11 | 7 | 8 | 7 | 2 | 7 | 15 | 15 | 13 | 16 |
| Net asset value [2] | 39,859 | 33,799 | 25,726 | 22,653 | 20,536 | 15,850 | 10,527 | 15,348 | 14,095 | 10,884 |
| DATA PER SHARE | | | | | | | | | | |
| Profit after tax [3] | 11.75 | 9.31 | 8.47 | 14.13 | 5.37 | 4.21 | 11.14 | 8.54 | 8.54 | 5.40 |
| Listed price 31 December | 203.3 | 171.9 | 124.2 | 106.7 | 124.6 | 99 | 62 | 104 | 94 | 68 |
| Net asset value per share [4] | 250 | 212 | 162 | 142 | 157 | 122 | 80 | 117 | 108 | 83 |
| Listed price as a percent of net asset value [4] (%) | 81 | 81 | 77 | 75 | 79 | 81 | 78 | 89 | 87 | 82 |
| Basic earnings per share | 11.75 | 9.31 | 8.47 | 14.13 | 5.37 | 4.21 | 11.14 | 8.54 | 8.54 | 5.40 |
| Diluted earnings per share | 11.70 | 9.28 | 8.45 | 14.10 | 5.36 | 4.21 | 11.14 | 8.54 | 8.54 | 5.40 |
| Management cost as a percentage of portfolio value (%) | 0.05 | 0.06 | 0.08 | 0.11 | 0.07 | 0.08 | 0.16 | 0.09 | 0.08 | 0.08 |
| Operating cash flow per average number of shares | 3.2 | 3.9 | 5.5 | 2.8 | 3.7 | 5.4 | 4.5 | 3.0 | 3.2 | 2.5 |
| Equity [5] | 85 | 73 | 68 | 66 | 94 | 76 | 60 | 77 | 83 | 66 |
| Dividends paid | 6.00[6] | 5.50 | 5.00 | 6.00 | 3.75 | 2.75 | 3.75 | 3.50 | 2.83 | 2.33 |
| Direct return (%) | 2.9[7] | 3.2 | 4.0 | 5.6 | 3.0 | 2.8 | 6.0 | 3.4 | 3.0 | 3.4 |
| P/E ratio | 17 | 18 | 15 | 8 | 23 | 24 | 6 | 15 | 11 | 13 |
| Total outstanding shares (000) | 159,493 | 159,378 | 159,263 | 159,500 | 131,000 | 131,000 | 131,000 | 131,000 | 131,000 | 131,000 |
| Average number of shares outstanding | 159,445 | 159,357 | 159,421 | 144,898 | 131,000 | 131,000 | 131,000 | 131,046 | 131,000 | 131,000 |
| Average number of shares outstanding - diluted | 160,121 | 159,987 | 159,923 | 145,224 | 131,173 | 131,067 | 131,000 | 131,000 | 131,000 | 131,000 |
| Bought back shares | 467,000 | 582,000 | 697,000 | 460,000 | 460,000 | 460,000 | 460,000 | 460,000 | 360,000 | 360,000 |
| Average number of bought back shares | 514,575 | 629,575 | 539,000 | 460,000 | 460,000 | 460,000 | 460,000 | 460,000 | 360,000 | 360,000 |

[1] Proposed dividend calculated on the number of shares outstanding at 20 February 2015.
[2] Incl. fair value gain in associates.
[3] Calculated on the average number of shares outstanding.
[4] Calculated on the average of the multiple span applied since 2006.
[5] Calculated on the number of shares outstanding at the balance sheet date.
[6] Proposed dividend.
[7] Calculated on the proposed dividend.

## Shareholder information

### Annual General Meeting

**Time and location**
The Annual General Meeting will be held at 5.00 p.m. on Tuesday 5 May 2015 at the Radisson Blu Scandinavia Hotel, Södra Hamngatan 59, Gothenburg, Sweden.

**Participation**
Shareholders who wish to attend or vote at the Annual General Meeting must be entered in the share register held by Euroclear Sweden AB by Tuesday 28 April 2015, and must notify the company no later than 3.00 p.m. on Tuesday 28 April 2015.

**Notice of attendance**
Shareholders may notify the company of their intention to attend either by telephone +46 31 89 17 90, or in writing to Investment AB Latour (publ), Box 336, SE-401 25 Gothenburg, Sweden, or via Latour's website www.latour.se/en.

**Registration**
Shareholders who have their shares held in the name of a nominee must arrange in sufficient time before Tuesday 28 April 2015 to have the nominee temporarily register their shares in their own name in order to be able to participate in the proceedings at the Annual General Meeting.

**Dividends**
The Board of Directors recommends to the Annual General Meeting that a dividend of SEK 6.00 per share be paid and Thursday 7 May 2015 be set as the record date. If the Annual General Meeting decides to accept this recommendation, the dividend is expected to be sent from Euroclear Sweden AB on Tuesday 12 May 2015 to all those who are registered in the share register on the record date.

**Information dates**

| | |
|---|---|
| 29 April 2015 | Interim report per 31 March 2015 |
| 5 May 2015 | Annual General Meeting |
| 18 August 2015 | Interim report per 30 June 2015 |
| 6 November 2015 | Interim report per 30 September 2015 |
| February 2016 | Year-end report 2015 |
| March 2016 | Annual report 2015 |

All new shareholders are sent a printed annual report the year they become shareholders, without any need to register. After the first year, the annual report is distributed to those who notify the company that they wish to receive a printed copy. Please register for an electronic subscription to interim reports, year-end reports and press releases at www.latour.se. Please register for a printed copy of the annual report via www.latour.se, or call +46 31-891790, or info@latour.se or send your request to Investment AB Latour (publ), Box 336, SE-401 25 Gothenburg, Sweden.

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