



Contents

2	Presentation of the Camfil Group
3	Highlights of 2013
4	CEO's Comments
6	Business Concept and Core Values
8	Camfil's First 50 Years
10	Business Unit <i>Filters – for every filtration and containment need</i>
14	Business Unit <i>Power Systems – protecting gas turbines</i>
18	Business Unit <i>APC – dust collectors for a cleaner and safer environment</i>
22	Business Unit <i>AMC – business-critical solutions for the microelectronics industry</i>
32	HR Management in a Performance-driven Enterprise
33	Researching for a Cleaner and Greener Future
26	Sustainability Report 2013
34	Camfil Around the World
36	Financial Analysis 2013
38	Board of Directors' Report and Consolidated Financial Statements
87	Auditors' Report
88	Group Management
89	Board of Directors
90	Five-Year Summary

Leading the world in clean air solutions

The Camfil Group is a world leader in the development and production of air filters and clean air solutions.

Camfil is also one of the most global air filtration specialists in the world with 23 production units and R&D centres in six countries in the Americas, Europe, South East Asia and the Asia-Pacific region.

The Group, headquartered in Stockholm, has approximately 3,500 employees and sales close to SEK 5.0 billion. International markets account for more than 95 percent of sales.

The company's business is to provide customers with sustainable best-in-class air filtration products and services through four main business units: Filters, Power Systems, Air Pollution Control (APC) and Airborne Molecular Contamination (AMC).

With 50 years of experience in air filtration products and solutions, Camfil delivers value to customers all over the world while contributing to something essential to everyone – clean air for health, well-being and performance.



Highlights of 2013

Record results: Camfil enjoyed another successful year of unbroken profit performance, with operating results reaching all-time highs in 2013. Net sales amounted to SEK 4,906 M (4,865), an increase of SEK 41 M, representing 3.6 percent organic growth in fixed currencies. Underlying operating profit, excluding restructuring costs and items affecting comparability, was SEK 521 M (492), up SEK 29 M, corresponding to an operating margin of 10.6 percent (10.1) and an 8.7 percent organic increase in operating profit, excluding currency effects.

50 years young: Camfil passed an important milestone in 2013 – 50 years of operations in the air filtration industry. Celebrations at Camfil units around the globe provided a golden opportunity to bring employees, customers and suppliers closer together. In the next half century, Camfil looks forward to continuing its mission to provide world-class clean air solutions for present and future generations.

New CEO: After 30 successful years with Camfil, including 12 years as President and CEO, Alan O'Connell stepped down and handed over the helm to Magnus Yngen, who was appointed new President and CEO on September 1, 2013. Magnus Yngen comes from Camfil's board and is well acquainted with the Group's business and operations. Prior to joining Camfil, he had a long international career with the Electrolux Group, including management responsibility for European operations, and had also served as CEO of the Husqvarna Group.

New company in Turkey: The sales subsidiary Camfil Hava Filtresi Sanayi Ticaret Ltd Sirketi was established in September 2013 in Istanbul. Historically, the Turkish market has been part of Camfil International's business and the establishment of a local company will further strengthen Camfil's leading position in the region.

Investing for the future: Camfil is continuing to maintain a high level of investment. A new factory for APC products was opened in mid-2013 in the U.K. and major investments are being made to develop new filtration products across the Group's portfolio, streamline production facilities and enhance IT infrastructure to improve global sales, distribution and customer service, including project management expertise. As an example, the company's original production site in Trosa (Sweden) is being expanded and modernized to create a state-of-the-art manufacturing and distribution hub for the Nordic market.

Acquisition of Handte expands APC footprint: After year-end, Camfil signed an agreement on January 31, 2014 to acquire 100 percent of Handte Umwelttechnik GmbH in Germany and Handte's operations in Switzerland, the Czech Republic and China. The acquisition is expected to be closed in the first quarter. Handte is the leading German manufacturer and provider of environmental engineering products, filter technology processes and air pollution control applications. With more than 100 years of experience, the company is a recognized specialist in exhaust air purification for a wide range of manufacturing industries. The company will be part of Camfil's Air Pollution Control (APC) business unit and strengthen Camfil's platform for growing APC business in Europe.

A milestone year ends with record results

The year 2013 was memorable for Camfil in two main ways – we celebrated our 50th anniversary and we posted our highest annual sales and earnings to date. When you top off your 50th year of operation with record results, you have every reason to be proud of your company's performance and five consecutive decades of profitability. Let me express my appreciation and thanks to all Camfil team members, who worked hard to make 2103 extra special.

The year was also notable because we had a change of command in 2013. Serving on Camfil's board since 2012, I took over as CEO on September 1 to succeed Alan O'Connell, who decided to step down after a long and successful 30-year career with Camfil – of which 12 years as CEO during a period of unparalleled expansion for the Group. We are grateful to Alan and thank him for his past contributions and skilled stewardship of Camfil. It is an honour for me to take over the helm and lead the Group into the future.

Weak start, strong finish

You will find the events and developments of the past financial year described in the Financial Review and Board of Directors' Report, which are integral sections of this Annual Report.

Here, I just want to generally comment that the beginning and end of 2013 were as contrasting as black and white, with business slower than usual in the first half but rebounding strongly in the third quarter. The market sustained its momentum toward the end of the year and accelerated, making the fourth quarter the best in the Group's history.

Contributing factors were stronger



demand for a number of our clean air solutions – such as for APC, biosafety, microelectronics and gas turbine filtration projects in North America and China – coupled with general market improvements in Europe, where we are seeing the first signs of recovery after the recession.

These trends leveraged our sales and margins in 2013. Other decisive factors were our internal initiatives to improve

project management skills, cost controls and overall operational efficiency.

Strategy review launched

With our first 50 years behind us, strong results and a solid foundation for the future, we are gathering forces for the next half-century of operations.

As the saying goes, “the only thing constant is change” and moving forward

is in our blood, along with the flexibility to adapt to a changing business environment and leveraging the dynamics of an increasingly globalized economy.

It is fair to state that companies are now experiencing a faster pace of change because the world is shrinking and becoming more transparent. To compete effectively and survive, it is important for companies to stay efficient, focused and flexible.

The present situation has therefore provided us with an excellent opportunity to review how we can further refine our strategy, business plan and international operations for continuing success.

The primary objective is to take Camfil to the next level. We know we can, because change is in our DNA. Processes like strategy planning and target setting are well embedded in the organization and a familiar feature of Camfil's culture and management.

Now that our past business plan has effectively served its purpose and accomplished significant growth and margin targets, we are developing the next on the backbone of a comprehensive strategy review process. The intense phase of data gathering – as well as the initial rounds of synthesizing and prioritizing initiatives – were carried out in the first quarter. The next step is to finalize and launch the new plan during the second quarter.

It will be a palette of carefully selected initiatives. We aim to grow Camfil's business in an efficient and profitable manner by tackling challenges, taking advantage of opportunities, sharpening our focus on investments, resources and priorities, becoming even more innovative, and developing our leading technology further to achieve growth in selected areas and markets. Efficiency will be the fuel to drive the process.

This in-depth review has covered all dimensions and geographical areas of our business. It will build the platform for taking Camfil a step further in a very important area: to increase value for customers in every conceivable way. Let me comment on this briefly.

Developing our total offering

Today, Camfil is much more than a product company. Along with the market's best filtration solutions, we provide a range of value-added services for customers that constitute an important pillar of what we call our total offering.

By total offering, I mean our entire portfolio of products and services. I am referring to the way we develop, manufacture, sell, distribute and implement products and solutions, backing them with the right expertise, support, analysis, tools, lead-times, deliveries and service, all with quality and guaranteed performance.

This total offering has been part of our mind-set since the start and we intend to develop it in every way possible to the benefit of our customers.

We will become more customer-centric and expand our total solutions offering – not just our product programme. This will empower us to meet the requirements of a growing customer base that will need both conventional and state-of-the-art approaches to air filtration in the future.

Caring for the environment and people

Camfil's Sustainability Report is now part of the Annual Report and it describes a wide range of our internal and external initiatives to green operations and products while assuming responsibility as good corporate citizens.

This spirit is embodied in the annual Group-wide "Camfilcaring Week" event (page 31), which is basically a broad internal approach to caring for the local environment and community, as well as our employees. Through this event, we put what we learn about sustainability into action, making it a living product and concern throughout the global organization.

Our greenness and CSR focus expresses the niceness about Camfil because we are doing things fundamentally right by protecting the environment, processes and people. Our clean air solutions have many kinds of payback in terms of energy savings,

reduced environmental impact and healthy indoor air quality.

Being a sustainable company has other advantages. It helps strengthen our reputation as a trusted partner and makes us an attractive employer. In the section on HR management (page 32), we outline how we care for our employees, our most valuable asset. By nurturing in-house knowledge and skills, we can continue to serve our customers in the most professional manner.

A bright future

We are now well into a new financial year and the future remains as exciting as ever. We are expecting demand for our clean air solutions to increase and there is enough space for Camfil to grow profitably and effectively in virtually any business environment.

As we look forward to the next 50 years, we aim to safeguard and maintain our position as the global leader in air filtration and the champion of clean air solutions.

Magnus Yngen
President and CEO



Camfil's clean air business concept

Camfil's business concept is to provide customers with Indoor Air Quality (IAQ) and clean emissions in line with customer needs. This is being achieved with sustainable best-in-class air filtration products and services, as well as through local presence.

Camfil's core values

Committed and innovative people in an entrepreneurial environment are Camfil's keys to success. Our core values express the soul of our company and serve as a guiding star for the entire Camfil Group. Constant efforts are made to ensure that all our employees understand and work in line with the following core values:

Reliability

We are reliable because we know the market, we are honest and truthful. Our people, products and processes must always meet, or supersede, agreed results.

Commitment

We are committed to always striving for the best possible solutions and we are in the forefront of technological and environmental developments in our fields of expertise.

Customer satisfaction

We put our customers first. We focus on identifying customer needs and creating long-lasting customer value.

Teamwork

Working together makes us stronger and increases employee satisfaction both locally and globally.

Local presence

Local understanding and presence on local markets builds customer relations and satisfaction.



Celebrating 50 years of success

Camfil was founded in Sweden in 1963 and the Group commemorated its 50th year of operation in 2013 to honour five consecutive decades of success and half a century of providing clean air to the world.

To celebrate this milestone event, employees attended festivities (photos) at a number of Camfil companies all around the globe – in the Nordic countries,

Europe, India, the Asia-Pacific region and North and South America.

A company is never better than the people who work for it and Camfil's skilled and dedicated professionals will continue to lead us toward new horizons. The future is promising for clean air solutions and we look forward to making the next half century as successful and rewarding as the first.

Camfil – one of Sweden's most successful private companies – celebrated its 50th anniversary in 2013

Camfil proudly celebrated 50 years of operations in 2013. Entrepreneurship, strong core values, skilled management, leading-edge technology and a multicultural heritage have been key factors behind Camfil's progress and they will continue to be significant for the Group's growth in the years to come.

Camfil is ranked among the largest and most successful family-owned businesses in Sweden's entrepreneurial history. Gösta Larson (1922-2001), father of current Executive Chairman Jan Eric Larson, also father-in-law of Johan Markman, currently Vice Chairman, founded Camfil in 1963 in the small town of Trosa, 70 km south of Stockholm.



Nuclear start

Gösta Larson was a seasoned professional in the Swedish heating, ventilation and air conditioning (HVAC) industry when the opportunity emerged to bid on filters for Sweden's first nuclear power research center in Studsvik, a community near Trosa. At the time, he was managing an HVAC firm called Luftkonditionering AB in Trosa.

The Studsvik project required a different approach to ventilation safety and a



new class of filtration. Gösta Larson turned to the American company Cambridge Filter Corporation (CFC) for the special type of high efficiency filters that were needed for the center's ventilation and containment systems. After demonstrating the filters for Studsvik, he was awarded the contract.

This early collaboration with CFC eventually led to the founding of Camfil AB in 1963 as a joint venture between Luftkonditionering and CFC. A few years later, the growing Camfil venture built its first production facility in Trosa and set up headquarters. The first wholly owned manufacturing facilities were started in Germany and Switzerland.

Through Camfil, CFC could expand geographically in the European market, while Luftkonditionering sold products under license through agents in the rest of Europe. When Luftkonditionering was split up in 1972, Gösta Larson sold his stake, took the shares in Camfil as payment and became CFC's sole partner in Camfil. Camfil was ready to develop the European market as an independent sales and production company representing CFC products.

Independence in 1983

Camfil expanded quickly, set up sales subsidi-

aries in Europe, built up its filtration expertise and adopted a strategy early on to develop solid relations with customers by using the sales argument that is still valid for Camfil products today: that it pays to invest in quality filters that have a low pressure drop, last longer, clean better, save more energy and do not have to be changed as often.

In 1983, the Larson family, along with the Markman family, acquired CFC's remaining interest in Camfil and the company became a 100-percent owned family business.

The remainder of the 1980s was characterized by stability and by stability and the consolidation of operations. In 1989, Gösta Larson stepped down as CEO and his son Jan Eric took over the helm. Jan Eric's brother-in-law, Johan Markman was Vice President and CFO.

Growth through acquisitions

Camfil then focused on expansion, acquiring Solfiltra (France) in 1989, Automet Filtration (U.K.) in 1997 and Industrifilter (Sweden) in 1998. The latter acquisition added a new growth business: filtration systems for the gas turbine market (Camfil Power Systems today).

While building up strategic resources at the head office, Camfil continued to strongly position itself in the European market through organic growth and additional acquisitions. Key decisions were made to standardize the product range, automate production and improve distribution channels and business systems.

Global strategy takes shape

By 2000, Camfil was ready to become more global and acquired the venerable and reputable filter manufacturer Farr in the U.S., becoming a substantial player in the North American market. Ratos, a Swedish private equity company, co-financed the deal and became minority stakeholder in the newly formed Camfil Farr Group.

Jan Eric Larson and Johan Markman

took on new roles as Executive Chairman and Vice Chairman, appointing Alan O'Connell as CEO and Johan Ryrberg as Executive Vice President and CFO in 2001. New management functions were established at headquarters. A well-structured strategy was also devised for global expansion and acquisitions. Camfil entered new territories up to 2011, including China, Australia, India and Brazil.

New ultra-efficient production units were started in Europe and Asia and a competitor was bought in Sweden. Products were refined and improved and new proprietary production techniques were developed for economies of scale.

Strategic decisions were also made to focus on Camfil's core business, resulting in the divestment of the Railroad business

acquired from Farr and additional investments to expand in areas like Power Systems and Air Pollution Control.

Camfil today

At year-end 2011, the Larson and Markman families bought out Ratons, which had planned to exit Camfil, and Camfil became a 100-percent-owned family-owned business again. Since then, a new generation of family members has joined the company to rejuvenate management and pave the way for the future.

Camfil is headquartered in Stockholm today, while the original site in Trosa serves as the production, sales and distribution base for the Swedish subsidiary and the Nordic market. The Group's largest and most advanced R&D facility is also situated in Trosa.

In conjunction with the 50th anniversary, the company returned to its roots and changed the official name back to Camfil in early 2013. Alan O'Connell retired in August 2013 and board member Magnus Yngen was appointed new CEO.

Once a small business in a small town, Camfil is a multinational enterprise today in some 50 countries with 23 manufacturing plants, several international R&D centers, 3,500 employees and more than 65 local sales offices in the Americas, Europe, South East Asia and the Asia-Pacific Region.

In the 2013 financial year, the company recorded its 50th consecutive year of profitability. The success story continues.

1963 Camfil establishes joint venture with Cambridge USA

1966 Camfil Germany, founded

1969 Camfil Switzerland, founded

1972 Camfil Denmark, founded

1973 Camfil Netherlands, founded

1974 Camfil Belgium, founded

1975 Camfil Italy, founded

1976 Camfil France, founded

1979 Camfil Finland, founded

1982 Camfil England, founded

1983 Camfil becomes independent

1985 Purchase of Allied Filters & Pumps, Ireland

1989 Purchase of Sofiftra, France, and Filtra, USA

1995 Camfil Component Sweden, founded / Camfil Spain, founded

1997 Purchase of Automet Filtration Ltd, England / Camfil Malaysia, founded

1998 Purchase of Industriefilter AB, Sweden

1999 Purchase of Delcon Filtration Group Inc., Canada

2000 Camfil Australia, founded / Camfil Poland, founded / Representative Office established in Shanghai, China

2000 Ratons purchases 30% of Camfil Farr in connection with the acquisition of Farr Co., USA

2001 Camfil New Zealand, founded / Nordfilter AB purchased / Camfil China, founded

2002 Plant opened in China

2003 Two plants in Malaysia combined

2004 Camfil Thailand, founded / Representative Office established in Moscow, Russia

2005 Camfil Brazil, founded / Plant opened in Mexico

2006 Purchase of Australian Air Filters / Purchase of Kaefer Raco, Germany / Purchase of IF Luftfilter AB, Sweden

2007 Camfil Slovakia, founded / New plant in China opened / Camfil Japan, founded / Camfil Taiwan, founded / Purchase of Kaare Rustad AS, Norway

2008 JV with Anand Group, India / Acquisition of Air Care Technology Ltd and Total Air, New Zealand

2009 Acquisition of Mecke Klima GmbH, Austria

2010 Camfil opens a new state-of-the-art Technology Centre in Trosa, Sweden

2011 Exit of minority shareholder (Ratons) / Camfil Middle East, founded Camfil India becomes wholly owned and new production hub for Power Systems in Trichy

2012 Camfil opens its first Airborne Molecular Contamination (AMC) Service Center, situated in Taiwan / Railroad unit divested

2013 New factory opened in Heywood UK to manufacture Air Pollution Control products. Office established in Istanbul, Turkey



Filters

– for every filtration and containment need

Camfil is the world's largest and leading manufacturer of air filters, with filter sales constituting the product platform for all of Camfil's operations and the Group's biggest core business. Filters also generate the largest percentage of Camfil's sales. Our air filters can be as small as a matchbox and as large as a shipping container.

Their end product is clean air free of harmful or damaging pollutants, dust, dirt, allergens, contaminants, molecular gases and, in some cases, even life-threatening radiation, depending on the application.

Camfil filters improve people's health and well-being. They protect critical manufacturing processes, boost productivity and safeguard the environment.

The largest application area is comfort ventilation, in which Camfil offers the most energy-efficient filters for public and commercial buildings. These products provide clean air for high indoor air quality (IAQ) and help building owners reduce their energy consumption and carbon footprint.

In the production world, Camfil's filters and clean air solutions are crucial for protecting advanced or sensitive manufacturing processes, or for combatting microbiological contamination. In the healthcare sector, hospitals use Camfil's filtration systems to eliminate infectious airborne contaminants.

In the nuclear power industry, Camfil is the leader in particulate filtration, gas-phase filtration and containment, with experience from all over the world. Camfil has also leveraged this experience from containment to develop advanced bio-containment systems and filter housings for high-risk research facilities and biosafety labs.

The Filters Business Unit also includes the CamCleaner® line of mobile, stationary and standalone air purifiers that are used to supplement existing ventilation systems in industry, offices and homes.



Protecting people, processes and the environment

Comfort air filters for IAQ

A wide range of Camfil air filters are used in the air handling units (AHUs) of ventilation systems in schools, offices, homes, hospitals and airports to provide the basis for a clean, healthy and productive indoor environment with high Indoor Air Quality (IAQ).

The comfort air market consists mainly of replacement filters and the business is relatively insensitive to economic cycles. Customers include facility management companies, local government agencies and buildings, as well as companies providing ventilation and air conditioning service.

In Europe, bag filters are dominant, with the Hi-Flo® and energy-saving Hi-Flo XL® filters being widely used products. In North America, compact filters with pleated filter media are more common, although bag filters are also starting to gain ground. Camfil's filters in this market include the energy-saving 30/30®, Hi-Flo ES® and Durafil ES® filters.

In urban environments, Camfil's ozone-rated City filters remove harmful gases and particles from air pollution.

The business also includes the CamCleaner® series of mobile and stationary air purifiers to complement existing ventilation systems, CamCleaners come in seven models for all kinds of premises, from small offices and rooms, to commercial and public buildings, and demanding production environments. Smaller standalone CamCleaners solve IAQ problems in offices and homes lacking central ventilation and filtration.

Filtration for clean processes and hospitals

Clean air is critical for many production processes. Pharmaceuticals, food products and beverages have to be produced in strictly controlled

environments, where very small and undesirable particles can be devastating and lead to biocontamination, product spoilage and high costs. Using effective air filtration to combat microbiological contamination of foodstuffs, for example, is highly regulated to ensure food safety and protect human health.

Camfil has also pioneered a range of supply and exhaust housings specifically for the biopharmaceutical industry, including high-temperature filters and bag-in, bag-out systems for containing contaminants.

Other critical filtration applications include paint spraying facilities for the automotive industry, which demand a constant supply of fresh filtered air for performance, hygiene and safety reasons; and hospital operating theatres, which need Camfil's ceiling systems to create clean-room conditions to eliminate airborne infectious contaminants that may affect the success of operations and the patient recovery rate.

Nuclear power industry and containment applications

Camfil started out as a supplier to the nuclear power industry 50 years ago and has unparalleled experience in the field. More than 90 nuclear plants in the world are using Camfil's particle and gas filters, filter housings and dampers to prevent the release of airborne particles that might be toxic, hazardous or radioactive from operations such as chemical separation, extraction or fixation, and mechanical operations that are normally carried out in rooms with filtered exhaust systems. The latter are for containment in the event of an accident.

All Camfil products meet applicable government and industry codes and qualifications for the nuclear power industry around the world.

Biocontainment systems

The market consists of state-of-the-art biocontainment systems – a Camfil specialty – that range from systems for sterile and particle-free air in mini-environments, to special high-security housings for high-risk laboratories, buildings and environments, biosafety cabinets for hazardous materials, high-temperature filters for sterilization processes, bag in-bag out systems for handling contaminants, and specially designed terminal and exhaust housings. Biopharma facilities, high-security research labs, nuclear power plants and chemical factories use these systems, among other customers.



Air care for safety at sea

The Finnish Border Guard has taken safety at sea to a new level by installing Camfil's air filters on board the "Turva", a specially designed coast guard vessel that patrols the Baltic. The main mission of the filters is to ensure safe, clean air for crew in chemical accidents and during oil recovery missions.

Four-stage filtration is employed with filters rated for explosive atmospheres: Hi-Flo™ bag filters remove particles, dust, fumes and mists. The second and third stages employ deep cell-type molecular filters using mainly broad-spectrum activated carbon. Final filtration takes place in HEPA filters with a very large and effective filter media area.

Sophisticated equipment monitors and analyzes ambient air quality. The filtration solution can be activated quickly, depending on the type of molecular contamination outside the vessel.



High score for university filters

Imperial College London's focus on excellence also applies to its in-house program to optimize the efficiency of campus buildings and save energy, cut costs and reduce waste. Lowering the energy consumption of ventilation systems is one major area and the university commissioned ABS Consulting and Camfil to conduct an air filter trial on the AHUs in two buildings.

Existing air filters were replaced with Camfil's energy-efficient Hi-Flo™ M7 12 pocket bag with a higher surface area and the filter positioning arrangement was changed. The trials were successful, realizing a 7 percent savings in energy consumption while improving indoor air quality. Filter service life was also extended, reducing filter waste disposal.

The filter replacement process is being rolled out across campus and the university expects to save about GBP 50,000 (approx. EUR 60,000/USD 80,000) a year, or around 250 metric tons of carbon dioxide, helping Imperial College to shrink its carbon footprint by 20 percent.

Filtration for frozen food

One of North America's premier packaged food producers was experiencing filtration problems in critical process areas at one of the largest frozen food manufacturing facilities in the U.S.

High-moisture return air contained bread-baking residue and fouled a competitor's prefilters quickly. The synthetically charged media in final filters were losing their charge and efficiency, resulting in poor dirt loading and shorter service life.

To deliver consistent airflow, extend filter life and improve efficiency in the final filter,

Camfil installed the 30/30 Merv 8 to combat the bread-baking residue and moisture in the pre-filter section, and the energy-saving Camfil Hi-Flo ES pocket filter in the final stage. Both are proven performers in the food and beverage industry.

The Camfil filters reduced energy consumption significantly, with longer service life, and cut labor and disposal fees. The customer is saving USD 33,000 annually and a rebate check for cutting overall energy usage was another bonus.

Energy-saving filters for Dublin Airport

Expert air handling plant assessments and trial installations demonstrate the benefits of switching to Camfil filters.

To find the best solution to lower energy costs at Dublin Airport's Terminal 2 building – while maintaining a high level of indoor air quality – the Dublin Airport Authority approached three vendors, proposing a one-year trial of filters, with each company offering the filtration solution they felt would be

most beneficial.

In the test, Camfil's Hi-Flo XLT filters proved superior to other brands in terms of overall energy savings and high indoor air quality.

As a result, some 500 Hi-Flo filters, complete with a set of Farr 30/30 panel filters, are installed in the AHUs at Terminal 2 today.





Power Systems – protecting gas turbines

The Power Systems Business Unit, operating in the market under the Camfil Power Systems name, is a leading supplier of heavy-duty filtration and noise-control equipment for gas turbines used by major power-generating and offshore operators worldwide. Solutions include air inlet filtration systems, acoustic enclosures, de-icing and cooling systems and exhaust stacks. Other specialties include diverter dampers, ducting, silencers, and service and refurbishment.

Power System Solutions

Protecting gas turbines, compressors and diesel engines is one of Camfil's fields of expertise. Air filtration solutions and noise control equipment have been supplied to thousands of installations all over the globe, assuring reliable and efficient operation of power generation equipment and other energy production processes.

As demand for power increases, gas turbines are increasingly being used as a local power source in combined heat and power (CHP) and combined cycle gas turbine (CCGT) plants in growing cities. In addition, urban environments expose gas turbines to a new and different operating environment, where air pollutants, such as airborne particulate matter, are more challenging to prevent fouling of sensitive turbine components. Air filtration for air intakes, enclosures, silencers and cooling systems for gas turbines are one of the cornerstones of Camfil Power Systems' expanding international business.

Since high-performance gas turbines typically operate in some of the most severe environments, their filtration systems are involving increasingly higher grades of efficiency in pre-filtration and the final filtration stage to keep guide vanes and turbine blades in perfect shape.

Turbine power output is also sensitive to inlet air resistance, requiring large filter surfaces to maintain a low average pressure drop.

A correctly designed and cost-effective system minimizes engine degradation, leading to lower operating costs, optimum efficiency and less environmental impact. To meet stricter demands, new products are continuously developed in an industry-unique test rig. An example is the new CamGT™, which has the highest dust-holding capacity and filtration efficiency of any inlet filter for gas turbines, diesel engines and compressors.

The Power Systems Business Unit is a global partner that can support customers with complete equipment packages for all gas turbine applications from engineering hubs in Europe, India and China.

Today, products from Power Systems are being used in every conceivable operating environment around the world to protect gas turbines from erosion and fouling for higher efficiency and production economy, and longer running times with lower emissions. Land-based, offshore, and marine systems are supplied, as well as retrofits and upgrades.





Offshore GT solution for LNG project in Australia

The Ichthys LNG (liquid natural gas) project includes one of the world's largest LNG facilities and is based on substantial gas and condensate reserves from the Browse Basin offshore Western Australia.

Gas from the Ichthys Field, approximately 200 km off the coast, will undergo preliminary processing offshore, after which the gas will be exported to onshore processing facilities in Darwin via an 889-km subsea pipeline.

Camfil Power Systems was awarded the contract for complete offshore inlet systems for ten PGT25+G4 turbines. To maximize engine uptime, the air inlet systems were equipped with final-stage CamGT 3V-600 filters, the optimum choice for LNG facilities offshore.

First order ever for wind turbine

Camfil Power Systems mainly supplies filtration systems for gas turbines, compressors and diesel engines used by the world's energy producers. This turbo machinery market includes producers of renewable energy like wind power, as a wind turbine is also a rotating machine with an air-cooling system that needs to be protected from the surrounding environment.

Camfil broke into the wind turbine market in 2013, receiving its first order from Eleon, an innovative Estonian company manufacturing wind turbines for the domestic market. The project involved the development of an inlet air system for their largest wind turbine to date, a 3 MW windmill 120 meters high and 116 meters in diameter.

Camfil supplied a one-stage filter solution: a filter bank fitted with 16 full-size filters and eight half-size filters protected by a CamVane weather louver that is directly mounted on the turbine enclosure.



New filter system and damper retrofit in India

Trombay Power Station is a 1,580 MW thermal plant near Mumbai that supplies the city with approximately 50 percent of its power needs. Camfil Power Systems received two orders for the plant: the retrofit contract for the air intake system from Siemens India, and the order for the diverter damper from Tata Power.

The plant, operated by Tata, replaced the pulse-cleaning type inlet system for a Siemens gas turbine model V.94.2 with a three-stage barrier inlet system. The diverter damper was also upgraded, replacing HPU with PLC, hydraulic actuators, expansion joints and insulation. The planned shutdown was limited to 37 days for dismantling and installation.

Engineering, procurement and project management was executed in Camfil teams across Europe and India. Major fabrication was done at the Camfil Power Systems workshop in Trichy, India. Siemens commissioned the solution, on time, under Camfil supervision. For diverter damper Engineering and Project management was majorly done in Camfil Germany. Camfil commissioned the supplied scope within specified time schedules.



Supplier to one of the largest thermal power plants

Shoaiba is an oil-fired CCGT complex for power and desalination in Saudi Arabia on the coast of the Red Sea, about 120 km south of Jeddah. It is one of the largest fossil fuel power plants, and the world's third largest integrated water and power plant with a capacity of 5.6 GW.

Desalination plants were needed by the power station because of the shortage of cooling water in Saudi Arabia. Camfil Power Systems delivered ten self-cleaning pulse-type air inlet systems to Shoaiba II to protect the fleet of Siemens SGT6-2000E gas turbines against the dust-loaded, salt-laden Red Sea winds. Siemens commissioned the inlet systems with technical field assistance from Camfil Power Systems' branch office in Bremen, Germany.



Air Pollution Control – dust collectors for a cleaner and safer environment

The Air Pollution Control Business Unit operates in North America and the international market under the Camfil Air Pollution Control (APC) name. Camfil APC's main mission is to design, manufacture and supply a full range of dust collectors to clean dust and fumes from factories, making them safer, more productive and more sustainable.

Camfil APC's dust collection equipment is typically used in food processing, metalworking, pharmaceutical, mining, laser and plasma cutting, woodworking and other industries.

Dust and fume control solutions with the most advanced collectors on the market

Camfil APC offers the most technologically advanced dust collectors available – the Farr Gold Series® – and backs them with dependable service, support and decades of proven experience. Dust collectors help customers prevent dust and smoke-related respiratory problems. The equipment helps them comply with governmental air quality requirements both inside and outside factories.

Camfil APC also helps customers prevent dust collector explosions and fires caused by combustible dusts, electrical sparks and other causes. More benefits of the Farr Gold Series include minimizing slips, falls and visibility problems created by “nuisance” dusts in the workplace. Dust collectors also reduce worker discomfort from allergens found in process dusts and protect valuable equipment from dust contamination.

Key products include the Farr Gold Series of industrial dust

collectors, GS Camtain® and GS High Vacuum dust collectors, and GSP packaged dust collectors. The business unit has also developed the HemiPleat® line of low-energy, long-life dust collector filters. HemiPleat filters make pleated dust collector filters last longer and run with lower energy consumption for both the Farr Gold Series and as a replacement filter for the dust collectors of competitors.

As one of the top dust collector manufacturers in the world, Camfil APC focuses on making the best equipment in the business from an end-user and maintenance viewpoint. The business unit maintains and services dust collectors and also has a full-scale dust testing rig and laboratory resources to help design and select equipment for customers. In North America, Europe and Asia, Camfil APC is recognized for its customer friendliness and ability to ship dust collectors fast that meet the customer’s specific needs.



Vishay goes for Farr Gold Series

Vishay is one of the largest manufacturers of semiconductors and passive components in the world, with plants in the Americas, Europe and Asia. Its subsidiary in India, Vishay Components, was experiencing problems when it manufactured components near Mumbai with a setup that included a competitor's dust collectors for two metal spray booths (zinc and aluminum) and a local dust collector for the epoxy coating application. The collectors were ineffective and dust spread in the booths, affecting production quality. Higher emissions were another issue.

To eliminate the problems, Camfil India and Camfil APC Malaysia teamed up to supply two Farr Gold Series GS32s for the spray booths and one GS6 for the coating machines, including explosion vents, isolator dampers and new Camfil-designed ductwork. The more energy-efficient GS collectors have also created a healthier and more attractive work environment.



How to finish with a dust-free finish

Aluminum linishing, a surface finishing process, produces highly explosive dust. When a company in Scotland experienced problems with its wet-type dust extractors, it turned to Russell Consulting Scotland Ltd and Camfil APC Europe to find a solution.

The wet-type dust extractors were noisy, inefficient, maintenance-intensive and did not comply with emission regulations. Camfil APC proposed a custom-designed dust extraction system based on a Farr Gold Series GS16 dust collector with carbon-impregnated HemiPleat® Gold Cone® filter cartridges.

The GS16 solution has created a better work environment, cut maintenance costs and enabled the customer to meet Scottish emission regulations. Unwanted downtime is also avoided: production no longer has to be shut down each week to clean the dust collector – the case with the former extractors. The system is also compliant with the EU directive (ATEX) for equipment in explosive atmospheres.

Leaner production with less energy

In 2013, Camfil APC partnered with CenterPoint Energy's Commercial & Industrial Solutions program to become a leader in energy efficiency at its plant in Jonesboro, Arkansas, in the U.S.

Through a retrofit focused on combustion air pre-heating, the facility has significantly reduced its energy consumption by redirecting waste heat from the oven exhaust stack to heat pre-combustion air, and by using variable frequency drives to reduce the flow of air from oven exhaust fans.

The energy savings is equivalent to reducing greenhouse gas emissions from the consumption of 16,700 gallons (63,200 liters) of gasoline.



No more foundry fumes and dust

In the U.S., Watts® Technologies manufactures water-handling components with low-lead materials and recently opened a new modern foundry in New Hampshire.

The site's original foundry had been equipped with Camfil APC's Farr Gold Series GS96 dust collector to remove sand from metal castings, a difficult application, and a GS12 was installed on powder paint lines.

Ventilation Control Products, Inc. and Camfil APC engineered these successful installations and also developed the air pollution control solution for the new facility, where three dust collectors (GS108, GS96 and GS72) maintain a clean work environment, facilitate employee safety, and allow for efficient customer fulfillment. The GS108 has a mining inlet to handle the large volume of green sand coming into the collector.

HEPA filters allow air to be brought into the foundry to save on heating costs during the winter. The workday is also more comfortable and enjoyable for Watts's employees because respirator equipment is no longer required in the sand handling area.



Airborne Molecular Contamination (AMC)

– business-critical solutions for the microelectronics industry

Controlling both AMC and particle contamination represents a significant technology barrier as feature sizes continue to shrink in integrated circuit (IC) manufacturing. Critical AMCs include sulphur dioxide, volatile organic compounds (VOCs), diverse acids and ammonia. In outdoor air and cleanroom environments, all these gases are present in concentrations that are too high for many electronic manufacturing processes. For example, it is no longer possible to manufacture microprocessors, memories or displays for smartphones and tablets without advanced AMC filtration in the cleanroom and on the process equipment.

Airborne Molecular Contamination (AMC)

Airborne molecular contamination (AMC) is a major issue for all advanced microelectronic fabrication plants or “fabs”. Today, no advanced facility is running without a proper AMC control concept. A wide range of AMC effects adversely impact production yield and costs. These include acidic corrosion of hard disks or wafers, condensable organic deposition on sensitive surfaces and optics, or exposure to low levels of damaging ammonia.

Camfil High Efficiency Particulate Air (HEPA) filters, Ultra Low Penetration Air (ULPA) and advanced AMC filters are business-critical components in the cleanrooms of these facilities. Camfil produces these filters in controlled environments in ISO 9000-certified plants around the world to meet the supply needs of the international microelectronics industry. Virtually every wafer, microchip and semiconductor producer uses Camfil filtration solutions today.

The introduction of nano process technology in the microelectronics industry has forced the creation of new contamination control

concepts throughout the entire manufacturing process chain. Camfil provides the entire range of air filters from air intake to process tool level for an electronic manufacturing facility. Camfil software also helps forecast life cycle costs, energy savings, and carbon footprint saving options. New unique AMC software also predicts AMC concentrations in the cleanroom after installing different filter solutions.

In 2013, Camfil developed a new range of equipment filters fully certified against organic outgassing to follow the roadmap set by the most stringent industries. After being the first company to test 100 percent of its ULPA filters, Camfil is now offering a unique outgassing certificate for all filters assembled inside AMC controlled environments.

Camfil is also a member of an international group of semiconductor industry experts that is developing “The International Technology Roadmap for Semiconductors” – a set of documents to chart needs and challenges over the next 15 years.



Dazed by haze in Singapore

For several days in 2013, smoke haze from fires in Indonesia was so bad in Singapore that it prompted action to deal with severe gaseous and particulate pollution.

Particulate pollution reached disturbing levels for health, while a sharp increase in concentrations of volatile organic compounds (VOC), ammonia (NH₃) and sulphur dioxide (SO₂) caused serious problems for the most advanced manufacturing companies, especially those in the semiconductor industry.

SO₂ is corrosive and creates yield issues in integrated circuit manufacturing. NH₃ impacts lithography processes. VOC affect a variety of manufacturing steps, such as diffusion and metrology modules.

During the haze craze last year, Gigapleat™ AMC filters were delivered on short notice from Camfil Malaysia to successfully protect the most sensitive cleanroom applications and ensure continuity of operation.

To solve smell and particle pollution problems in commercial and public buildings, Camfil also worked in tandem with the local environmental agency to supply CamCleaner City air purifiers for on-site filtration and CityPleat™ filters for ventilation systems.



Applying cleanroom experience to data centres

Camfil's unique ability to supply the entire contamination control system for data centres is based on the company's substantial experience from supplying advanced solutions for cleanroom applications in the semiconductor industry.

Data centres and switch rooms are other operations that tend to be very sensitive to atmospheric contamination, which can potentially disrupt operations and services, impacting millions of people and resulting in substantial

business losses, if not serious damage to the provider's reputation.

Arsenal of AMC solutions

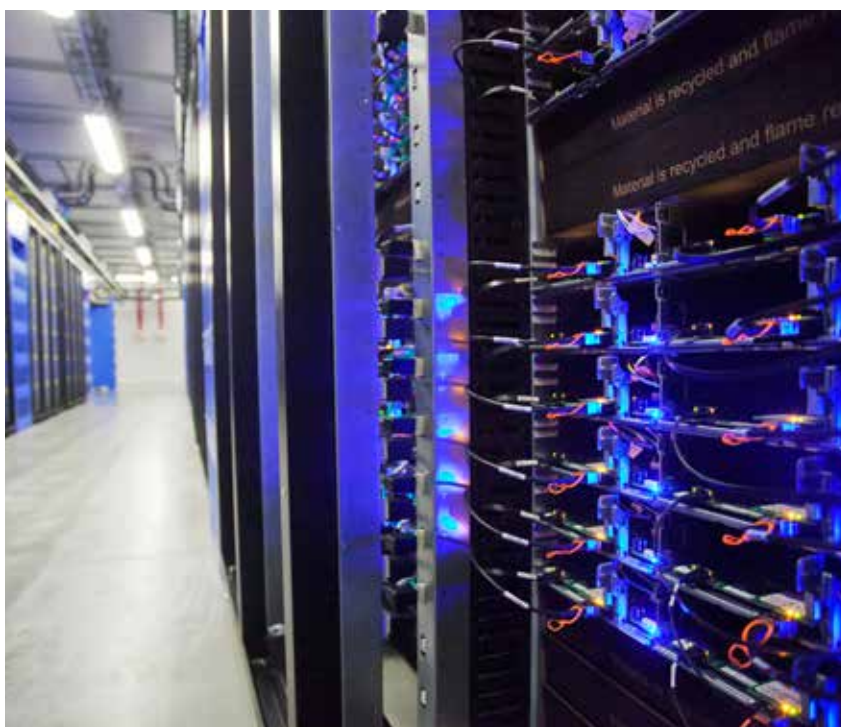
Effective high efficiency particle (HEPA) filtration, molecular filtration and on-site solutions with mobile air purifiers are all part of Camfil's arsenal to protect valuable equipment and premises from contamination.

A recent example comes from the Indian subcontinent, where a leader in information technology was experiencing repetitive failures of its electronic systems over a three-year period. The culprits were concentrations of

highly corrosive airborne contaminants and the use of air filters incapable of eliminating large amounts of atmospheric particles.

Camfil proposed a redesign of the air handling units (AHUs), upgraded the particle filters, introduced final stage filtration with HEPA filters, and installed molecular filters to remove highly corrosive gaseous pollutants.

To deal with local problems in critical areas, Camfil also installed CamCleaner City mobile air purifiers with advanced particle and molecular filtration. Today, the IT provider's business is AMC-free for the highest availability and smoother operations



Our business concept – providing clean air – is closely linked to sustainability

Our sustainability program is a transparent and tangible way of showing that we care about people and the environment. Camfil's business concept and mission – to provide clean air – is closely interlinked to sustainability because our air filtration solutions contribute daily to healthier indoor air quality, reduce greenhouse gas emissions and save energy.

The future depends on sustainability. This is why we want to help safeguard the planet for coming generations by constantly greening our technology and products for customers and end-users. Our sustainability efforts also require us to pay closer attention to the social, economic and environmental impact of our global operations.

Camfil was the first air filter manufacturer to launch a sustainability programme and this section of our annual report presents some key activities and figures from our sustainability work in 2013.



Camfil's CEO, Magnus Yngen:

"We have come far in our vision of becoming the most eco-friendly air filtration manufacturer on the market. Sustainability is a key strength for us that allows us to innovate, improve and advance on the product, process and service front, lower costs and improve business performance – as well as reduce the eco-footprint of our operations. Being a recognized, sustainable supplier also strengthens our reputation as valued and trusted partner."

“In 2013, we inventoried the chemicals at the Trosa factory and eliminated 80 that have been replaced with four environmentally friendly alternatives.”

Jeanette Thorsell, Camfil Sweden



Winning green awards

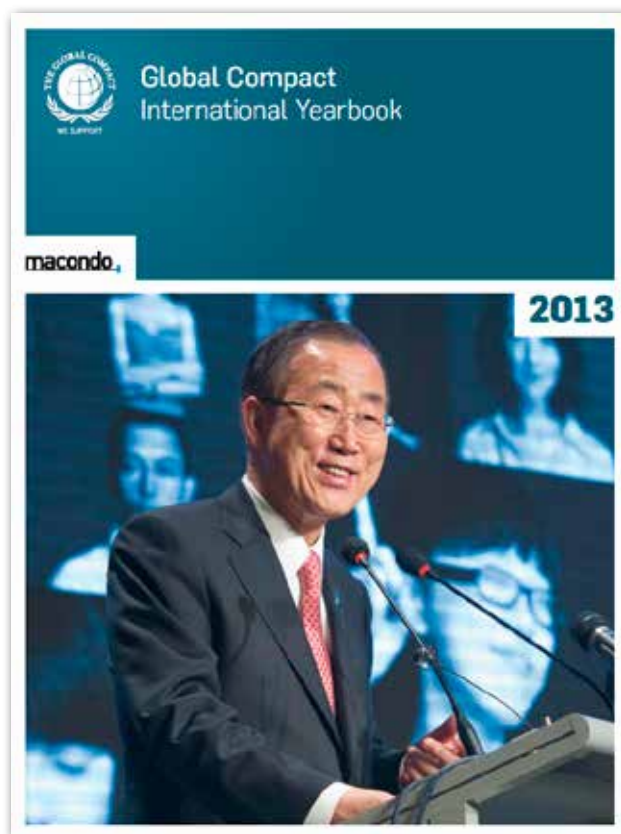
In 2013, Camfil had the privilege of being recognized as a champion of sustainable solutions through several “green” awards. Camfil U.K. won the “most innovative product or service” award from Norland Managed Services for its energy audit and installation of low-energy air filters at Norland’s end-user site. The project involved Camfil’s award-winning low-energy air filter (the Hi-Flo™ M7 F7 bag filter), which improved air quality, reduced waste and lowered energy consumption and CO₂ emissions to deliver savings of more than GBP 35,000 (about EUR 42,500, USD 58,500) on the existing filter installation at a Norland site.

Camfil was also a Top Regional Award Winner at the prestigious BEI Asia Awards for 2013, which recognize, reward and honour the achievements of leading enterprises across Singapore’s Built Industry Environment (BEI). The awards also acknowledge local and regional companies that have demonstrated excellence in establishing successful businesses while engaging in corporate social responsibility through sustainable efforts.



Camfil in the Global Compact International Yearbook

The Camfil Group was one of the companies featured in the 2013 edition of the Global Compact International Yearbook, a publication showcasing examples of businesses that are applying the 10 principles of the UN Global Compact and advancing corporate sustainability.



Sustainability at the heart of our business model

In the yearly Energy Efficiency Strategy Report, published in the U.K., Camfil was portrayed in a case study regarding ISO 5001 Energy Management System Implementation.

In the study, Camfil was described as a company that “... has put energy management at the heart of its business model. It has initiated an energy reduction programme, the Camfil Energy Awareness Saves Environment (CEASE), and its key objective is to educate property and building managers about the financial and energy-saving opportunities that can be made by replacing existing air filters with low-energy air filters. As a result of the energy management steps that Camfil has taken, significant reductions in energy usage and improvements in energy efficiency have been achieved. These improvements resulted in Camfil saving over GBP 200,000 (about EUR 243,000, USD 334,000) on energy bills through minimal cost, self-funding opportunities.”

Quality air filters are more sustainable

Reducing the power consumption of HVAC systems with energy efficient filters like Camfil's – that also improve IAQ – is a practical way to mitigate climate change and combat the health threats of indoor air pollution.

The savings are true and tangible if customers make the right decisions and are willing to pay for the best available air cleaning solutions. The threshold may be slightly higher in terms of filter prices, but the benefits are far greater because quality filters last longer, clean better, save more energy and do not have to be changed as often.

This adds up to a lower total cost of ownership (TCO). The economic benefits, measured in terms of energy savings and cost reductions, surpass the initial purchasing cost for higher quality products.

We have our own unique R&D resources, such as our state-of-the-art Technology Centre in Sweden, plus tech centres in other world regions. One primary focus of our research is the overall life cycle performance of our products: how we deliver air quality of maximum benefit while minimizing our environmental impact.

We accomplish this by selecting the right materials, using the right production methods, minimizing transportation and ensuring appropriate end-of-life treatment.

We also focus on energy aspects since the cleaning of "dirty" air requires power, making the energy efficiency of our filters just as important.

The potential savings are demonstrated every year in many customer cases, with measurements proving that Camfil filters reduce the power appetite of heating and ventilation systems in commercial, industrial and public buildings. This is because Camfil filters have the least airflow resistance and cut energy usage in air handling units.

Here is an example to illustrate the energy-saving features of Camfil filters: *For every percent we improve the energy performance of our product portfolio, our customers save more than 100 million kWh of electricity per year... with the added major benefit of better indoor air quality (IAQ).*



Energy-efficient product range – making a difference

In 2013, Camfil most energy-efficient filter solutions for ventilation accounted for 67 percent of global sales in the Comfort Air products segment.

Since 2007, 21 percent of our Comfort Air product sales volumes have been converted into energy-efficient filters that also improve IAQ.

Energy Tower demonstrates the energy efficiency of our filters

Some filters today are energy-classified like household appliances. This classification helps customers understand an air filter's annual energy consumption, initial efficiency and minimal efficiency.

To apply the classification, we have modified the labels and names of our products. In addition to these initiatives, the R&D laboratory at Camfil France has developed an "Energy Tower" to measure the energy consumption of various filters in demonstrations for customers.

This comparison tool is being used more and more because the Energy Tower clearly documents for our customers how important it is to have a filter that performs well in terms of IAQ and energy consumption.

“ At our plant in Washington, North Carolina, we are replacing our 400 W halogen lights with energy-saving fluorescent big E-bulbs. This will yield annual energy savings on lighting by up to 50 percent.”



Sean Harrison, Camfil USA

A helping hand across the globe

During one week every year for five years, the whole Camfil Group has celebrated and manifested its will to contribute to a more sustainable world. We call this internal event "CamfilCairing Week".

For five days, we carry out various sustainability and corporate social responsibility activities at Camfil facilities around the globe. These activities, which vary from company to company, range from donating blood to planting trees and collecting clothes and food for the needy etc. Here are some examples:

Sponsoring a village upliftment program in India

In February 2013, Camfil India started sponsoring a Village Upliftment Program (VUP) with support from the Hand In Hand (HIH) organization. This support to the two villages of Devarayaneri and Asur is planned for a period of two years and Camfil's assistance is focused on the following five pillar activities:

- Self-Help Group Promotion and Job Creation
- Child Labour Elimination Programme
- Health
- Establishment of Citizen Centres
- Environment Protection



More than 200 blood donors globally

During the 2013 CamfilCairing Week, 217 Camfil employees donated blood around the globe. This valuable CSR activity has been initiated from the employees and it offers a great advantage since everyone can do it no matter where you work for Camfil in the world.



20,000 mangrove seedlings planted in Thailand

In August 2013, Camfil Thailand carried out a record-breaking corporate social responsibility activity in partnership with different volunteer groups at Bo Kaew Village in Samutsongkram province.

On a special day, several groups planted as many as 20,000 mangrove seedlings. To raise money for the project, Camfil Thailand staff sold 1,000 "camcAlRe" T-shirts. During the event, support was also given to local fishermen by transforming scrapped Durafil ES® filter casings into "camcaire crab banks", which later were distributed to a nearby coastal area.



Supporting the needy in Sweden and the U.S.

In Sweden, Camfil's Stockholm office gave money to Saint Klara Church to buy bags of Christmas food for homeless women with children. Staff at the plant in Trosa participated in a clothing drive to collect warm clothes and shoes for the homeless and other people in need. These efforts included a drive to collect clothes and toys for children.

Another clothing drive was conducted during CamfilCairing Week at facilities in Österbymo and Örnsköldsvik, after which an Österbymo employee travelled to an orphanage in Kenya to donate the collected clothes.

In the United States, Camfil in Washington, North Carolina arranged collections for the aid charity "Eagles Wings". Employees contributed non-perishable items, such as paper towels, toilet paper and washing powder, and food items like pasta, beans, soups and cereals.

Greening our operations

Camfil APC has embarked on a Lean journey

Early in 2013, Camfil APC in Jonesboro, Arkansas (United States) began the journey down the road of "Lean Manufacturing" to improve flow, reduce inventory, lower costs, improve efficiency, and make operations sustainable well into the future.

The project began by teaching everyone in the company the principles of Lean in a number of one-day "Lean 101" classes, where everyone had an opportunity to participate in a series of simulated manufacturing processes.

Now that everyone has fundamental training, the techniques learned are being applied into real-life opportunities. To date, six lean events have been held, resulting in inventory reductions, decreased unplanned downtime, faster changeovers, increased time standard accuracy and overall better workplace organization.

Camfil Malaysia saves PU and hardener

In 2013, Camfil Malaysia's Maintenance and Facilities Department initiated a project to save costs and cut scheduled PU (polyurethane) and hardener waste. As a result, the company is saving around RM 180,832 per year in mixed PU and hardener (USD 54,857, EUR 39,971).

The project has also reduced Camfil Malaysia's environmental impact by cutting scheduled waste by almost 10,500 kg/year, saving an additional RM 25,700 per year (USD 7,823, EUR 5,700).

First ISO 50001 certified company in Slovakia

Camfil's Levice plant is the first Slovak company to be certified to ISO 50001, currently the highest standard for energy management. The Levice facility has also committed to reduce energy consumption by 15 percent per unit of production over the next ten years.

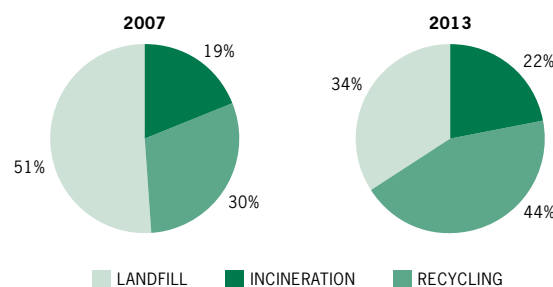
Camfil factories were the first to pass energy management system certification in Malaysia, Slovakia and the United Kingdom. Early adoption of best practices for energy-efficient operations allowed the Camfil Group to reduce its energy bill by 20 percent.

“Camfil Norway moved into a new building in 2013 that consumes about 90 percent less energy than before it was rehabilitated.”

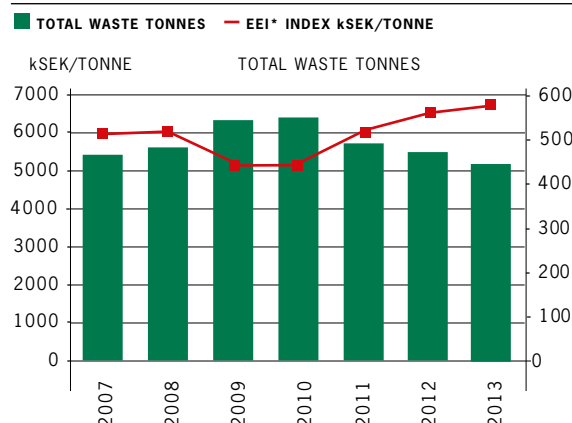
Lars Rustad, Camfil Norway



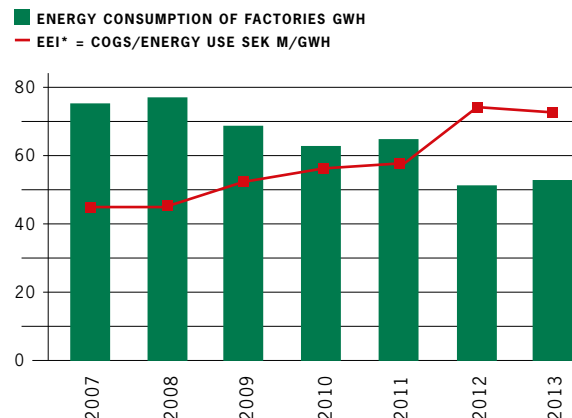
Waste destination



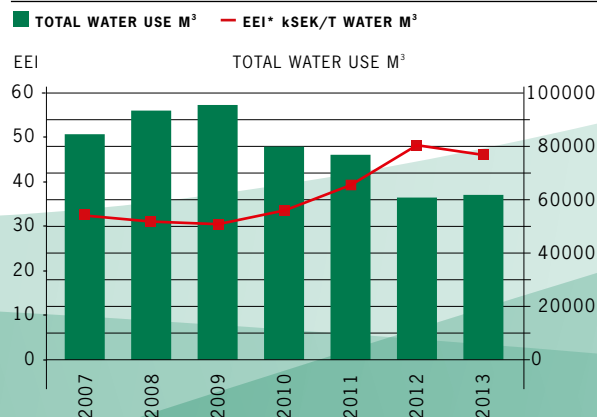
Waste



Energy use



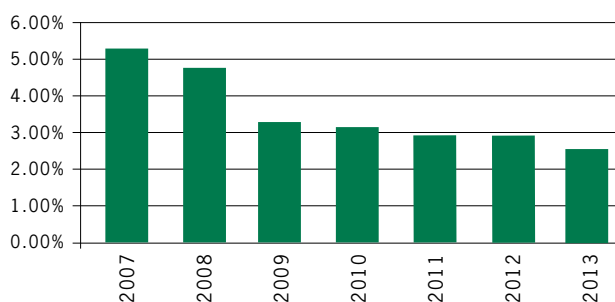
Water use



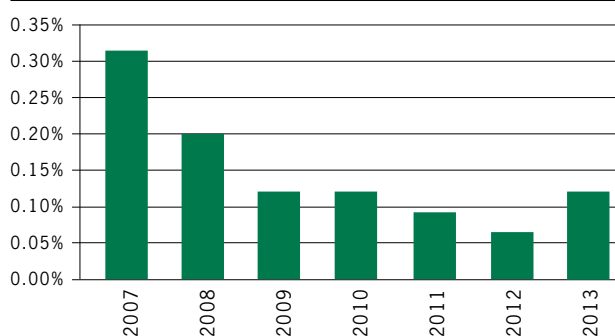
These charts display the waste efficiency factor, energy efficiency factor and water efficiency factor as value created per unit of resource used.

Sustainability in the workplace

**Number of sick leave days
per 100 work days**



**Lost work days due to work-related injuries
per 100 work days**



Sick leave days continue to be reduced over the years.

Work lost days due to work related injury increases significantly. However safety is improving. Less accidents were reported in 2013, but gravity was high and resulted in long recovery times per injury.

“We had zero lost work days in 2013 due to work-related injuries. This was achieved by keeping Health & Safety at the forefront of all employees' minds.”

Brian Haslam, Camfil UK



Promoting clean air as a human right across Europe

Our IAQ Road Show continued its tour around Europe in 2013. This unique 13-metre-long travelling exhibition is equipped with lab stations that show you what you are actually breathing at your place of residence or work. It also tells you how you can keep polluted city air from penetrating indoor spaces. And it teaches you about the filters you need to accomplish this and how effective air filtration improves human health and has important economic and environmental benefits.

Balance between health and energy savings

We cannot save energy at the cost of compromising people's health. At the same time it is important to use as little energy as possible. So the aim of our sustainability work is always to find a working balance between indoor health and energy savings.

To find out more about the sustainability work of the Camfil group, please visit our website www.camfil.com or connect with us on facebook.com/IAQRoadShow.

HR management in a performance-driven enterprise

Human capital is as important as other assets in today's competitive business climate. Camfil places great value on its employees and steadily focuses on recruiting, developing and retaining its personnel at companies and plants in more than 20 countries.

The Human Resources (HR) function has been increasingly strengthened the past few years. Important goals are to constantly improve skills, competencies and performance, ensuring that the employees contribute to the business in a rewarding way.

With committed employees and effective HR initiatives, the company can achieve business goals and increase long-term customer value by integrating economic, environmental and social opportunities in strategies.

Recruitment techniques, employee surveys and competence development programs have been introduced over the past few years to this aim.

Recruiting new talent

An effective recruitment process is essential. Today it also requires online tools. In addition to traditional channels, people interested in working at Camfil can submit their CVs on the corporate website, helping Camfil to quickly match the right people with the right job. The CVs of attractive candidates are also stored in a database as another recruitment resource for Group managers and HR.

The company's green mission – to provide clean air – also enables Camfil to attract and compete for the best future talent. The growing number of spontaneous applications is a sign that Camfil's brand as a sustainable employer is attractive.

Camfil understands the benefits of employing a diverse range of talented individuals. As an equal opportunity employer, Camfil takes a positive approach to diversity and uses a global recruitment process called STAIRS (Search Talent Ambition Inspiration Result Succession) to select candidates with transparency, fairness and respect.

Retaining employees

Employee development, empowerment, well-being, health and safety are all part of being a good employer. Camfil therefore focuses on creating a work environment that retains and builds commitment, since employee engagement is an enabler of customer satisfaction and business growth.

The company's biannual global employee survey – CAMPAIR (Camfil Personnel Attitude Involvement Research) – is a tool for measuring employee commitment. It identifies Camfil's strengths and weaknesses and gathers information to improve operations. The survey generates data that are processed to create added value for employees and for customers.

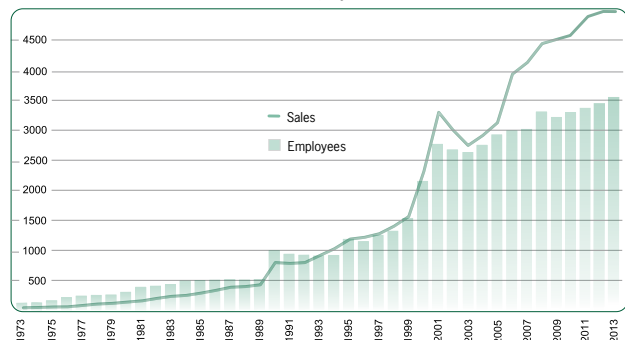
The survey, conducted by an external supplier, also measures the company's Empowerment Index, a tool consisting of five factors: motivation, getting support from your manager, having authority, taking responsibility and possessing professional competence.

A high Empowerment Index helps drive profitability because empowered employees take on more responsibility, take initiative and create better value for customers.

Camfil has consistently scored a high index and uses the results to identify strengths and areas where improvements are needed. The latter may include management training courses, team-building exercises, information events etc.

To ensure that talented individuals perform, Camfil has introduced a Performance Management Strategy to professionally create competitive advantage through realizing talent and succession planning. This program includes annual performance appraisals for all employees, competence mapping for sales staff and talent reviews for senior management.

Sales, millions of SEK, and number of employees



Developing in-house competence

The HR function offers employees possibilities to enhance knowledge and professional skills internally and externally:

Camfil Academy is an internal educational organisation. The Academy offers everything from orientation programs for new staff to specialized training for sales personnel, key account managers and product managers. The program helps ensure overall alignment between business strategy, goals and employee competencies.

Courses are offered in various locations and via webinars to limit travel and reduce Camfil's carbon footprint. Each event is evaluated and followed up to ensure improvement and quality assurance of concepts, teaching methods, course materials and trainers.

A Global Development Program (GDP) tailor-made for Camfil has been offered in association with the KTH Executive School, based at the Royal Institute of Technology (KTH) in Stockholm. It covered 22 days and consisted of six face-to-face modules over 18 months.

Each GDP participant was part of a global team that investigated, analyzed and reported a challenging development project directly related to an issue that is strategic to Camfil.

Participants also met with management members and other course colleagues to discuss all areas of business, helping them to understand how other Camfil countries manage their customers and operations, and to share and learn from one another's experiences and successes.

Researching for a cleaner and greener future

Camfil has a huge interest and stake in technology. Investments are continuously made in research and development because it maximizes value for customers and is very important for growth and the advancement of the air filtration industry. This R&D focus has driven the Group forward for more than 50 years and helped position Camfil as the leader in clean air solutions. Today, around 60 employees are actively engaged in R&D led by highly qualified and experienced filtration experts.

Camfil has a unique position because of the breadth and scope of its R&D activities. The company is the only manufacturer that can develop clean air solutions for virtually every filtration need.

Strong R&D culture

At Camfil, we realize value for our customers by developing new clean air solutions with the highest efficiency, the lowest energy consumption, the longest life and the least environmental impact.

We create new knowledge about filtration technology to benefit customers, their operations and end-users. We improve indoor air quality for building occupants and protect human health.

We even design our own production processes to ensure that our filters are manufactured with the same high quality at every Camfil plant in the world.

In-house resources

Camfil's belief in R&D is reflected in our research facilities: the largest is the Tech Centre in Trosa, Sweden and its labs and equipment for developing comfort, HEPA and molecular filters, AMC filtration solutions, gas turbine filters and APC equipment, including filter classifications and performance testing. These resources feature the most advanced lab equipment, including a scanning electron microscope for identifying and studying airborne particles and gases. The centre also has the world's only test rig to study gas turbine filter operation in any climatic condition.

The Tech Centre is the hub of Camfil's research network, which includes R&D centers in Riverdale, New Jersey for North America, and Ipoh, Malaysia for the Asia-Pacific region. In addition, the Power Systems business unit develops gas turbine applications in Borås, Sweden, and the APC business unit has facilities in the U.S. for designing dust collection systems in Jonesboro, Arkansas. Around the world,

a number of Camfil subsidiaries serve as technical support centers.

All members of the global R&D network can be consulted to solve any filtration problem for any customer in any market. Solutions are assembled from standard or custom-designed products.

Extending R&D to the field

Camfil's R&D arm extends far into the field to conduct research with mobile labs that are taken to customer sites to evaluate filter performance in real operating conditions, or to analyze filters in various environmental conditions. Camfil has also developed its own tools for sampling local air quality and performing other measurements.

The mobile labs carry analysis equipment to evaluate existing products and develop new air filter solutions. By remote access, the system can be controlled and data retrieved from the test site in real time. This builds a database of information that all Group R&D units and companies can use to the benefit of customers.

In addition, Camfil teams up with universities, technical schools and other research institutions in the medical, environmental or scientific fields to carry out collaborative projects.

Developing for the future

Long-term research includes developing more environmentally friendly and energy-efficient filters. The focus is on leveraging the advantages of new and emerging fiber technology and materials to develop innovative filter media and improve product performance.

Finally, as the industry's pioneer in life cycling costing of filters, Camfil is now going one step further to research the environmental footprint of its product range with life cycle assessments. This is an extension of ongoing research to integrate eco-efficiency in product design and performance.



Camfil around the world

The Camfil Group operates through four main business units – **Filters, Power Systems, Air Pollution Control (APC) and Airborne Molecular Contamination (AMC)**.

Camfil is headquartered in Stockholm, Sweden, where the Parent Company, Camfil AB, has functions for Group Finance, IT, Corporate Sourcing and Corporate Marketing.

Central resources for research, laboratory testing, product and process development are based at Camfil's world-class Tech Centre in Trosa, about 70 km (42 miles) south of Stockholm. This centre is the main hub of a global research network that includes R&D units in France, the United States, Malaysia and China.

The Parent Company has 102 employees.

FILTERS

Europe

THE NORDIC REGION

The manufacturing hub in Trosa, Sweden, includes a major state-of-the-art production facility and a large warehouse and distribution centre. An additional metal workshop is located in Österbymo, Sweden.

Nordic sales are conducted through several local sales offices and subsidiaries in Sweden, Finland, Denmark and Norway. Camfil has 364 employees in the Nordic region.

BRITISH ISLES

Camfil Group has one production and sales company in the United Kingdom and one in Ireland. A total of 231 employees work in the region.

CONTINENTAL EUROPE

The Group has 904 employees in Continental Europe.

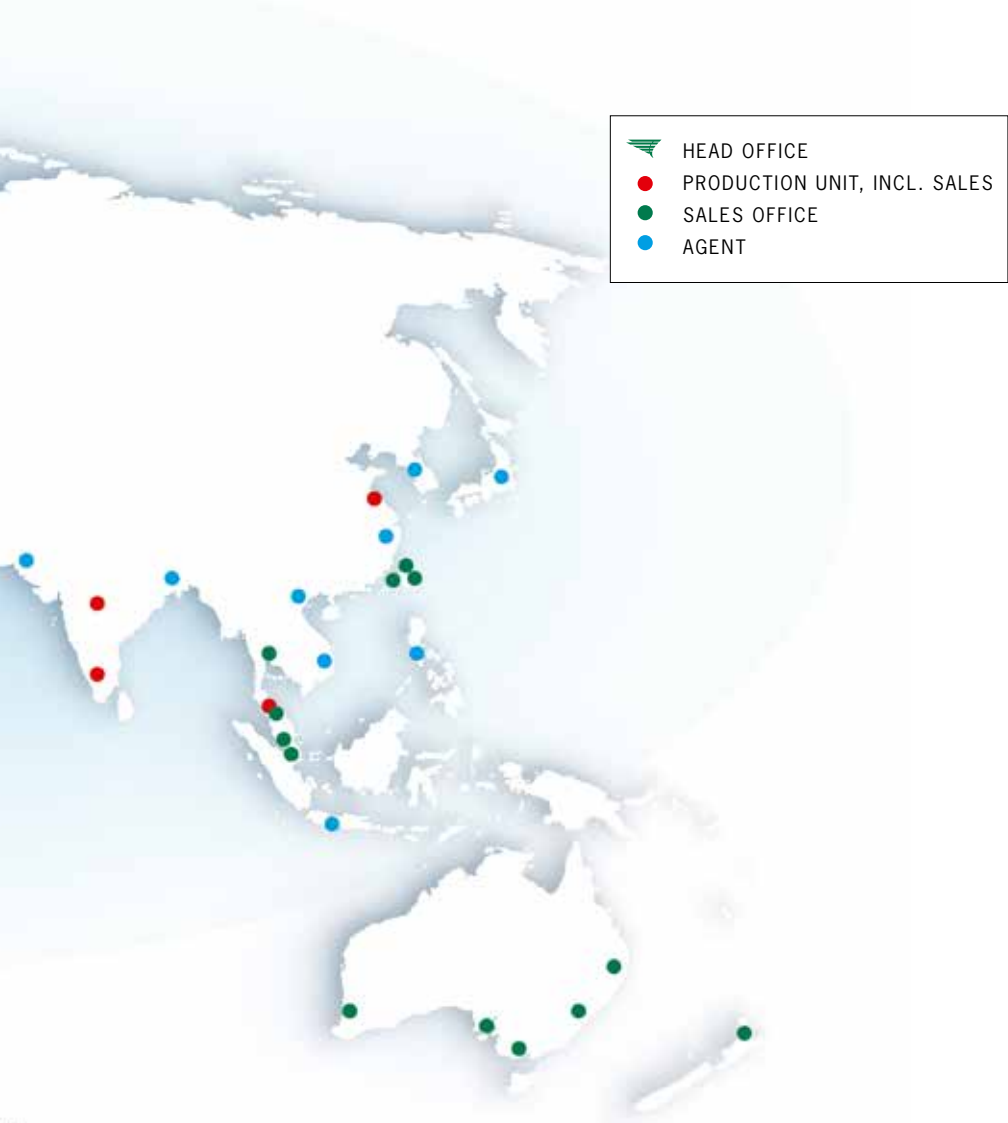
Besides production plants in France, Germany, Switzerland and Slovakia, Camfil also operates in Belgium, Italy, Spain, Netherlands, Austria and Poland. Sales are conducted through agents in other countries, such as the Czech Republic and Hungary.



NUMBER OF
EMPLOYEES: 1,498

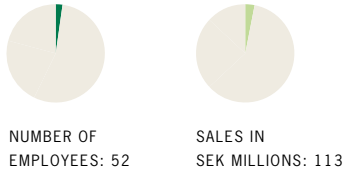


SALES IN
SEK MILLIONS: 2,145



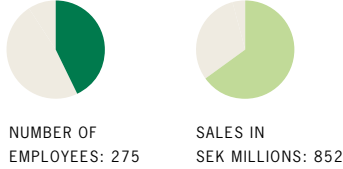
- HEAD OFFICE
- PRODUCTION UNIT, INCL. SALES
- SALES OFFICE
- AGENT

Systems customers in the region. Camfil recently established a sales company in Turkey. The Group also has a production and sales company in Brazil to serve the South American market. Camfil International AB covers other regions for Filters business.



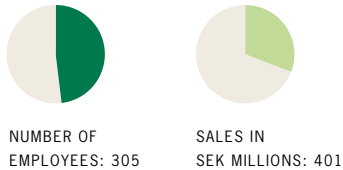
POWER SYSTEMS

Power Systems, with 275 employees, has operations in Sweden, Germany, Canada, China and India to provide air filtration solutions for the global power generation industry. The business unit also has production facilities in Sweden and India.



AIR POLLUTION CONTROL (APC)

APC specializes in industrial dust collection. The U.S. has traditionally been Camfil's primary market for APC systems but now the range is being gradually introduced and marketed in Europe and the rest of the world. Since 2013, Camfil has a new facility in the United Kingdom to provide quality dust collection equipment to customers throughout Britain and Europe.



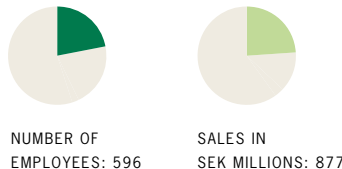
AIRBORNE MOLECULAR CONTAMINATION (AMC)

Highly focused on the microelectronics industry, AMC specializes in molecular contamination control in manufacturing processes for products like microchips and memory components. AMC has its main market in Taiwan and other parts of Asia.



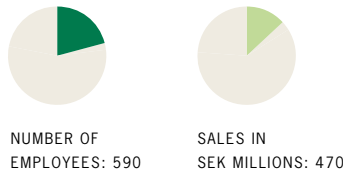
Americas

With six production units and 11 branches in the U.S., and one production unit and six branches in Canada, Camfil is well equipped and positioned to provide excellent coverage of the entire North American market through sales offices, distributors and agents across the continent. With its broad product range, Camfil is an attractive partner for the best distributors in the Americas.



Asia-Pacific

Camfil has three Asian production units in India, Malaysia and China. The latter two specialize in high efficiency filters, both HEPA and ULPA grade, as well as filters for ventilation systems, which are manufactured at all three sites. Camfil also has subsidiaries in Thailand, Singapore, India, New Zealand and Australia. Agents cover all other major markets in the region.



Other regions

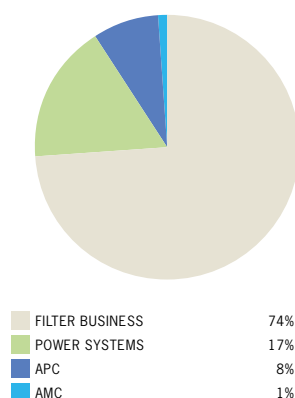
Since 2012, Camfil has had a sales company in Dubai to supply customers with filtration solutions. This company focuses on Filters business and aftermarket sales to Power

Financial Analysis 2013

Consolidated sales

Consolidated sales increased by SEK 41 M, or 1 percent, from SEK 4,865 M to SEK 4,906 M for the full year. The divestment of the Railroad business unit decreased sales by SEK 11 M, or less than half a percent, compared to last year, as the business unit was still consolidated during January 2012. Unfavorable currency effects reduced consolidated sales by 3 percent, while underlying business activity grew by 4 percent, resulting in an all-time-high for Group sales in 2013.

DECEMBER 31, 2013 YTD
Business unit sales in SEK M



Sales by business unit

Filters

External sales amounted to SEK 3,605 M for the full year. In fixed currencies, the increase, SEK 163 M, was generated within all geographic regions.

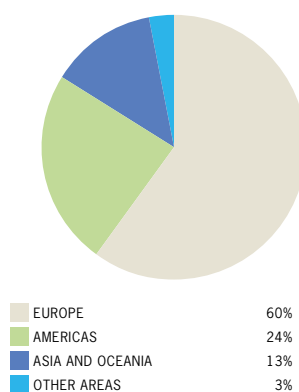
In Europe, sales increased by SEK 19 M in fixed currencies, which was the result of a mix of favourable and unfavourable market developments in different regions. External sales increased by 1 percent in the Nordics and declined half a percent in Continental Europe, compared to the previous year. The increase for Europe was therefore almost entirely attributable to the 7 percent growth generated on the British Isles.

In the Americas, external sales amounted to SEK 877 M for the full year, an increase of SEK 41 M in fixed currencies.

In Asia, external sales increased in fixed currencies by SEK 84 M to SEK 470 M for the full year. The increase was mainly the net effect of higher sales in China, primarily for biosafety labs and nuclear power projects, and a decrease in Thailand, where sales in 2012 were boosted by one-off projects related to the flood disaster in 2011.

In Other Areas, external sales for the full year rose by SEK 18 M to SEK 113 M in fixed currencies.

DECEMBER 31, 2013 YTD
Filter business, sales in SEK M



Power Systems

External sales in fixed currencies amounted to SEK 852 M for the full year, compared to SEK 871 M for the same period last year. The decrease in external sales was attributable to a lower level of project completion in Germany and Sweden, compared to 2012. The decline was somewhat compensated by a higher level of deliveries from Power Systems units in Canada, China and India, relative to last year.

APC

In fixed currencies, external sales year-to-date amounted to SEK 401 M, as against SEK 334 M last year. Sales growth was primarily generated in North America but was also aided by rising business activity in Europe.

AMC

In fixed currencies, external sales for the full year amounted to SEK 49 M, compared to SEK 77 M last year, a decrease of SEK 28 M.

Gross margin

The gross margin rose to 40.4 percent (39.1), mainly due to increasing gross margins in Power Systems, where improvements in project execution have continued to benefit the business unit. Continuous productivity improvements in the Filters business segment were able to mitigate continued price pressure on the market and keep the gross margin stable, relative to last year. Centralized sourcing of raw materials had a continuing positive impact on the Group's gross margin level by leveraging larger volumes.

Operating income

Restructuring costs for the period, related to the North American Filters business, and one-off expenses for part of the Group's 50th anniversary celebration in 2013, totaled SEK 5 M and were eliminated from underlying operating profit. The combined effect of a capital gain on the divestment of the Railroad business unit and the restructuring of the Filters business in North America, a total of SEK 68 M, has been eliminated for the corresponding period last year.

Underlying operating income for the full year amounted to SEK 521 M, an increase of SEK 28 M, compared to the same period last year. The positive volume effect of SEK 68 M, attributable primarily to the Filters business and to APC, was somewhat offset by a negative volume development in AMC. The positive effect from higher gross margins totaled SEK 71 M. Selling costs increased in the Filters business unit, along with expenses for adding further resources in APC, with the consolidated impact being SEK 63 M for the Group in fixed currencies. Administrative

expenses increased in all business units and were SEK 39 M higher than last year. Currency effects and changes in Group adjustments had a negative impact of SEK 14 M, compared to 2012.

The consolidated operating margin was 10.6 percent for the full year, compared to 10.1 percent last year.

The Filters business continued to be the most profitable during 2013 with stable, or improved, margins in all areas. Power Systems improved its operating margin significantly, while APC's margin declined somewhat, due to increased costs for expanding the business unit's manufacturing footprint in Europe.

Result from financial items

The result from financial items for the Group was SEK -74 M in 2013 (-92). The decrease was due to lower average interest rates, compared to 2012, and a decline in average net debt, relative to the previous year.

Cash flow and balance sheet

Cash flow from operating activities amounted to SEK 442 M in 2013, compared to SEK 364 M for the same period last year. Changes in working capital had a negative impact of SEK 23 M, compared to a negative effect of SEK 76 M last year.

Liquid assets, as a percentage of sales at the end of the quarter, amounted to 12 percent, or 4 percentage points higher than last year.

Net debt amounted to SEK 1,093 M at the end of the period, compared to SEK 1,293 M at year-end 2012, a net decrease of SEK 200 M, mainly due to amortization of interest-bearing debt. The change, compared to last year, was affected by a change in accounting policy, with the updated IAS 19 standard being applied as of January 2013, increasing net debt by SEK 34 M.

A/R days outstanding has decreased to 56 days compared to 63 days at year-end 2012. The decrease was primarily attributable to a high level of project completion in Power Systems in the final quarter, which had a positive impact on A/R days, as it is not directly linked to the amount of outstanding receivables.

Inventory turnover days for finished goods decreased to 22 days at December 31, compared to 24 days at the same date last year, which was below average for the year.

Inventory turnover days for raw material decreased to 54 days, compared to 59 days at the end of 2012.

Capital investments

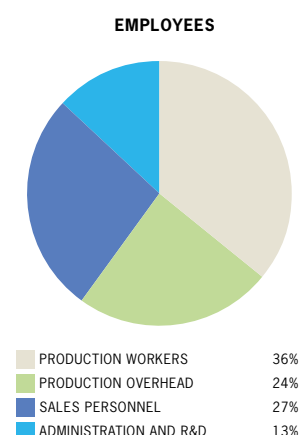
Capital expenditures amounted to SEK 175 M (195) for 2013. Investments are primarily continuous investments for maintaining and improving existing production, as well as expenditures to add capacity or enhance production capabilities. Net capital expenditures exceeded depreciation by 25 percent in 2013, compared to 41 percent in 2012.

Tax level

The Group's average tax level decreased to 24.9 percent, compared to 27.3 percent last year, due to non-recurring items related to Camfil's operations in the U.S. Underlying changes in tax rates and countries of origin for taxable profits reduced the effective tax rate by a net of 0.3 percentage points.

Employees

Employed Full-Time Equivalents (FTEs) at the end of the period increased to 3,476 at December 31, compared to 3,380 at the same date last year. The increase was primarily attributable to production overhead and sales personnel, while the number of production workers remained constant. Approximately 2 percent of total FTEs were employed on a temporary basis at the end of the fourth quarter, compared to 2 percent at year-end 2012.



Annual Report and Consolidated Financial Statements

FOR THE FINANCIAL YEAR JANUARY 1, 2013 – DECEMBER 31, 2013

Board of Directors' Report

Camfil is one of the leading groups in the air filtration market. Camfil offers air filtration solutions to protect people, production processes, the environment and gas turbines. The Group's business activities are conducted through four main business units: Filters, Power Systems, Air Pollution Control and Airborne Molecular Contamination. In 2013, sales of the Camfil Group totaled SEK 4,906 M (4,865) with 3,507 (3,428) employees.

Filters business unit

The Filters business unit, the Group's largest area of operation, offers a broad range of products to clean and improve the quality of indoor air within many different application areas.

Camfil provides air filtration solutions for air handling systems in housing, office buildings and hotels, among other facilities. Municipal, county and government agencies are other important customer segments for which Camfil offers air filters for schools and hospitals, among other public buildings.

A substantial part of the market consists of replacement filters since filters in ventilation systems have to be changed at regular intervals. Business in this segment is therefore relatively stable.

Advanced production equipment and sensitive products require a clean indoor air environment to protect machinery, enhance product quality and boost the efficiency of product processes. This is a typical requirement in the electronics, pharmaceutical and food processing industries, among others. This business is more cyclical than others and is affected to a larger extent by economic fluctuations.

In 2013, sales of the Filters business unit totaled SEK 3,605 M (3,534) with an operating profit of SEK 503 M (497).

Power Systems business unit

The Power Systems business unit offers air inlet systems, exhaust systems, acoustic enclosures, ventilation systems and heavy-duty air filters for gas turbines to ensure high operating efficiency and reduce turbine wear-and-tear. The business area also offers a range of services, including upgrades and retrofits of existing systems and filter replacements. Power Systems business is dependent on investments in the oil and gas sector and is consequently affected more distinctly by economic cycles.

In 2013, sales of the Power Systems business unit totaled SEK 852 M (891) with an operating profit of SEK 80 M (50).

Air Pollution Control (APC) business unit

The Air Pollution Control (APC) business segment develops, manufactures and sells equipment and filters for dust collection. Camfil APC's dust collectors remove fumes and dust from industrial pro-

cesses to create a clean and safe work environment within a broad spectrum of process and engineering industries.

In 2013, sales of the APC business unit totaled SEK 401 M (349) with an operating profit of SEK 25 M (27).

Airborne Molecular Contamination (AMC) business unit

The Airborne Molecular Contamination (AMC) business segment specializes in solving filtration problems in the microelectronics industry, which has production processes with stringent requirements for clean air. Camfil offers advanced filtration systems that remove undesired molecular gases and contaminants.

In 2013, sales of the AMC business unit amounted to SEK 49 M (80) with an operating profit of SEK 2 M (16).

Significant events during the financial year

Change of CEO

On September 1, Magnus Yngen succeeded Alan O'Connell as Chief Executive Officer of the Camfil Group and President of Camfil AB. Prior to his appointment, Magnus Yngen had been a member of Camfil's Board of Directors since 2012. Alan O'Connell will continue to work for the Group.

50th anniversary celebration

In 2013, Camfil celebrated 50 years of operation since the founding of the company by Gösta Larson in 1963. Special events were arranged at all Camfil companies during the year to commemorate the anniversary.

Turkey

During the year, Camfil Hava Filtresi Sanayi Ticaret Ltd Sirketi was started in Turkey. The company's main mission is to develop Camfil's business in the country. The Turkish market was previously covered within the operations of the agency sales company Camfil International AB.

Significant events occurring after the balance sheet date

On January 31, 2014, an agreement was signed to acquire 100 percent of the German group Handte Umwelttechnik GmbH and Handte Holding GmbH and their operations in Germany, the Czech Republic, China and Switzerland. The acquisition, which is pending approval from the European competition authority, is expected to be closed in the first quarter of 2014. The Handte Group will be part of the APC business unit.



Business and market developments

Underlying sales growth was 3.6% in fixed currencies, excluding the effect of the Railroad business unit divestment. Sales of the Camfil Group increased by 0.8% in 2013. Sales were stable in spite of the ongoing recession, due primarily to the spread of Camfil's activities over large geographic and market segments, in which different parts of the Group operate in various stages of the economic cycle.

The Filters business unit continued to develop with stable growth during the year. Concerns about the financial situation were more noticeable in some markets than others. The European market has been in a wait-and-see mode for new investment projects. However, growth in other regions, mainly in North America, the Middle East and China, compensated for this.

Power Systems was affected more than other business units by the decline of the global economy. The downturn was clear for gas turbines in the Power Generation market, mainly in Europe, where activity was drastically lower than previous year. Business developed in a more satisfactory way in the Oil & Gas sector in North America and Asia, which largely compensated for the decline in the Power Generation sector in Europe.

The Air Pollution Control business unit performed in a satisfactory manner during 2013 by accomplishing substantial growth, mainly in the North American market. Sales in Europe were also positively impacted by Camfil's investment in a European production facility to sharpen the business unit's competitive edge.

The electronics industry is an important customer category for the Airborne Molecular Contamination business unit, especially in Asia. This customer group is sensitive to the global economic situation and business depends on Camfil steadily developing its products. The business unit's market declined in 2013 as a result of cancelled or deferred investments in new production facilities.

Operating results and position

Net sales

Net sales of the Camfil Group totaled SEK 4,906 M (4,865) an increase of SEK 41 M (0.8%), compared with the previous year. The underlying volume of sales rose by 3.6% in comparable currencies in 2013, which was partly counteracted by exchange rate changes that reduced net sales by 2.6%, and by the divestment of the Railroad business unit, which decreased sales by 0.2%.

Change in net sales:	2013	2012
Currency changes, %	-2.6	-0.2
Price/mix and volume changes, %	3.6	3.5
Divestment of business unit	-0.2	-3.0
Total	0.8	0.3

Operating income

Operating income of the Camfil Group totaled SEK 516 M (561). Net income of SEK 68 M from the divestment of the Railroad business unit and the closure of a production unit in Canada was included in last year's operating income. Structural costs amounting to SEK 5 M, which were attributable to the Group's business plan, were charged against operating income in 2013. Eliminating structural costs and the capital gain, operating income was SEK 28 M higher than last year. Adjusted for items affecting comparability, the operating margin was 10.6% (10.1).

Depreciation

Depreciation for the year totaled SEK 140 M (138).

Net financials

Net financials decreased by SEK 18 M to SEK -74 M (-92). The improvement was due to lower average interest rates during the year and lower average net debt as result of repayments of interest-bearing liabilities.

Profit after tax

Profit after tax decreased by 3% to SEK 332 M (341), corresponding to 6.8% (7.0) of net sales. The tax rate, 24.9% (27.3), was lower than last year due to non-recurring items related to operations in the U.S.

Working capital

Working capital of the Camfil Group, excluding cash and cash equivalents, totaled SEK 662 M (668). Working capital, excluding cash and cash equivalents, corresponded to 13% (14) of the Group's annual sales.

Net debt and borrowings

The Group's interest-bearing net debt decreased by SEK 200 M from SEK 1,293 M to SEK 1,093 M, which included an increase in net debt totaling SEK 34 M as a result of changes to accounting policies for pension obligations. The Group's interest-bearing liabilities, including pension provisions, amounted to SEK 1,777 M (1,731), of which SEK 1,616 M (1,577) consisted of liabilities to credit institutions and a convertible debenture loan. The average interest rate on the Group's interest-bearing loans was 3.8% (4.2) at year-end.

Financial risk management

Camfil's operations are located primarily in countries outside Sweden and the Group is consequently exposed to several different types of financial risk. As a consequence, income, cash flow and equity may vary from year to year, due to fluctuations in

exchange rates and interest rates. The risks are related to financial instruments, such as cash and cash equivalents, trade receivables, trade payables, loans and derivative financial instruments.

Risks related to these instruments are primarily:

- Interest rate risks related to cash and cash equivalents and borrowings,
- Financing risks related to the Group's capital requirements,
- Currency risks related to income and net investments in foreign subsidiaries,
- Risks related to prices of raw materials and components that impact products manufactured for the Group, and
- Credit risks attributable to financial and commercial activities.

The financial risk management function is centralized in the Finance Department of the Parent Company and its main task is to support operations and to identify and limit the Group's financial risks in the most effective way possible, following a finance policy that is approved by the board of directors and updated each year. Risks are managed by means of derivatives and other financial instruments in accordance with limits set in the finance policy.

For detailed information on the management of financial items, see the following sections of this annual report: Accounting policies (Notes 2 and 3), Financial risk management (Note 4), Financial assets (Note 27), Derivative financial instruments (Note 31) and Borrowings (Note 42).

Cash flow

Cash flow in 2013 was SEK 252 M, as against SEK -72 M last year. Cash flow from operating activities increased by SEK 78 M, compared with 2012.

As in the previous year, investment activities made on a normal basis were on a high level and totaled SEK 175 M (195). Cash and cash equivalents amounted to SEK 651 M (406) on the balance sheet date.

Cash flow from financing activities improved during the year by SEK 337 M, from SEK -353 M in 2012 to SEK -16 M in 2013. This was the net effect of repayments of interest-bearing liabilities totaling SEK 225 M in 2013 and the refinancing of expired loans.

Investments

Investments in property, plant and equipment and intangible fixed assets totaled SEK 175 M (195), a decrease of SEK 20 M. The largest investments were made in existing facilities to improve production capacity. Investments in property, plant and equipment and intangible fixed assets amounted to 3.6% (4.0) of net sales.

Equity ratio and net debt-equity ratio (gearing ratio)

The equity ratio was 31% (27). The net debt-equity ratio (gearing ratio) decreased to 78% (112).

Incentive programs

Camfil has implemented several long-term incentive programs for key persons in the company since 2000. The purpose is to offer programs linked to the value of the company in order to attract, retain and motivate key persons. During the year, the Group had a convertible debenture loan program that was issued on May 31, 2011, which matures in five years. The program was issued to 129 key persons and the loan has a face value of SEK 186 M (Note 42).

Work of the Board of Directors

The overall task of Camfil's Board of Directors is to administer the Group's business on behalf of the owners in such a way that the owners' interest in receiving a sound long-term return on their capital is met in the best possible way. The board's work is regulated by the Swedish Companies Act, the company's Articles of Association and the formal work plan that the board has established for its work.

The board decides on issues concerning the Group's basic goals, its strategic orientation and significant policies, as well as important questions concerning financing, investments, acquisitions and divestments. The board supervises and deals with monitoring and controlling the Group's operations, the information issued by the Group and organizational matters.

Formal work plan

The board develops a formal plan for its work each year. Guidelines for the board's work, as well as instructions for delegating work tasks between the board and the President, and procedures for reporting to the board, are described in this formal work plan. This plan covers, among other things, the basic tasks, functions and responsibilities of the board, board work, board meetings, and information and reporting requirements.

Board members and meetings

At the beginning of 2013, the board of the Parent Company consisted of six members and two deputy members elected by shareholders at the Annual General Meeting, as well as one deputy appointed by the largest trade union. One member of company management serves on the board. The board held five meetings in 2013.



Remuneration Committee

Under the management of the Executive Chairman, the company's board had a Remuneration Committee during 2013 to prepare and make proposals concerning the principles for compensation paid to the President and Executive Vice President. These proposals contain the goals for variable remuneration, the basis for calculating variable salary, basic salary, long-term incentives, and pension terms and conditions.

Audit Committee

The board also has an Audit Committee chaired by the Vice Chairman of the board. The committee's main task is to assist the board in monitoring processes, internal control of financial reports and the auditing of financial statements. The Audit Committee consists of two board members. The Group's Chief Financial Officer (CFO) and Financial Controller are co-opted members of the Audit Committee. In 2013, the committee held three meetings, of which all meetings were with the Group's auditors.

The Audit Committee examines the audited year-end financial statements, reviews the audit of the company's administration and gives advanced approval of proposed auditing services and the costs for such services. To meet the board's requirements for information, the company's auditors participate in one board meeting per year to give their comments and observations from their audit and their opinion of the company's internal control procedures.

Environmental impact of operations

Camfil operates in a field where more efficient products, longer product life, lower energy consumption and a better indoor climate are all important components for sustainable development.

Energy consumption

Globally, Camfil's products and services can play an important role in the environmental sustainability of buildings by providing the optimum filter solution for every air handling unit and ventilation application. Ventilation accounts for up to 30 percent of the total energy costs associated with modern office buildings. Camfil has been working with product Life Cycle Analysis (LCA) and Total Cost of Ownership (TCO) programs for filtration systems for a number of years. The energy consumption of a ventilation system is directly affected by a filter's performance and pressure drop development. The Group develops products and services to help customers reduce their energy consumption and environmental impact.

Environmental impact of operations

Camfil is also working on reducing its own direct environmental impact by decreasing the Group's consumption of resources and energy. By carrying out LCA studies, Camfil has identified the largest environmental impact of a filter – the energy it consumes over its life cycle. Compared with other industries, air filter production does not require large quantities of energy or water. However, the transport of relatively bulky filters consumes energy.

Group

The Camfil Group has 23 production facilities, of which three in Sweden. The majority of the Group's production units are required to report the quantity of consumed casting compounds and/or casting compound waste to regulatory agencies. Many of the production units in the United States also have permits covering process wastewater effluent and flue gas emissions.

These operations impact the environment in the form of evaporative emissions and effluent. Camfil applies and complies with local laws and regulations in all countries where the Group conducts operations. Several production units are certified to ISO 14001.

A program to benchmark energy savings has been implemented at all Group production units with a view to reducing their consumption of power, gas and heat. During the year, production units in the U.K., France, Slovakia and Malaysia were certified to the ISO 50001 standard.

In a global perspective, overall resource consumption at production units was reduced during the period 2008 to 2013 as a result of ongoing programs to make manufacturing operations more eco-efficient.

Camfil's activities to reduce the environmental effects of its own production – and the impact of the operations of customers – won a number of awards during the year. The Group company in the U.K. received a special prize commending its initiatives to promote sustainable production and reduce carbon dioxide emissions. Camfil was also the recipient of an award from Environmental Protection Magazine for the latest version of the Hi-Flo® low-energy filter.

Sweden

In Sweden, manufacturing is conducted at three facilities: production of air filters and sheet-metal parts for filters in Trosa; production of metal filters in Österbymo and production of air intake, acoustic and enclosure systems for gas turbines in Borås.

The operations of the Trosa plant require a permit in accordance with Sweden's environmental protection act, while the Borås and Österbymo facilities are required to file an environmental report.

Production in Trosa has permits regulating effluent consisting of process wastewater, maximum permissible noise limits, the handling of environmentally hazardous liquids, and the production of air filters using thermosetting plastics, such as isocyanate. The reporting requirement only concerns different types of casting compounds, which can affect the environment by either evaporating into the atmosphere or being discharged in wastewater. Rinse water is cleaned in a dedicated filtration system. An environmental report is filed with the County Administrative Board each year.

The production units in Trosa and Österbymo are certified to ISO 14000. ISO 9001 certification has been upgraded to version 9001:2008. A separate environmental report has been published for operations in Sweden.

Operations requiring environmental permits account for about 5% (5) of Group sales, while activities requiring both permits and reporting represent approximately 13% (13) of Group sales.

Sustainability Report

Up to 2012, Camfil published a complete sustainability report. Camfil strives to follow the ten principles of the UN's Global Compact program and Global Reporting Initiative, which constitute the regulations and guidelines for the Group's sustainability reporting framework. The printed version of the Annual Report contains additional information about Camfil's sustainability activities.

Future growth

Changes in the economy and global business environment affect Camfil's operations in different ways in different countries, depending on a nation's general economic development and the business segments that dominate the local market.

The market for Camfil's products is developing favorably at present because of several factors:

- The health and environmental benefits of good air quality are attracting more and more attention and contributing to underlying market growth.
- Industry, especially pharmaceutical, electronics and food producers, are increasingly requiring higher and higher air quality in their processes, which is creating new needs for air filtration solutions.
- Demand for energy is constantly increasing and benefitting the operations of the Power Systems business unit, which serves the gas turbine market, and Camfil's business in the nuclear power segment; it is also stimulating demand for energy-efficient filters.

Camfil's operations are also well distributed geographically, which means there is less of a risk that the Group's performance will be affected if the economy of a particular country should decline. Since the aftermarket accounts for a large part of sales, Camfil is affected to a lesser extent by fluctuations in the more cyclical market for air handling units and cleanroom facilities.

Demand is expected to rise within a number of market sectors, primarily in the nuclear power, pharmaceutical and laboratory segments, which should benefit primarily growth markets like Asia but also other growth markets. In Europe, demand is anticipated to be relatively stable as a result of a slightly improving economic climate.

Replacement filter sales are expected to show continuing stable growth.

In Power Systems, market growth is anticipated to remain stable within the Oil & Gas sector, while the Power Generation market is starting to recover. The aftermarket for replacement filters for gas turbines is expected to grow further.

The market for dust collection equipment is expected to increase in pace with general economic growth, which provides a stable foundation for APC's growth through higher market shares.

In summary, Camfil estimates that the Group will continue to grow in 2014 and that the operating margin will remain stable in the coming year.

Ownership structure

On December 31, 2013 the company was owned by

	A-shares	B-shares
Jan Eric Larson	500,000	2,465,000
Anna Larson		345,000
Björn Larson		345,000
Dan Larson		345,000
Johan Markman	500,000	1,960,000
Ann-Margret Markman		505,000
Erik Markman		345,000
Frida Markman		345,000
Johanna Simmons		345,000
Total number of shares	1,000,000	7,000,000

Class A common shares carry 10 votes each and Class B common shares 1 vote each.



Proposed disposition of earnings

A total of SEK 875,284,444 in profits is available for distribution by the Annual General Meeting.

The Board of Directors and the President propose that the above sum be distributed as follows:

To the owners of A and B shares, a dividend of SEK 7.50 per share	60,000,000
balance to be carried forward	815,284,444
Total	875,284,444

The dividend will be paid on April 2, 2014.

Board's statement on the proposed disposition of earnings

The proposed dividend to shareholders reduces the Parent Company's equity ratio to 37% and the Group's equity ratio to 30%. The equity ratio is acceptable against the background that the operations of the Parent Company and the Group can be continued with satisfactory profitability. The board estimates that liquidity in the Parent Company and the Group can be maintained on a similar adequate level.

The Group recognizes the value of financial derivatives at fair value. The Group's equity on December 31, 2013 totaled SEK 1,393.9 M and SEK -27.6 M of this amount was attributable to such recognition. The Group has no other financial assets or liabilities recognized at fair value in accordance with Chapter 4, Paragraph 14a of the Swedish Annual Accounts Act (1995:1554). The Parent Company's equity on December 31, 2013 totaled SEK 1,380.6 M and SEK -28.8 M of this amount was attributable to such recognition. The Parent Company has no other financial assets or liabilities recognized at fair value in accordance with Chapter 4, Paragraph 14a of the Swedish Annual Accounts Act.

In the opinion of the board, the proposed dividend does not prevent the Parent Company, and the other companies in the Group, from fulfilling their obligations in the short and long term, or from carrying out necessary investments. The proposed dividend can thus be defended with regard to the Swedish Companies Act, Chapter 17, Section 3, Paragraphs 2-3 (the prudence rule).

Consolidated Income Statement

SEK M

	Note	2013	2012
Net sales	6	4,905.9	4,865.3
Cost of goods sold	7, 18	-2,902.5	-2,966.6
Gross profit		2,003.4	1,898.7
Selling costs	7	-978.2	-924.6
Administrative expenses	7, 8	-509.1	-489.5
Other operating income		–	76.1
Operating profit	7, 9, 10, 11, 12	516.1	560.7
Financial income	13, 18	100.3	57.0
Financial expenses	14, 18	-173.8	-148.7
Profit before income tax		442.6	469.0
Income tax	17	-110.2	-128.1
Profit for the year		332.4	340.9
Attributable to:			
Owners of the Parent Company		332.4	340.9
		332.4	340.9
Earnings per share attributable to owners of the Parent Company during the year:			
(expressed in SEK per share)			
– basic earnings per share	19	41.55	42.62
– diluted earnings per share	19	39.73	40.87

Consolidated Statement of Comprehensive Income

SEK M

	Note	2013	2012
Profit for the year		332.4	340.9
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of post-employment benefit obligations	43	-3.0	-25.8
<i>Items that may be subsequently reclassified to profit or loss</i>			
Cash flow hedges	39	23.0	-6.2
Currency translation differences	39	-34.0	-59.0
Tax attributable to other comprehensive income	39	-4.6	-0.9
Other comprehensive income for the year		-18.6	-91.9
Total comprehensive income for the year		313.8	249.0
Attributable to:			
Owners of the Parent Company		313.8	249.0

Consolidated Statement of Financial Position

SEK M

ASSETS	Note	2013-12-31	2012-12-31
Non-current assets			
<i>Property, plant and equipment</i>	24		
Land and buildings	21	365.9	357.1
Machinery and production equipment	22	332.4	312.6
Equipment	23	87.8	93.2
		786.1	762.9
<i>Intangible assets</i>			
Goodwill	25	857.9	879.8
Other intangible assets	26	59.1	53.2
		917.0	933.0
<i>Financial assets</i>			
Deferred tax assets	33	86.4	78.3
Derivative financial instruments	31	9.4	19.6
Non-current receivables	27, 34	6.5	7.4
		102.3	105.3
Total non-current assets		1,805.4	1,801.2
Current assets			
<i>Inventories, etc.</i>	35		
Raw materials and consumables		211.2	221.0
Finished products and goods for sale		216.9	230.4
Work on contract		558.0	509.0
		986.1	960.4
<i>Current receivables</i>			
Trade receivables	30, 32	891.6	902.5
Bills receivable	30, 32	21.4	7.6
Derivative financial instruments	31	17.6	5.1
Income tax assets		34.8	30.4
Other receivables		73.4	79.7
Prepaid expenses and accrued income	36	41.9	39.2
		1,080.7	1,064.5
Cash and cash equivalents	37, 41	651.0	405.9
Total current assets		2,717.8	2,430.8
TOTAL ASSETS		4,523.2	4,232.0

Consolidated Statement of Financial Position

SEK M

EQUITY AND LIABILITIES	Note	2013-12-31	2012-12-31
Equity			
<i>Equity and reserves attributable to owners of the Parent Company</i>			
Share capital	38	113.8	113.8
Other contributed equity		406.7	406.7
Other reserves	39	-149.0	-133.4
Retained earnings		1,022.4	743.0
Total equity		1,393.9	1,130.1
Liabilities			
<i>Non-current liabilities</i>	41		
Liabilities to credit institutions, interest-bearing	24, 42	1,332.7	1,328.3
Convertible debenture loan, interest-bearing	42	155.6	142.9
Other non-current liabilities	46	20.0	22.7
Derivative financial instruments	31, 42	43.2	77.3
Deferred income tax liabilities	33	49.8	46.7
Provisions for pensions and similar commitments	42, 43	92.2	96.0
Other provisions	42, 44	30.6	30.8
Total non-current assets		1,724.1	1,744.7
<i>Current liabilities</i>			
Liabilities to credit institutions	24, 42	127.7	105.5
Trade payables		287.6	297.2
Current income tax liabilities		41.8	26.6
Other liabilities	46	594.1	583.0
Accrued expenses and deferred income	45	327.4	321.0
Derivative financial instruments	31, 42	14.7	5.2
Other provisions	42, 44	11.9	18.7
Total current liabilities		1,405.2	1,357.2
TOTAL EQUITY AND LIABILITIES		4,523.2	4,232.0

Consolidated Statement of Changes in Equity

(Note 38, 39 and 43)

SEK M

Attributable to owners of the Parent Company

	Share capital	Other contributed equity	Other reserves	Retained earnings	Total equity
Balance at January 1, 2012	113.8	406.7	-67.3	467.9	921.1
Effect of change in accounting policy for reporting defined benefit pension plans				-25.8	-25.8
Balance at January 1, 2012 (restated)	113.8	406.7	-67.3	442.1	895.3
Profit for the year	-	-	-	340.9	340.9
Other comprehensive income					
Cash flow hedges, net of tax	-	-	-7.1	-	-7.1
Currency translation differences	-	-	-59.0	-	-59.0
Total other comprehensive income	-	-	-66.1	-	-66.1
Total comprehensive income	-	-	-66.1	340.9	274.8
Transactions with owners					
Dividend	-	-	-	-40.0	-40.0
Total transactions with owners	-	-	-	-40.0	-40.0
Balance at December 31, 2012	113.8	406.7	-133.4	743.0	1,130.1
Profit for the year	-	-	-	332.4	332.4
Other comprehensive income					
Defined benefit pension plans, net of tax				-3.0	-3.0
Cash flow hedges, net of tax	-	-	18.4	-	18.4
Currency translation differences	-	-	-34.0	-	-34.0
Total other comprehensive income	-	-	-15.6	-3.0	-18.6
Total comprehensive income	-	-	-15.6	329.4	313.8
Transactions with owners					
Dividend	-	-	-	-50.0	-50.0
Total transactions with owners	-	-	-	-50.0	-50.0
Balance at December 31, 2013	113.8	406.7	-149.0	1,022.4	1,393.9

Consolidated Statement of Cash Flows

SEK M

	Note	2013	2012
OPERATING ACTIVITIES			
Income before financial items		516.1	560.7
Depreciation	10, 48	140.0	137.5
Other items not affecting liquidity	48	-10.8	-70.4
		645.3	627.8
Interest paid		-71.2	-76.1
Income tax paid		-109.0	-113.5
Cash flow from operating activities before changes in operating capital		465.1	438.2
Increase (-)/Decrease (+) in inventories		-17.0	-258.8
Increase (-)/Decrease (+) in trade receivables		-7.8	-144.1
Increase (-)/Decrease (+) in other current receivables		-6.8	-7.0
Increase (+)/Decrease (-) in trade payables		-8.9	36.2
Increase (+)/Decrease (-) in other current operating liabilities		17.6	298.2
Net cash generated from operating activities		442.2	362.7
INVESTING ACTIVITIES			
Investments in property, plant and equipment and intangible assets	21, 22, 23, 26	-175.3	-195.2
Proceeds from the sale of property, plant and equipment and intangible assets		0.3	0.4
Divestment of business unit		-	113.2
Divestments of other financial assets		0.7	0.1
Net cash used in investing activities		-174.3	-81.5
FINANCING ACTIVITIES			
Proceeds from borrowings		258.9	65.1
Repayments of borrowings		-224.8	-377.9
Dividends paid	20	-50.0	-40.0
Net cash used in financing activities		-15.9	-352.8
Cash flow for the year		252.0	-71.6
Cash and cash equivalents at beginning of year		405.9	487.4
Currency translation difference in cash and cash equivalents		-6.9	-9.9
Cash and cash equivalents at end of year	37	651.0	405.9

Parent Company Income Statement

SEK M

	Note	2013	2012
Net sales		768.6	745.6
Cost of goods sold	7	-543.0	-545.2
Gross profit		225.6	200.4
Administrative expenses	8	-220.4	-197.8
Other operating income	18	6.5	12.3
Other operating expenses	18	-9.4	-16.3
Operating profit	7, 9, 10, 11, 12	2.3	-1.4
<i>Result from financial investments</i>			
Result from participations in Group companies	15	170.0	431.1
Interest income and similar items	13, 18	116.5	87.1
Interest expenses and similar items	14, 18	-133.4	-123.1
Total result from financial investments		153.1	395.1
Profit after financial items		155.4	393.7
Appropriations	16	-3.4	-1.7
Tax on profit for the year	17	-11.4	-8.3
Profit for the year		140.6	383.7

Parent Company Statement of Comprehensive Income

SEK M

	2013	2012
Profit for the year	140.6	383.7
Other comprehensive income		
Cash flow hedges	-21.3	-4.3
Tax attributable to cash flow hedges	4.7	-1.4
Other comprehensive income for the year	-16.6	-5.7
Total comprehensive income for the year	124.0	378.0

Parent Company Balance Sheet

SEK M

ASSETS	Note	2013-12-31	2012-12-31
Non-current assets			
Intangible assets	26	18.1	6.8
<i>Property, plant and equipment</i>			
Building improvements	21	10.3	10.8
Machinery and production equipment	22	19.0	15.2
Equipment	23	15.1	18.8
		44.4	44.8
<i>Financial assets</i>			
Shares in Group companies	27, 28	1,688.3	1,757.2
Receivables from Group companies	27	1,000.0	988.2
Derivative financial instruments	31	9.4	19.6
		2,697.7	2,765.0
Total non-current assets		2,760.2	2,816.6
Current assets			
<i>Inventories, etc.</i>	35		
Raw materials and consumables		2.4	–
Work on contract		25.3	15.3
		27.7	15.3
Current receivables			
Receivables from Group companies		288.4	309.1
Derivative financial instruments	31	25.2	7.0
Income tax assets		–	1.7
Other receivables		12.6	2.3
Prepaid expenses and accrued income	36	4.2	3.3
		330.4	323.4
Cash and cash equivalents	37, 41	495.6	254.8
Total current assets		853.7	593.5
TOTAL ASSETS		3,613.9	3,410.1

Parent Company Balance Sheet

SEK M

EQUITY AND LIABILITIES	Note	2013-12-31	2012-12-31
Equity			
Restricted equity			
Share capital	38	113.8	113.8
Statutory reserve		391.5	391.5
		505.3	505.3
Unrestricted equity			
Retained earnings		734.7	384.4
Profit for the year		140.6	383.7
		875.3	768.1
Total equity		1,380.6	1,273.4
Untaxed reserves	40	71.6	68.1
Non-current liabilities	42		
Derivative financial instruments	31	43.2	77.3
Liabilities to credit institutions, interest-bearing		1,320.5	1,315.8
Convertible debenture loan, interest-bearing		175.8	172.1
Total non-current liabilities		1,539.5	1,565.2
Current liabilities			
Liabilities to credit institutions	42	120.0	100.0
Trade payables		42.8	34.5
Liabilities to subsidiaries		378.9	323.1
Derivative financial instruments	31, 42	24.7	7.5
Income tax liabilities		9.6	–
Other liabilities		4.0	2.8
Accrued expenses and prepaid income	45	42.2	35.5
Total current liabilities		622.2	503.4
TOTAL EQUITY AND LIABILITIES		3,613.9	3,410.1
Pledged assets	46	None	None
Contingent liabilities	47	197.5	200.7

Parent Company Statement of Changes in Equity

SEK M

	Parent Company changes in equity			
	Restricted equity		Unrestricted equity	
	Share capital	Statutory reserve	Retained earnings	Total equity
Balance at January 1, 2012	113.8	391.5	430.1	935.4
Comprehensive income				
Profit for the year	–	–	383.7	383.7
Other comprehensive income				
Hedging reserve	–	–	-4.3	-4.3
Tax attributable to hedging reserve	–	–	-1.4	-1.4
Total other comprehensive income	–	–	-5.7	-5.7
Total comprehensive income	–	–	378.0	378.0
Transactions with owners				
Dividend	–	–	-40.0	-40.0
Total transactions with owners	–	–	-40.0	-40.0
Balance at December 31, 2012	113.8	391.5	768.1	1,273.4
Comprehensive income				
Profit for the year	–	–	140.6	140.6
Other comprehensive income				
Hedging reserve	–	–	21.3	21.3
Tax attributable to hedging reserve	–	–	-4.7	-4.7
Total other comprehensive income	–	–	16.6	16.6
Total comprehensive income	–	–	157.2	157.2
Transactions with owners				
Dividend	–	–	-50.0	-50.0
Total transactions with owners	–	–	-50.0	-50.0
Balance at December 31, 2013	113.8	391.5	875.3	1,380.6

Parent Company Statement of Cash Flows

SEK M

	Note	2013	2012
OPERATING ACTIVITIES			
Income before financial items		2.3	-1.4
Depreciation	10, 48	12.0	9.8
Other items not affecting liquidity	48	22.0	-4.8
		36.3	3.6
Interest received		55.1	54.7
Dividends received		178.0	384.2
Interest paid		-76.8	-91.0
Income tax paid		-4.7	4.6
Cash flow from operating activities before changes in operating capital		187.9	356.1
Increase (-)/Decrease (+) in inventories		-12.4	-3.3
Increase (-)/Decrease (+) in current receivables		9.3	103.7
Increase (+)/Decrease (-) in trade payables		8.2	-3.8
Increase (+)/Decrease (-) in other current operating liabilities		56.8	-78.3
Net cash generated from operating activities		249.8	374.4
INVESTING ACTIVITIES			
Investments in intangible assets	26	-15.8	-1.7
Investments in property, plant and equipment	21, 22, 23	-7.7	-13.4
Investments in other financial assets	27	-18.4	-2.9
Divestments/Repayments of other financial assets		6.2	-83.8
Net cash used in investing activities		-35.7	-101.8
FINANCING ACTIVITIES			
Group contributions received		52.0	52.0
Proceeds from borrowings		264.7	72.1
Repayments of borrowings		-234.7	-401.4
Dividends paid	20	-50.0	-40.0
Net cash used in financing activities		32.0	-317.3
Cash flows for the year		246.1	-44.7
Cash and cash equivalents at beginning of year		254.8	307.7
Currency translation difference in cash and cash equivalents		-5.3	-8.2
Cash and cash equivalents at end of year	37	495.6	254.8

Notes to the Financial Statements

Note 1. General information	57	Note 30. Credit quality of financial assets	75
Note 2. Accounting policies of the Parent Company	57	Note 31. Derivative financial instruments	75
Note 3. Accounting policies of the Group	58	Note 32. Trade and other receivables	76
Note 4. Financial risk management	63	Note 33. Deferred tax assets and deferred tax liabilities	76
Note 5. Critical judgments in applying the entity's accounting policies	66	Note 34. Non-current receivables	77
Note 6. Financial summary by segment	67	Note 35. Inventories and work on contract	78
Note 7. Expenses by nature	68	Note 36. Prepaid expenses and accrued income	78
Note 8. Compensation paid to auditors	68	Note 37. Cash and cash equivalents	78
Note 9. Employee remuneration	68	Note 38. Share capital	78
Note 10. Impairment of property, plant and equipment	69	Note 39. Other reserves	78
Note 11. Research and development costs	69	Note 40. Untaxed reserves	78
Note 12. Operating leases	69	Note 41. Bank overdraft facilities	78
Note 13. Financial income/Interest income and similar items	70	Note 42. Borrowings	78
Note 14. Financial costs/Interest expenses and similar items	70	Note 43. Provisions for pensions and similar obligations	80
Note 15. Result from participations in Group companies	70	Note 44. Other provisions	83
Note 16. Appropriations	70	Note 45. Accrued expenses and deferred income	84
Note 17. Income tax/Tax on profit for the year	70	Note 46. Pledged assets	84
Note 18. Net foreign exchange gains/losses	71	Note 47. Contingent liabilities	84
Note 19. Earnings per share	71	Note 48. Adjustments for items not included in cash flow	84
Note 20. Dividend per share	71	Note 49. Related party transactions	84
Note 21. Land and buildings	71	Note 50. Exchange rates	86
Note 22. Machinery and production equipment	71	Note 51. Definitions of key ratios	86
Note 23. Equipment	72		
Note 24. Finance leases	72		
Note 25. Goodwill	72		
Note 26. Other intangible assets	72		
Note 27. Financial assets	73		
Note 28. Shares in subsidiaries	73		
Note 29. Financial instruments by category	74		

All amounts in SEK millions unless specified otherwise. Figures in parentheses refer to the preceding year.
The notes on pages 57 to 86 are an integral part of these consolidated financial statements.



Note 1. General information

Camfil manufactures and sells air filters through 38 companies and approximately 50 agents in some 50 countries. The Group has a total of 51 companies. Camfil also has a well-established sales network with approximately 100 distributors in mainly the United States and Canada.

The Group has production facilities all over the world and sells mainly products in Europe, North America and Asia.

The Parent Company is a limited liability company incorporated and with registered office in Trosa, Sweden. The address of the head office is Sveavägen 56 E, SE-111 34 Stockholm, Sweden.

The Board of Directors approved the publication of this Annual Report on March 25, 2014.

Note 2. Accounting policies of the Parent Company

Below is a description of the most significant accounting policies for the Parent Company that were applied in the preparation of this Annual Report. These principles have been consistently applied for all presented years, unless specified otherwise.

The financial statements of the Parent Company have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and standard "RFR 2 Accounting for Legal Entities" issued by the Swedish Financial Reporting Board. In RFR 2, the Parent Company, in its financial statements for the legal entity, shall apply all International Financial Reporting Standards (IFRS) and interpretations adopted by the EU to the greatest extent possible within the framework of the Swedish Annual Accounts Act and the Swedish law on safeguarding pension obligations ("Tryggandelagen"), taking into account the relationship between accounting and taxation. The recommendation states the exceptions and supplementary accounting principles that are to be applied from IFRS. The differences between the accounting policies of the Group and Parent Company are described below.

Revenue recognition

Sales of goods and provision of service assignments

The Parent Company recognizes revenues from service assignments, when an assignment is completed, in accordance with Chapter 2, Paragraph 4 of the Swedish Annual Accounts. Until the assignment is completed, it is reported as work on contract at the lower of acquisition cost and net sales cost on the balance sheet date.

Dividends

Dividend income is recognized when the right to receive payment is considered certain.

Financial instruments

The Parent Company does not apply the recognition regulations in IAS 39. However, what is otherwise written about financial instruments also applies to the Parent Company. In the Parent Company, financial assets are recognized at cost less any impairment losses and financial current assets are recognized at the lower of cost or net realizable value.

Derivatives and hedge accounting

Derivatives that are not used for hedging purposes are recognized in the Parent Company at the lower of cost or net realizable value. The recognition of derivatives that are used for hedging depends on the hedged item, in which case the derivative is treated as an off-balance item as long as the hedged item is not recognized in the balance sheet at acquisition cost. When

the hedged item is recognized in the balance sheet, the derivative is recognized in the balance sheet at fair value.

Shares and participations in subsidiaries

Shares and participations in subsidiaries are recognized at acquisition cost after deduction for any impairment. The acquisition cost includes acquisition-related costs and any additional consideration that is transferred. Dividends received are recognized as financial income. If dividends exceed a subsidiary's comprehensive income for the period, or result in the book value of the holding's net assets being less than the book value of the participations in the consolidated financial statements, there is an indication for a need for impairment.

When there is an indication that shares and participations in subsidiaries have declined in value, the recoverable amount is assessed. If it is lower than the carrying amount, an impairment loss is recognized. The impairment loss is recognized in the item "Result from participations in Group companies".

Property, plant and equipment

Fixed assets owned by the company

In the Parent Company, property, plant and equipment is recognized at acquisition cost after deduction for accumulated depreciation and any impairment losses in the same way as for the Group but with the addition of any revaluations.

Fixed assets leased by the company

In the Parent Company, all leasing contracts are recognized in accordance with the regulations for operating leases.

Borrowing costs

In the Parent Company, borrowing costs are charged against income for the period they refer to.

Employee benefits

Defined benefit plans

In the Parent Company, the calculation of defined benefit plans is based on other principles than those stated in IAS 19. The Parent Company follows the regulations of the Swedish law on safeguarding pension obligations ("Tryggandelagen") and the instructions of the Swedish Financial Supervisory Authority ("Finansinspektionen") since such plans are a prerequisite for being entitled to tax deductions. The main differences, compared with the rules in IAS 19, is the way the discount rate is set; the calculation of the defined benefit obligation is based on the present salary level without assumptions for future salary raises, and that all actuarial gains and losses are recognized in the income statement as they arise.

The Parent Company recognizes defined benefit pension plans in accordance with "FAR Red R4, Recommendation No. 4, Accounting of pension provisions and pension costs" issued by FAR, the institute for the accounting profession in Sweden. The Parent Company has undertaken defined benefit obligations for salaried workers that are secured through insurance with Collectum and are recognized as a defined contribution plan. Pension costs are charged against operating income.

Taxes

In the Parent Company, untaxed reserves are recognized, including deferred income tax liabilities. However, in the consolidated accounts, untaxed reserves are divided into deferred income tax liabilities and equity.

Group contributions

Group contributions that the Parent Company has received from subsidiaries are recognized as financial income. Tax on Group contributions is recognized in the income statement in accordance with IAS 12. Group contributions paid by the Parent Company to subsidiaries are recognized as a cost in the income statement. Tax on Group contributions is recognized in accordance with IAS 12 in the income statement.

Financial risk management

A common financial risk management framework is used for all units in the Group. The description in Note 4 is therefore also applicable in all essentials to the Parent Company.

Note 3. Accounting policies of the Group

Below is a description of the most significant accounting policies for the Group that were applied in the preparation of this Annual Report. These policies have been consistently applied for all presented years, unless specified otherwise.

3.1 Basis of preparation

The consolidated financial statements of the Camfil AB Group have been generally prepared in accordance with the Swedish Annual Accounts Act and "RFR 1 Supplementary Accounting Regulations for Groups", International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU. The consolidated financial statements have been prepared by applying the cost method except for revaluations of financial assets and liabilities (including derivative financial instruments) valued at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

(a) New and amended standards adopted by the Group

No **IFRSs** or IFRIC interpretations that became effective for the first time for the financial year beginning on or after January 1, 2013 had a material impact on the Group with the exception of the amendment to IAS 19, which affected equity by SEK -28.8 M after tax.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2013 and not early adopted by the Group.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing these consolidated financial statements. None of these **is** expected to have a significant effect on the consolidated financial statements of the Group.

There are no other **IFRSs** or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

3.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting

rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50 percent of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposals of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

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3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Group Management, which makes strategic decisions.

3.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in SEK, which is the Parent Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement. Foreign exchange gains and losses resulting from the translation of trade receivables and trade payables are recognized in cost of goods sold, while the translation effects of other financial assets and liabilities are recognized in financial income and expenses, except when the transactions are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges, in which case the gains/losses are recognized in other comprehensive income.

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy as its functional currency) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3.5 Property, plant and equipment

Land and buildings comprise mainly factories and offices. Property, plant and equipment are stated at acquisition cost less depreciation. The acquisition cost includes costs that can be directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that

future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method over their estimated utilization period. The following depreciation periods are applied:

Buildings	25 years
Land improvements	As per local tax regulations
Machinery and production equipment	8 years
Equipment	8 years
Computers	3 years
Fork-lift trucks and vehicles	4 years

Land is not depreciated.

The residual value of assets and utilization period are tested for impairment on each balance sheet date and adjusted if needed.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount, which are included in the income statement.

Financial leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in "Other non-current liabilities". The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

3.6 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units, in accordance with the Group's operating segments, which are expected to benefit from the business combination in which the goodwill arose.

Acquired computer software

Standard computer software is normally expensed. Costs for software developed by the company, or software that has been modified considerably for the Group's use, as well as standard software of major value, are capitalized and amortized over three years using the straight-line method. In the income statement, depreciation of software is included in the item "Cost of goods

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sold", or in "Selling costs" or "Administrative expenses", depending on the application. Costs associated with maintaining software are recognized as an expense as incurred.

Research and development work

Research expenditure is recognized as an expense as incurred. Costs incurred in development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognized as an expense as incurred. Development costs that have been recognized earlier as a cost are not recognized in the following period. Development costs with a finite useful life that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding five years.

3.7 Impairment of non-financial assets

Non-financial assets are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for 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 costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

3.8 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and trade receivables, and derivative financial instruments used for hedging purposes. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and reviews its decision on each reporting occasion.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets and are included in derivative instruments (see Note 31).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables are classified as trade receivables (Note 32), non-current receivables (Note 27 and Note 34), and as cash and cash equivalents in the balance sheet (Note 37).

Recognition and measurement

Purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Financial instruments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets recognized at fair value through profit or loss are initially recognized at fair value, while related transaction costs are recog-

nized in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in financial assets in the income statement in the period in which they arise.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in section 3.11.

Impairment of financial assets

Assets carried at amortized cost:

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) Adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.



3.9 Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- (a) hedges of the fair value of recognized liabilities (fair value hedge) or
- (b) hedges of a particular risk associated with a recognized liability or a highly probable forecast transaction (cash flow hedge).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 31. Movements on the hedging reserve in shareholders' equity are shown in Note 39. The full fair value of a hedging derivative is classified as a current asset or long-term liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or current liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortized to profit or loss over the period to maturity. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognized in the income statement within "Financial expenses". Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognized in the income statement within "Financial expenses".

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within "Cost of goods sold" (forward foreign exchange contracts) or within "Financial items" (interest rate swaps).

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the income statement within "Financial expenses". The gain or loss relating to the ineffective portion is recognized in the income statement within "Financial expenses". However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within "Cost of goods sold" (forward foreign exchange contracts) or within "Financial items" (interest rate swaps).

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement within "Cost of goods sold" (forward foreign exchange contracts) or within "Financial items" (interest rate swaps).

3.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

3.11 Trade receivables

Trade receivables are classified as current assets if payment is anticipated within one year or earlier, and as non-current assets when payment is anticipated after one year.

Trade receivables are recognized at fair value, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within "Selling costs". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "Selling costs" in the income statement.

3.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less from the date of the acquisition.

3.13 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrow-

ings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax effects. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.14 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.15 Employee benefits

Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or constructive obligations to pay further contributions if the legal entity does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not based on defined contributions. A defined benefit plan typically defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available to the Group.

Other post-employment benefits

Some Group companies (mainly in Italy) provide a type of severance pay when an employee leaves or retires from the company. The right to these benefits is usually based on the employee receiving a certain percentage of his or her annual salary for work at the company, when the employee leaves the company. The compensation is based on the employee's salary on the date employment is terminated. The anticipated cost of these benefits is allocated over the employment period using an accounting method that is similar to the method used for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.



Bonus plans

The Group recognizes a liability and an expense for bonuses, based on a formula that takes into consideration the bonus-generating parameters established for the bonus. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3.16 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

3.17 Provisions

Provisions for restructuring costs and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise mainly employee termination payments. Provisions for future warranty demands are based on historical information about the guarantee demand and current trends that may indicate that future demands may deviate from the historical. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

3.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods

The Group manufactures and sells a range of air filtration solutions. Sales of goods are recognized when a Group entity has delivered products to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The principle for revenue recognition for work in progress is found under the heading "Service assignments/contracting projects".

Other revenue is recognized as follows:

- Rental income is recognized during the period the rental refers to.
- Royalties and similar income are recognized in accordance with the economic significance of the current agreement.
- Dividend income: when the right to receive payment is established as certain.

3.19 Service assignments/contracting projects

For completed service assignments and contracting projects, the income and expenses related to the assignment/project are recognized as revenue and costs, respectively, in relation to the degree of completion on the balance sheet date (gradual revenue recognition). The degree of completion is determined by comparing incurred costs on the balance sheet date with the estimated total expense of the assignment/project. When the outcome of a service assignment or contracting project cannot be estimated in a reliable way, the revenue is recognized only to the extent that it is corresponded to by incurred costs that will most likely be paid for by the customer. Any anticipated losses on an assignment/project are immediately recognized as costs.

3.20 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

3.21 Dividend distribution

Dividend distribution to the Parent Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

3.22 Share capital

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 4. Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments, such as forward foreign exchange contracts and interest rate swaps, to hedge some financial risk exposure.

Risk management is carried out by a central finance department, the Treasury Center, under policies approved by the board of directors, in order to take advantage of economies of scale and synergy effects, and to minimize management risks. The Treasury Center is responsible for the Group's loan financing, foreign exchange and interest risk management, and functions as an internal bank for the financial transactions of Group companies.

The Treasury Center identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board prepares written policies for overall risk management and for specific areas, such as foreign exchange risks, interest rate risks, credit risks, use of derivative instruments and investment of excess liquidity. The Group's financial risks are analyzed on a continuous basis and followed up to ensure that the finance policy is being followed. The policy is subject to continuous review, at least once per year.

Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risks in purchases and sales, and in financial transactions in foreign currency. The currency exposure is primarily against the euro and the U.S. dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge their entire foreign exchange risk exposure with the Treasury Center. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use forward contracts, transacted with the Treasury Center. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Treasury Center is responsible for hedging net positions in each currency by using loans in foreign currency and external forward exchange contracts. The Group hedges between 65 percent and 95 percent of the anticipated net flow in each major currency for the next six-month period and between 45 percent and 75 percent for the subsequent seven to 12 months. External foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis.

The Parent Company has a number of holdings in foreign subsidiaries with net assets that are exposed to currency translation risks. Currency exposure in the net assets of subsidiaries is not hedged.

At December 31, 2013, if the Swedish krona (SEK) had weakened/strengthened by 10 percent against the U.S. dollar (USD) with all other variables held constant, post-tax profit for the year would have been SEK 0.8 M (2.8) higher/lower, mainly as a result of foreign exchange gains/losses on translation of trade receivables (both external and internal) and internal loans in USD, in which USD is not the functional currency of the subsidiary, and external loans and derivatives in USD. Equity would have been SEK 0.6 M (3.1) lower/higher, arising mainly from changes in value attributable to cash flow hedges.

At December 31, 2013, if the Swedish krona had weakened/strengthened by 10 percent against the euro (EUR) with all other variables held constant, post-tax profit for the year would have been SEK 0.4 M (3.4) higher/lower, mainly as a result of foreign exchange gains/losses on translation of trade receivables and trade payables (both external and internal) in which EUR is not the functional currency for the subsidiary, and external loans and derivatives in EUR. Equity would have been SEK 0.2 M (3.3) lower/higher, arising mainly from changes in value attributable to cash flow hedges.

Interest rate risk

The return on cash and cash equivalents is affected by changes in market interest rates. Since the Group basically has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's principle is to have a fixed interest rate term of between 0 and 3.5 years. During the year the average fixed interest rate term was 21 months (23). The calculation of the average fixed interest rate term includes the effects of interest derivative instruments used to manage the interest rate risk in the loan portfolio.

The Group manages its cash flow interest-rate risk by using interest-rate swaps. Such interest rate swaps have the economic effect of converting

borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Given the same loan liability, cash and cash equivalents, interest rate derivative and the same fixed interest periods and terms at year-end, a change in the market interest rate by 100 points (1 percentage unit), instead of using contracted interest rates, would change post-tax profit by SEK 0.6 M (4.7) over the average fixed interest period, and interest income/expenses by SEK 0.8 M (6.4). This would have been an effect mainly of higher/lower interest expenses for borrowing at a variable rate.

Equity would have been SEK 2.8 M (6.1) lower/higher as an effect of a reduction/increase in the fair value of interest rate swaps used as cash flow hedges.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group has no significant concentrations of credit risks. The Group has policies in place to ensure that sales of products and services are made to customers with appropriate credit history and has the necessary provisions for uncertain receivables. Historically, the Group has had very low bad credit losses (Note 30).

Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The greater part of the Group's financial assets and cash and cash equivalents are placed with the following banks: SEB, Danske Bank, DnB and HSBC. The credit ratings for these banks, according to Standard & Poor's, are A+ for SEB, DnB and Danske Bank, and A- for HSBC.

Liquidity risk

Liquidity risks are basically managed with caution by maintaining sufficient liquid funds and marketable securities, keeping available financing through adequate contracted credit facilities and having the possibility to close market positions. Due to the dynamic nature of its underlying businesses, the Group aims to have liquid funds and available credits that can amount to at least 10 percent of budgeted/forecast sales. The Treasury Center monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 42) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

The table below analyzes the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows based on the balance sheet date for each individual loan, excluding interest payments. In the balance sheet, these are classified as non-current liabilities with the exception of SEK 127.7 M. Of this amount, SEK 120 M refers to liabilities that the Parent Company is to amortize during 2014 in accordance with the credit facility agreement. Other loans will be extended on their maturity dates in accordance with the facility agreement. The Group has long-term credit facilities that are utilized for borrowings. These borrowings are usually short-term (three months). Interest rate swaps are used to convert short-term fixed interest rates on borrowings (floating interest rates) to fixed rates with longer terms.



At December 31, 2013	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years
Liabilities to credit institutions	1,208.2	23.7	66.3	162.2
Convertible debenture loan	–	–	185.8	–
Derivative financial instruments	6.3	8.4	39.2	4.0
Trade payables/bills payable	282.3	4.3	1.0	0.0
Total	1,496.8	36.4	292.3	166.2

At December 31, 2012	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years
Liabilities to credit institutions	1,269.9	38.9	125.0	–
Convertible debenture loan	–	–	185.8	–
Derivative financial instruments	1.8	3.4	70.9	6.4
Trade payables/bills payable	295.6	1.3	0.3	–
Total	1,567.3	43.6	382.0	6.4

The table below analyzes the Group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their gross carrying balances as the impact of discounting is not significant.

At December 31, 2013	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years
Forward foreign exchange contracts – cash flow hedges			
– outflow	-102.3	-292.6	–
– inflow	35.2	51.9	–
Forward foreign exchange contracts – held for trading			
– outflow	–	-51.3	–
– inflow	–	150.0	–
Total	-67.1	-142.0	–

At December 31, 2012	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years
Forward foreign exchange contracts – cash flow hedges			
– outflow	-138.5	-193.6	–
– inflow	101.3	66.2	0.1
Forward foreign exchange contracts – held for trading			
– outflow	-85.9	–	–
– inflow	–	–	–
Total	-123.1	-127.4	0.1

One interest rate swap in the nominal amount of SEK 50 M is due in March 2019.

Price risk

Price risk refers to the risk that costs for direct and indirect materials rise when underlying raw material prices increase in the world market. The Group is affected by changes in raw material and energy prices in connection with delivery agreements the Group has entered into, in which prices are linked to raw material prices in the global market. Raw material price risks are managed mainly through agreements with suppliers.

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (Note 42) less cash and cash equivalents and other interest-bearing assets.

The gearing ratios at December 31, 2013 and 2012 were as follows:

	2013	2012
Interest-bearing liabilities	1,777.1	1,768.0
Less: cash and cash equivalents	-651.0	-405.9
Less: other interest-bearing assets	-33.5	-32.1
Net debt	1,092.6	1,330.0
Total capital	1,393.9	1,130.1
Gearing ratio	0.78	1.18

During the year the Group had a stable cash flow. Net debt was reduced by SEK 237.4 M, compared with the preceding year, primarily due to a SEK 245 M increase in cash and cash equivalents, which reduced the Group's gearing ratio, compared with 2012.

The requirements from the Group's principal banks regarding the interest-coverage ratio and gearing ratio were fulfilled at December 31, 2013.

4.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that were measured at fair value at December 31, 2013.

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss:				
Trading derivatives	–	6.0	–	6.0
Derivatives used for hedging	–	21.0	–	21.0
Total assets	–	27.0	–	27.0
Liabilities				
Financial liabilities at fair value through profit or loss				
Trading derivatives	–	–	–	–
Derivatives used for hedging	–	57.9	–	57.9
Total liabilities	–	57.9	–	57.9

The following table presents the Group's assets and liabilities that were measured at fair value at December 31, 2012.

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss:				
Trading derivatives	–	0.4	–	0.4
Derivatives used for hedging	–	24.3	–	24.3
Total assets	–	24.7	–	24.7
Liabilities				
Financial liabilities at fair value through profit or loss				
Trading derivatives	–	0.0	–	0.0
Derivatives used for hedging	–	82.5	–	82.5
Total liabilities	–	82.5	–	82.5

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Note that all of the resulting fair value estimates are included in level 2.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted foreign exchange rates at the balance sheet date.

The recognized value for trade receivables and trade payables, after any impairment losses, is anticipated to correspond to their fair values since these items are current by nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4.4 Offsetting financial assets and financial liabilities

The Group has no enforceable master netting arrangements for offsetting financial assets and liabilities with lenders.

Note 5. Critical judgments in applying the entity's accounting policies

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

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 3.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 25).

A sensitivity analysis indicates that there would be no need for reducing the carrying amount of goodwill if the estimated pre-tax discount rate applied to the discounted cash flows had been 10.0 percent higher than management's estimates, or if the gross margin had been 2 percentage points lower than management's estimates.

If the actual gross margin had been higher or the pre-tax discounted rate lower than management's estimates, the Group would not be able to reverse any impairment losses that arose on goodwill.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. There were no current tax audit issues in the Group on December 31, 2013.

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.



The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 43.

If the discount rate would increase/decrease 0.5 percentage points from management's estimates, the carrying amount of pension obligations would be an estimated SEK 16 M lower or SEK 18 M higher.

operating segments conducted within the Group which cannot be classified as Filters or Power Systems. A number of legal units conduct activities that are reported to Group Management within different segments.

The amounts provided to Group Management with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories and receivables. Investment in shares (classified as available-for-sale financial assets or financial assets at fair value through profit or loss) held by the Group are not considered to be segment assets but are managed instead by the Treasury function, as well as derivative financial instruments and cash and cash equivalents that are not allocated in any particular way.

In internal reporting, financial liabilities and operating liabilities are not allocated to any particular operating segment.

Investments comprise additions to property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

Transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Note 6. Financial summary by segment

Group Management has determined the operating segments based on the reports reviewed by Group Management that are used to make strategic decisions. Operations are followed up mainly on the basis of operating segments. The Group's operations are conducted primarily in three operating segments: Filters, Power Systems and Other areas. Other areas include

Financial Year 2013	Filters	Power Systems	Other areas	Holding company	Elimination	Group
Revenues						
External sales	3,604.5	851.6	449.8	0.0	–	4,905.9
Internal sales	29.7	11.2	21.0	649.1	-711.0	–
Total revenues	3,634.2	862.8	470.8	649.1	-711.0	4,905.9
Operating profit per segment	502.3	80.5	27.0	-75.3	–	534.5
Other information						
Operating assets	1,603.4	906.0	199.0	90.5	–	2,798.9
Investments in property, plant, equipment and intangible assets	-87.1	-9.0	-40.2	-34.6	-6.7	-177.6
Depreciation	-98.3	-11.2	-12.7	-12.0	-5.8	-140.0
Financial Year 2012	Filters	Power Systems	Other areas	Holding company	Elimination	Group
Revenues						
External sales	3,533.8	890.8	440.7	0.0	–	4,865.3
Internal sales	34.9	6.7	61.0	636.9	-739.5	–
Total revenues	3,568.7	897.5	501.7	636.9	-739.5	4,865.3
Operating profit per segment	496.7	50.3	41.2	-82.8	–	505.4
Other information						
Operating assets	1,586.2	901.3	196.8	67.0	–	2,751.3
Investments in property, plant, equipment and intangible assets	-89.0	-29.4	-40.0	-30.1	-8.1	-196.6
Depreciation	-102.0	-10.2	-7.9	-9.8	-7.6	-137.5

Notes to the Financial Statements

A reconciliation of operating profit to profit before tax is provided as follows:

	2013	2012
Operating profit for reportable segments	534.5	505.4
Unallocated:		
Adjusted for IFRS	10.5	2.4
Intra-Group profit, inventories	2.2	-4.8
Capital gain on sale of business unit	–	76.1
Restructuring costs	-14.7	-21.0
Financial items, net	-73.5	-91.7
Other	-16.4	2.6
Profit before tax	442.6	469.0

The operating assets of reportable segments are reconciled to total assets as follows:

	2013	2012
Operating assets for reportable segments	2,798.9	2,751.3
Unallocated:		
Goodwill	857.9	879.8
Surplus value of buildings	31.9	32.3
Intra-Group profit, inventories	-38.5	-40.7
Adjusted for IFRS	14.0	22.1
Income tax assets	34.8	30.4
Unallocated cash and cash equivalents	609.2	357.7
Other unallocated current receivables	112.7	93.8
Financial assets	102.3	105.3
Total assets per the balance sheet	4,523.2	4,232.0

Based on where customers are located, net sales are distributed by geographical segments as follows:

Group	2013	2012
Europe	2,278.0	2,754.6
North America	1,370.9	1,356.5
Asia	615.1	478.3
Other markets	641.9	275.9
Total net sales	4,905.9	4,865.3

The company is domiciled in Sweden. The result of its revenues from external customers in Sweden was SEK 376.7 M (389.0) and the total revenue from external customers from other countries was SEK 4,529.1 M (4,476.3). The breakdown of revenue per country is disclosed in the table above. The Group does not have sales to any individual customer exceeding 10 percent of Group sales.

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Sweden was SEK 396.7 M (371.3) and the total of these non-current assets located in other countries was SEK 1,306.5 M (1,324.6).

Note 7. Expenses by nature

	Group		Parent Company	
	2013	2012	2013	2012
Depreciation and amortization charges (Note 10)	140.0	137.6	8.7	5.8
Employee benefit expense (Note 9)	1,522.3	1,482.5	114.5	102.1
Raw materials and consumables used	1,451.4	1,493.7	–	–
Raw materials and machinery for sale to subsidiaries	–	–	543.0	545.2
Other expenses	1,276.1	1,266.9	100.1	93.9
Total costs of goods sold, distribution costs and administrative expenses	4,389.8	4,380.7	766.3	747.0

Note 8. Compensation paid to auditors

Fees and compensation for costs		Group		Parent Company	
		2013	2012	2013	2012
PwC					
Auditing assignments		5.1	4.8	0.7	0.7
Other auditing work		0.1	0.6	–	–
Tax consultancy		2.5	2.2	–	–
Other services		1.0	1.1	0.3	0.3
Grant Thornton					
Auditing assignments		1.4	1.4	–	–
Other auditing work		0.0	–	–	–
Tax consultancy		0.0	–	–	–
Other services		0.2	–	–	–
Other auditors					
Auditing assignments		0.1	0.2	–	–
Tax consultancy		0.2	–	–	–
Other services		0.1	0.2	–	–
Total		10.7	10.5	1.0	1.0

Note 9. Employee remuneration

Wages, salaries and other remuneration, and social security contributions:

	2013	2012
Parent Company:		
Wages and salaries	76.3	68.6
Social security contributions	25.8	23.3
Pension costs – defined contribution plans	12.4	10.2
Total in Parent Company	114.5	102.1
Group:		
Wages and salaries	1,184.1	1,157.2
Social security contributions	259.2	242.1
Pension costs – defined contribution plans	65.8	65.3
Pension costs – defined benefit plans (Note 43)	13.2	17.9
Total in Group	1,522.3	1,482.5



	2013			2012		
	Wages, salaries and other remuneration	Social security contributions (excl. pensions)	Pension costs	Wages, salaries and other remuneration	Social security contributions (excl. pensions)	Pension costs
Parent Company:						
Board members, managing directors and other key management members	29.1	9.8	6.6	21.3	7.3	4.0
Other employees	47.2	16.0	5.8	47.3	16.0	6.2
Total in Parent Company	76.3	25.8	12.4	68.6	23.3	10.2
Group:						
Board members, managing directors and other key management members	134.5	21.5	15.4	123.9	18.6	12.4
Other employees	1,049.6	237.7	63.6	1,033.3	223.5	70.8
Total in Group	1,184.1	259.2	79.0	1,157.2	242.1	83.2

The average number of employees in the Parent Company and Group:

	2013		2012	
	Average number of employees	Of which men	Average number of employees	Of which men
France	4	50%	4	50%
Malaysia	11	64%	8	63%
United Kingdom	2	100%	2	100%
United States	0	0%	1	100%
Ireland	1	100%	0	0%
Belgium	1	100%	0	0%
Germany	1	100%	1	0%
Sweden	76	71%	71	69%
Total in Parent Company	96	71%	87	68%
Other subsidiaries	3,411	65%	3,341	64%
Total in Group	3,507	65%	3,428	64%

Gender distribution in the Group for board members and other key management members:

	Group			
	2013		2012	
	Number at balance sheet date	Of which men	Number at balance sheet date	Of which men
Board members ¹⁾	150	93%	162	90%
Managing directors and other key management members	59	92%	58	93%
Total	209	92%	220	91%

1) One person can serve on the boards of several companies and may be included several times in the number of board members.

Note 10. Impairment of property, plant and equipment

In the Group, impairment charges totaling SEK 84.1 M (84.3) are included in cost of goods sold and SEK 55.9 M (53.3) in administrative expenses. In the Parent Company, impairment charges amounting to SEK 3.3 M (3.9) are included in costs of goods sold and SEK 8.7 M (5.9) in administrative expenses.

Note 11. Research and development costs

Research and development costs for the year totaled SEK 61.6 M (55.4) in the Group and SEK 38.3 M (34.3) in the Parent Company. In the income statements, research and development costs are included in the item "Administrative expenses".

Note 12. Operating leases

Leasing fees paid in 2013 for operating leases totaled SEK 61.7 M (54.1) in the Group and SEK 4.7 M (4.2) in the Parent Company.

The Group's operating leases consist mostly of leases for premises, vehicles and office equipment. The nominal value of the Group's contracted future leasing fees, related to agreements with a remaining term exceeding one year, was as follows:

	Group	Parent Company		
	2013	2012	2013	2012
Due for payment within one year	52.3	48.1	4.7	4.5
Due for payment later than one year but within five years	119.6	123.4	24.5	22.7
Due for payment later than five years	13.5	12.1	–	–
Total	185.4	183.6	29.2	27.2

Notes to the Financial Statements

Note 13. Financial income/Interest income and similar items

	Group		Parent Company	
	2013	2012	2013	2012
Interest income on cash and cash equivalents	4.0	4.3	3.2	3.1
Interest income from Group subsidiaries	–	–	49.9	53.7
Exchange rate differences	85.6	44.2	63.4	30.3
Return on pension assets (Note 43)	6.8	6.9	–	–
Other financial income	3.9	1.6	–	–
Total	100.3	57.0	116.5	87.1

Note 14. Financial costs/Interest expenses and similar items

	Group		Parent Company	
	2013	2012	2013	2012
Interest expenses – borrowings	76.3	90.6	73.0	87.7
Interest expenses – defined benefit pension liability (Note 43)	10.1	10.3	–	–
Interest expenses – Group companies	–	–	1.2	3.6
Exchange differences	85.8	47.1	59.2	31.8
Other financial costs	1.6	0.7	–	–
Total	173.8	148.7	133.4	123.1

Note 15. Result from participations in Group companies

	Parent Company	
	2013	2012
Write-downs of shares in Group companies	-87.4	–
Group contributions	79.4	46.9
Dividends from subsidiaries	178.0	384.2
Total	170.0	431.1

Note 16. Appropriations

	Parent Company	
	2013	2012
Straight-line depreciation in excess of cost	6.0	-0.9
Tax allocation reserve	-2.0	2.5
Inventory reserve	-0.6	0.1
Total	3.4	1.7

Note 17. Income tax/Tax on profit for the year

	Group		Parent Company	
	2013	2012	2013	2012
Current tax				
Current tax on profit for the year	-119.6	-133.2	-16.5	-9.7
Adjustments in respect of prior years	-0.4	1.8	0.4	–
Total	-120.0	-131.4	-16.1	-9.7

Deferred tax (Note 33)

Origination and reversal of temporary differences	4.4	1.9	–	–
Tax on hedging reserve charged to equity	4.6	0.9	4.7	1.4
Tax on defined benefit pension plan charged to equity	0.9	0.0	–	–
Impact of change in tax rates	-0.1	0.5	–	–
Total	9.8	3.3	4.7	1.4
Total reported tax charge	-110.2	-128.1	-11.4	-8.3

Difference between the Parent Company's tax charge and the tax charge based on nominal tax rates:

Parent Company	2013	2012
Profit before tax	152.0	392.0
Tax based on the current rate for the Parent Company	-33.4	-103.1
	22.0%	26.3%
Tax effects of:		
– Income not subject to tax	39.2	101.0
– Expenses not deductible for tax purposes	-21.0	-0.6
– Tax on hedging reserve charged to equity	4.7	-1.1
– Remeasurement of deferred tax – change in tax rates	–	2.5
– Withholding tax on dividends	-1.3	-6.8
– Adjustments in respect of prior years	0.4	-0.2
Tax charge for Parent Company	-11.4	-8.3
	7.5%	2.1%

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Group	2013	2012
Profit before tax	442.6	469.0
Tax calculated at domestic tax rates applicable to profits in the respective countries	-120.6	-127.7
	27.2%	27.2%
Tax effects of:		
– Income not subject to tax	0.8	6.3
– Expenses not deductible for tax purposes	-16.7	-10.7
– Utilization of previously unrecognized tax losses and tax losses for which no deferred income tax asset was recognized and unrecognized tax revenues and costs	14.9	9.6
– Remeasurement of deferred tax – change in tax rates	0.4	1.8
– Withholding tax on dividends	8.9	-9.2
– Adjustments in respect of prior years	2.1	1.8
Tax charge	-110.2	-128.1
	24.9%	27.3%

The weighted average applicable tax rate was 24.9% (27.3) in the Group and 7.5% (2.1) in the Parent Company. During the year, the U.S. tax authority repaid the Group SEK 10.2 M in previously paid withholding tax on dividends from the subsidiary in the United States. Adjusted for the withholding tax, the weighted average applicable tax rate was 27.2%. This repayment of withholding tax, together with changes in the taxation and profitability of the Group's subsidiaries in different countries, as well as a reduction of the Swedish corporation tax rate from 26.3% to 22.0%, the Group's tax rate, after eliminating the received payment of withholding tax, was 0.3% lower than in the previous year, despite the capital gain on the divestment of the Railroad business unit last year being taxed at a rate lower than the normal corporation tax rate.



The Parent Company received large tax-free dividends in 2013 that contributed to the reduction in the tax rate. The Group's tax expenses were also charged with withholding tax of SEK -1.3 M (-9.2) on dividends received from China. Withholding tax in the Parent Company totaled SEK 1.3 M (-6.7).

Tax on Group contributions is recognized in accordance with IAS 12 in the income statement, where the net of received and paid Group contributions is included in the result from participations in Group companies. Group contributions are thus included in the company's profit before income tax.

The income tax relating to components of other comprehensive income, which is charged to equity, is as follows:

	Group		Parent Company	
	2013	2012	2013	2012
Fair value reserves in shareholders' equity				
– Hedging reserve	-4.6	-0.9	-4.7	-1.4
Total	-4.6	-0.9	-4.7	-1.4

Note 18. Net foreign exchange gains/losses

The exchange rate differences charged to the income statement were as follows:

	Group		Parent Company	
	2013	2012	2013	2012
Cost of goods sold	-4.7	-4.0	–	–
Other operating income	–	–	6.5	12.4
Other operating expenses	–	–	-9.4	-16.3
Financial income	85.6	44.2	63.4	30.3
Financial expenses	-85.8	-47.1	-59.2	-31.8
Total	-4.9	-6.9	1.3	-5.4

Note 19. Earnings per share

	Group	
	2013	2012
Profit attributable to owners of the Parent Company	332.4	340.9
earnings per share	332.4	340.9
Interest expense on convertible debentures	4.8	6.6
Tax attributable to the above items	-1.1	-1.7
Profit used to determine diluted earnings per share	336.1	345.8
Average number of shares before dilution	8,000,000	8,000,000
Assumed conversion of convertible debentures	460,000	460,000
Average number of shares after dilution	8,460,000	8,460,000
<i>Basic earnings per share (SEK)</i>	<i>41.55</i>	<i>42.62</i>
<i>Diluted earnings per share (SEK)</i>	<i>39.73</i>	<i>40.87</i>

The convertible debenture loan program carries rights to convert a total of 460,000 shares on April 30, 2016.

Note 20. Dividend per share

A dividend of SEK 7.50 per A share and B share, amounting to a total of SEK 60 M, has been proposed for 2013. These financial statements do not reflect the dividend payable. Dividends paid in 2012 and 2011 amounted to SEK 50.0 M and SEK 40.0 M, respectively, corresponding to a dividend of SEK 6.25 for 2012 and SEK 5.00 for 2011.

Note 21. Land and buildings

	Group		Parent Company	
	2013	2012	2013	2012
Acquisition value at January 1	669.2	672.4	11.3	10.3
Reclassifications	0.3	7.2	–	–
Investments for the year	21.6	14.0	0.2	1.0
Sales and disposals for the year	-1.9	-4.6	–	–
Translation difference	3.2	-19.8	–	–

Acquisition value at December 31	692.4	669.2	11.5	11.3
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Straight-line depreciation at January 1	-314.8	-301.3	-0.5	0.0
Reclassifications	–	-4.1	-0.1	–
Sales and disposals for the year	1.9	4.3	–	–
Straight-line depreciation for the year (Note 10)	-22.5	-23.1	-0.6	-0.5
Translation difference	-4.3	9.4	–	–

Straight-line depreciation at December 31	-339.7	-314.8	-1.2	-0.5
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Construction in progress at January 1	2.7	6.5	–	–
Construction in progress	10.6	-3.7	–	–
Translation difference	-0.1	-0.1	–	–

Construction in progress at December 31	13.2	2.7	–	–
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Planned residual value at December 31	365.9	357.1	10.3	10.8
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Of which book value of:				
Owned buildings and land	356.2	351.8	–	–
Building improvements to leased property	9.7	5.3	10.3	10.8

Book value of buildings and land	365.9	357.1	10.3	10.8
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No bank loans were secured by buildings and land (Note 41).

Note 22. Machinery and production equipment

	Group		Parent Company	
	2013	2012	2013	2012
Acquisition value at January 1	659.5	662.5	28.4	26.2
Reclassifications	2.1	-7.9	1.9	–
Investments for the year	82.9	87.7	5.2	2.2
Sales and disposals for the year	-31.4	-64.4	–	–
Translation difference	0.6	-18.4	–	–

Acquisition value at December 31	713.7	659.5	35.5	28.4
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Straight-line depreciation at January 1	-392.9	-396.4	-13.2	-9.2
Reclassifications	-0.3	4.5	–	–
Sales and disposals for the year	28.4	58.6	–	–
Straight-line depreciation for the year (Note 10)	-68.9	-68.7	-3.3	-4.0
Translation difference	-1.6	9.1	–	–

Straight-line depreciation at December 31	-435.3	-392.9	-16.5	-13.2
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Notes to the Financial Statements

Machinery construction in progress at January 1	46.0	22.2	–	–
Machinery construction in progress	8.5	25.3	–	–
Translation difference	-0.5	-1.5	–	–

Machinery construction in progress at December 31	54.0	46.0	–	–
Planned residual value at December 31	332.4	312.6	19.0	15.2

Note 23. Equipment

	Group		Parent Company	
	2013	2012	2013	2012
Acquisition value at January 1	256.9	259.5	37.1	27.5
Reclassifications	-5.3	-8.9	-1.9	–
Investments for the year	31.5	40.8	3.0	10.2
Sales and disposals for the year	-20.9	-28.5	-5.5	-0.6
Translation difference	-3.0	-6.0	–	–

Acquisition value at December 31	259.2	256.9	32.7	37.1
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Straight-line depreciation at January 1	-163.6	-165.9	-18.3	-14.6
Reclassifications	3.0	8.8	–	–
Sales and disposals for the year	18.9	23.9	4.9	0.6
Straight-line depreciation for the year (Note 10)	-34.1	-34.3	-4.2	-4.3
Translation difference	4.5	3.9	–	–

Straight-line depreciation at December 31	-171.3	-163.6	-17.6	-18.3
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Value of remeasurement at January 1	-0.1	-0.1	–	–
Impairment charge for the year	–	0.0	–	–

Value of remeasurement at December 31	-0.1	-0.1	–	–
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Planned residual value at December 31	87.8	93.2	15.1	18.8
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Straight-line depreciation in excess of cost at January 1	–	–	-8.6	-9.5
Straight-line depreciation in excess of cost for the year	–	–	-6.0	0.9

Straight-line depreciation in excess of cost at December 31	–	–	-14.6	-8.6
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Residual value in excess of planned at December 31	87.8	93.2	0.5	10.2
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Note 24. Finance leases

The Group's property, plant and equipment include leased equipment that is held under finance leases as follows:

	Acquisition value		Accumulated depreciation	
	2013	2012	2013	2012
Machinery and production equipment	2.6	3.2	2.3	3.1
Equipment	25.3	24.1	11.2	10.8
Total	27.9	27.3	13.5	13.9

The value of future payment obligations related to finance leases is reported partly as a non-current liability and partly as a current liability, as follows:

Liability	2013	2012
Short-term portion	4.0	3.6
Long-term portion		
Due for payment later than one year but within five years	12.3	12.5
Total liability recognized in the consolidated statement of financial position	16.3	16.1

There are no payment obligations due later than five years from the balance sheet date. The majority of the finance leases are attributable to the financing of vehicles in the Group. No new significant finance leases were signed in 2013.

Note 25. Goodwill

	Group	
	2013	2012
Residual value before impairment charge at January 1	991.6	1,022.2
Translation difference	-21.9	-30.6

Residual value before impairment charge at December 31	969.7	991.6
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Impairment charge at January 1/December 31	-111.8	-111.8
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Planned residual value at December 31	857.9	879.8
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The lowest cash-generating unit (CGU) has been identified as a geographic region with the exception of Power Systems, which is an integrated unit that often has projects involving several geographic regions. Power Systems has units in Sweden, Germany, Canada, India and China.

Impairment tests for goodwill

Goodwill is allocated to the Group's CGUs.

A summary of the goodwill allocation per country/business unit is presented below:

	2013	2012
North America	555.3	571.7
Nordic countries	183.5	186.8
Power Systems	57.7	57.1
Continental Europe	14.3	13.9
British Isles	7.9	7.8
Asia	39.2	42.5
Total	857.9	879.8

The recoverable amount of a CGU is determined on the basis of value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management and covering the next year.

Note 26. Other intangible assets

	Group		Parent Company	
	2013	2012	2013	2012
Acquisition value at January 1	103.9	63.7	11.9	11.0
Investments for the year	22.5	32.5	15.8	1.7
Sales for the year	-5.9	-2.9	-0.7	-0.8
Translation difference	4.2	10.6	–	–
Acquisition value at December 31	124.7	103.9	27.0	11.9



Straight-line depreciation at January 1	-50.7	-28.7	-5.1	-4.1
Sales for the year	3.1	0.7	0.1	-
Straight-line depreciation for the year (Note 10)	-14.5	-11.3	-3.9	-1.0
Translation difference	-3.5	-11.4	-	-
Straight-line depreciation at December 31	-65.6	-50.7	-8.9	-5.1
Planned residual value at December 31	59.1	53.2	18.1	6.8

Intangible assets consist primarily of computer software, drawings, and methods for product development and the further development of existing business systems.

Depreciation costs totaling SEK 14.5 M (11.3) are included in the administrative expenses of the Group. Depreciation costs amounting to SEK 3.9 M (1.0) are included in the administrative expenses of the Parent Company.

Note 27. Financial assets

	Parent Company	
	2013	2012
Participations in Group companies		
Acquisition value at January 1	1,984.9	1,982.0
Investments for the year	18.5	2.9
Acquisition value at December 31	2,003.4	1,984.9
Revaluation at January 1/December 31	69.8	69.8
Impairment charge at January 1	-297.5	-297.5
Impairment charge for the year	-87.4	-
Impairment charge at December 31	-384.9	-297.5
Book value at December 31	1,688.3	1,757.2

	Parent Company	
	2013	2012
Receivables from Group companies		
Acquisition value at January 1	988.2	896.9
Loans granted for the year	280.7	215.9
Repayments and amortization of loans for the year	-272.4	-104.5
Exchange differences	3.5	-20.1
Acquisition value at December 31	1,000.0	988.2

	Group		Parent Company	
	2013	2012	2013	2012
Non-current receivables				
Acquisition value at January 1	7.4	6.7	-	0.1
Change for the year	-0.7	1.0	0.0	-0.1
Translation difference	-0.2	-0.3	-	-
Acquisition value at December 31	6.5	7.4	-	-
Book value at December 31	6.5	7.4	-	-

It is estimated that there is no concentration of credit risk in non-current receivables.

The weighted average effective interest rate on receivables was as follows at the balance sheet date:

	Parent Company	
	2013	2012
Receivables from Group companies	5.0%	4.9%

The carrying amounts and fair values of certain receivables were as follows:

	2013		2012	
	Carrying amounts	Fair values	Carrying amounts	Fair values
Group				
Other non-current receivables	6.5	6.5	7.4	7.4
Parent Company				
Loans to Group companies	1,000.0	951.4	988.2	933.6

Fair values are based on discounted cash flows using a discount rate based on the interest rate that is estimated to be available to a borrower at the balance sheet date.

Note 28. Shares in subsidiaries

Directly owned shareholdings

	Registered office	Holding	Book value
Camfil Svenska AB	Trosa, Sweden	100%	225.3
Reg. no. 55 60 88 - 1327			
Camfil Innovation AB	Trosa, Sweden	100%	5.0
Reg. no. 55 64 76 - 6433			
Camfil Component AB	Trosa, Sweden	100%	5.0
Reg. no. 55 64 96 - 3964			
Camfil Power Systems AB	Borås, Sweden	100%	10.0
Reg. no. 55 65 56 - 9356			
Camfil International AB	Trosa, Sweden	100%	1.0
Reg. no. 55 65 11 - 8501			
Camfil Asia Holding AB	Trosa, Sweden	100%	20.0
Reg. no. 55 65 38 - 8344			
Comlog AB	Trosa, Sweden	100%	574.3
Reg. no. 55 62 48 - 9970			
Camfil SPA	Cinisello Balsamo, Italy	100%	0.5
Gemag S.R.L.	Cinisello Balsamo, Italy	100%	0.0
Camfil AG	Unterägeri, Switzerland	100%	36.1
Camfil A/S	Kokkedal, Denmark	100%	12.0
Farr Filtration Ltd	Birmingham, England	100%	20.3
Camfil Ltd	Manchester, England	100%	34.7
Camfil BV	Ede, Netherlands	100%	73.3
Camfil GmbH Holding	Reinfeld, Germany	100%	293.2
Camfil OY	Helsinki, Finland	100%	5.0
Camfil (Irl) Ltd	Dublin, Ireland	100%	15.0
Camfil Australia Pty Ltd	Sydney, Australia	100%	20.0
Camfil (Canada) Inc.	Laval, Canada	100%	70.0
Camfil Filtration (Kunshan) Co. Ltd	Kunshan, China	100%	18.2
Camfil Filtration (Shanghai) Co. Ltd	Shanghai, China	100%	3.5
Camfil Latinoamerica Ltda	São Paulo, Brazil	100%	10.0
Camfil s.r.o	Levice, Slovakia	100%	134.6
Lifmac Asia Holding LLC	Wilmington, United States	40%	18.2
Camfil Singapore Holding PTE Ltd	Singapore	100%	21.9
Camfil Norge AS	Oslo, Norway	100%	50.3
Camfil Austria GmbH	Vienna, Austria	100%	10.0
Camfil Hava Filtresi Sanayi			
Ticaret Ltd Sirketi	Istanbul, Turkey	100%	0.3
Camfil Middle East FZCO	Dubai, United Arab Emirates	60%	0.6
Total			1,688.3

Notes to the Financial Statements

Indirect holdings	Country	Holding
Camfil SA	Belgium	100%
Farr Filter Services Ltd	England	100%
Camfil APC Ltd	England	100%
Camfil France Holding SAS	France	100%
Camfil SAS	France	100%
SADI SAS	France	100%
Camfil Malaysia SDN BHD	Malaysia	100%
Camfil New Zealand Ltd	New Zealand	100%
Camfil Polska Sp.z.o.o	Poland	100%
Camfil Singapore Pty Ltd	Singapore	100%
Camfil España SA	Spain	100%
VVS Amalia AB	Sweden	100%
Camfil Taiwan Co Ltd	Taiwan	100%
Camfil (Thailand) Ltd	Thailand	40%
Camfil Power Systems GmbH	Germany	100%
Camfil KG	Germany	100%
Camfil Management GmbH	Germany	100%
Camfil USA Inc.	United States	100%
Air Filter & Equipment Inc (Exfil)	United States	100%
CF Oklahoma Inc.	United States	100%
Camfil Air Filtration India Private Ltd	India	100%
Camfil Middle East FZCO	Dubai, United Arab Emirates	40%

The American company Lifmac Asia Holding LLC owns 40 percent of Camfil (Thailand) LTD. Camfil AB owns 40 percent of Lifmac Asia Holding LLC and Comlog AB owns 2 percent. Camfil (Thailand) LTD has been consolidated 100 percent because the Group has a controlling interest in the company.

During the year, Camfil Hava Filtresi Sanayi Ticaret Ltd Sirketi was started in Turkey and has an acquisition value of SEK 0.3 M. In 2013, the Danish subsidiary Camfil APC A/S was merged with Camfil A/S, its sister company in Denmark. During the year, new shares were issued in Camfil Latinoamerica Ltda in the amount of SEK 14.2 M, and in Camfil APC A/S in the amount of SEK 4.0 M.

Shares were written down in Camfil Latinoamerica Ltda by SEK 20.0 M, in Camfil Australia PTY Ltd by SEK 8.3 M, in Camfil (Canada) Inc. by SEK 48.4, and in Camfil Austria GmbH by SEK 10.7 M.

Note 29. Financial instruments by category

The accounting policies for financial instruments have been applied in the Group to the line items below:

	Loans and trade receivables	Derivatives used for measured hedging	Financial instruments at fair value through profit or loss	Total
December 31, 2013				
Assets as per balance sheet				
Non-current derivative financial instruments	–	9.4	–	9.4
Current derivative financial instruments		11.6	6.0	17.6
Non-current receivables	6.5	–	–	6.5
Trade receivables	891.6	–	–	891.6
Bills receivable	21.4	–	–	21.4
Cash and cash equivalents	651.0	–	–	651.0
Total	1,570.5	21.0	6.0	1,597.5

	Derivatives used for measured hedging	Other financial liabilities	Financial instruments at fair value through profit or loss	Total
December 31, 2013				
Liabilities as per balance sheet				
Non-current liabilities to credit institutions	–	1,332.7	–	1,332.7
Current liabilities to credit institutions	–	127.7	–	127.7
Convertible debenture loan	–	155.6	–	155.6
Convertible debenture loan	–	287.6	–	287.6
Non-current derivative financial instruments	43.2	–	–	43.2
Current derivative financial instruments	14.7	–	–	14.7
Total	57.9	1,903.6	–	1,961.5

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	Loans and trade receivables	Derivatives used for measured hedging	Financial instruments at fair value through profit or loss	Total
December 31, 2012				
Assets as per balance sheet				
Non-current derivative financial instruments	–	19.6	–	19.6
Current derivative financial instruments	–	4.7	0.4	5.1
Non-current receivables	7.4	–	–	7.4
Trade receivables	902.5	–	–	902.5
Bills receivable	7.6	–	–	7.6
Cash and cash equivalents	405.9	–	–	405.9
Total	1,323.4	24.3	0.4	1,348.1

	Derivatives used for measured hedging	Other financial liabilities	Financial instruments at fair value through profit or loss	Total
December 31, 2012				
Liabilities as per balance sheet				
Non-current liabilities to credit institutions	–	1,328.3	–	1,328.3
Current liabilities to credit institutions	–	105.5	–	105.5
Convertible debenture loan	–	142.9	–	142.9
Trade payables	–	297.2	–	297.2
Bills payable	–	0.0	0.0	0.0
Non-current derivative financial instruments	77.3	–	–	77.3
Current derivative financial instruments	5.2	–	–	5.2
Total	82.5	1,873.9	0.0	1,956.4

**Note 30. Credit quality of financial assets**

The credit quality of trade receivables has been historically high in the Group. However, the payment culture varies to some extent between geographic areas.

None of the financial assets that are fully performing has been renegotiated in the last year.

The percentage of trade receivables and bills receivable per geographic area are shown in the table below:

	2013		2012	
	% Bad debt losses/sales	Receivables	% Bad debt losses/sales	Receivables
Trade receivables/ Bills receivable				
<i>Counterparties</i>				
Nordic countries	0.54%	126.9	0.17%	215.0
Asia	0.11%	194.0	0.02%	102.2
North America	0.03%	245.5	0.02%	194.6
Continental Europe	0.15%	253.3	0.17%	314.5
British Isles	0.20%	59.6	0.18%	50.1
Other markets	0.40%	33.7	0.52%	33.7
Total trade receivables	0.20%	913.0	0.12%	910.1

The percentage of bad debt losses per geographic area is calculated as the average percentage between expensed bad debt losses over the past three years in relation to total sales over the past three years.

Note 31. Derivative financial instruments

Group	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps – fair value hedges	9.4	46.5	19.7	77.3
Forward foreign exchange contracts – cash flow hedges	11.6	11.4	4.6	5.2
Forward foreign exchange contracts – held for trading	6.0	–	0.4	0.0
Total	27.0	57.9	24.7	82.5
Non-current portion	9.4	43.2	19.6	77.3
Current portion	17.6	14.7	5.1	5.2
Total	27.0	57.9	24.7	82.5

Parent Company	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps – fair value hedges	9.4	46.5	19.7	77.3
Forward foreign exchange contracts – cash flow hedges	19.1	21.4	6.5	7.5

Forward foreign exchange contracts – held for trading	6.1	–	0.4	0.0
Total	34.6	67.9	26.6	84.8

Non-current portion	9.4	43.2	19.6	77.3
Current portion	25.2	24.7	7.0	7.5
Total	34.6	67.9	26.6	84.8

Trading derivatives are classified as a current asset or current liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or current liability, if the maturity of the hedged item is less than 12 months.

There was no ineffectiveness to be recorded from cash flow hedges in 2013 or 2012.

The maximum exposure to credit risk on the balance sheet date is the fair value of the derivative instruments recognized as assets in the balance sheet.

Gains and losses recognized in equity on forward foreign exchange contracts at December 31 will be released to the income statement at various dates between one month and 12 months from the balance sheet date.

Gains and losses recognized in the hedging reserve in equity (Note 39) on interest rate swaps at December 31, 2013 will be continuously recognized in the income statement until the borrowing has been repaid (Note 42).

Interest rate swaps

The notional principal amounts of the Group's outstanding interest-rate swap contracts at year-end were SEK 1,019 M (1,092). At December 31, 2013, the fixed interest rates were 2.3% in USD, 2.9% in GBP and 2.8% in EUR. The fixed interest rates in SEK varied from 2.1% to 3.8%. The floating rates were 3 months USD LIBOR, 6 months GBP LIBOR, 3 months EUR IBOR, and 3 months STIBOR.

Forward foreign exchange contracts

At December 31, 2013, the Group's open forward foreign exchange contracts had terms of between one month and 12 months.

The notional principal amounts of the outstanding forward foreign exchange contracts at December 31, 2013 were SEK -242 M (-251).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognized in the hedging reserve in equity (Note 39) on forward foreign exchange contracts as of December 31, 2013 are recognized in the income statement in the period or periods during which the hedged forecast transaction affects the income statement, normally within 12 months from the balance sheet date.

Note 32. Trade and other receivables

	2013	2012
Trade receivables and bills receivable	952.4	938.3
Less: provisions for impairment of trade	-39.4	-28.2
Total	913.0	910.1

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers that are internationally dispersed.

The Group recognized a loss of SEK 15.6 M (8.9) for the impairment of its trade receivables in 2013. The loss was included in "Selling costs" in the income statement. The fair value of trade receivables corresponds to the carrying amount.

At December 31, 2013, trade receivables in the amount of SEK 321.3 M (205.2) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The age analysis of these trade receivables is as follows:

Age analysis of past due trade receivables	2013	2012
Less than 3 months	276.5	177.0
3 to 6 months	31.2	19.6
Over 6 months	13.6	8.6
Total past due trade receivables	321.3	205.2

At year-end 2013, the Group had impaired and provided for uncertain trade receivables. The amount of these provisions was SEK 39.4 M (28.2) on December 31, 2013.

The age analysis of trade receivables that have been provided for is shown below:

Age analysis, provisions for receivables impairment	2013	2012
Trade receivables that are not past due	0.2	–
Less than 3 months	2.1	5.7
3 to 6 months	19.1	1.1
Over 6 months	18.0	21.4
Total provisions for receivables impairment	39.4	28.2

The recognized amounts, per currency, are as follows for the Group's trade receivables and bills receivable:

Currency (corresponding value in SEK)	2013	2012
SEK	34.4	67.5
EUR	333.6	442.5
USD	244.1	182.5
Other currencies	300.9	217.6
Total trade receivables	913.0	910.1

Movements on the Group's provision for trade receivables impairment were as follows:

	2013	2012
At January 1	27.5	29.1
Provisions for receivables impairment	15.6	8.2
Unused amounts reversed for uncollectible receivables	-2.7	-4.6
Reclassifications	-1.3	-4.3
Translation difference	0.3	-0.9
At December 31	39.4	27.5

The creation and release of provisions for impaired receivables have been included in "Selling costs" in the income statement. The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Note 33. Deferred tax assets and deferred tax liabilities

Deferred taxes are valued using the nominal tax rate.

Deferred income tax assets are recognized for tax loss-carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable.

Deferred income tax assets and liabilities have not been offset even if there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.



The movement in deferred tax assets and liabilities was as follows during the year:

	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Fixed assets	1.4	1.3	18.9	17.4	-17.5	-16.1
Inventories	14.0	15.0	21.8	18.5	-7.8	-3.5
Trade receivables	4.6	1.4	0.1	0.0	4.5	1.4
Pension provisions	31.9	32.4	0.8	1.9	31.1	30.5
Warranty risk reserve	5.9	1.5	–	0.0	5.9	1.5
Loss-carry-forwards	11.0	7.9	–	–	11.0	7.9
Untaxed reserves	–	–	26.0	24.6	-26.0	-24.6
Other	42.6	42.8	7.2	8.3	35.4	34.5
Deferred tax assets/liabilities	111.4	102.3	74.8	70.7	36.6	31.6
Due within 1 year	46.6	39.5	23.1	19.3	23.5	20.2
Due later than 1 year	64.8	62.8	51.7	51.4	13.1	11.4
Deferred tax assets/liabilities	111.4	102.3	74.8	70.7	36.6	31.6
Of which offset	-25.0	-24.0	-25.0	-24.0	–	–
Net after offsetting	86.4	78.3	49.8	46.7	36.6	31.6

	Balance January 1, 2013	Recognized through profit or loss	Exchange differences	Tax charged directly to equity	Balance, December 31, 2013
Provisions for assets	-18.4	-2.8	0.3	–	-20.9
Restructuring reserves	0.1	0.0	0.0	–	0.1
Pension provisions	30.6	0.7	-0.1	0.0	31.2
Warranty risk reserve	1.4	4.6	0.0	–	6.0
Loss-carry-forwards	7.9	2.8	0.3	–	11.0
Untaxed reserves	-24.6	-1.4	0.1	–	-25.9
Other	34.5	0.4	0.1	–	35.0
Total	31.6	4.3	0.7	0.0	36.6

	Balance January 1, 2012	Recognized through profit or loss	Exchange differences	Tax charged directly to equity	Balance, December 31, 2012
Provisions for assets	-24.5	4.5	1.6	–	-18.4
Restructuring reserves	0.7	-0.6	0.0	–	0.1
Pension provisions	19.8	0.2	-0.8	11.4	30.6
Warranty risk reserve	6.2	-4.8	0.0	–	1.4
Loss-carry-forwards	9.0	-0.8	-0.3	–	7.9
Untaxed reserves	-24.5	-0.1	0.0	–	-24.6
Other	31.8	4.0	-1.3	–	34.5
Total	18.5	2.4	-0.8	11.4	31.6

Tax losses for which deferred income tax assets are not recognized:

Group	2013	2012
Tax losses for utilization:		
Within 1 year	–	1.1
Later than 1 year but within 5 years	3.3	3.7
Later than 5 years	41.9	34.2
Total tax losses	45.2	39.0

Deferred tax losses have not been recognized for these items since it is not certain that the Group will be able to utilize them for settlement against

future taxable profits within the next few years.

The Parent Company has no unrecognized deferred tax assets.

Note 34. Non-current receivables

	Group		Parent Company	
	2013	2012	2013	2012
Deposits	3.0	2.9	–	–
Other financial assets	3.5	4.5	–	–
Total	6.5	7.4	–	–

Note 35. Inventories and work on contract

	Group		Parent Company	
	2013	2012	2013	2012
Work on contract				
Accrued expenses	463.7	432.5	25.3	15.3
Gradual revenue recognition	94.3	76.5	–	–
Total	558.0	509.0	25.3	15.3

	Group		Parent Company	
	2013	2012	2013	2012
Inventories				
Value of inventories before obsolescence	1,010.3	983.9	2.4	–
Less: provision for impairment of inventories	-24.2	-23.5	–	–
Total	986.1	960.4	2.4	–

The cost of raw material inventories recognized as expense and included in "Cost of goods sold" amounted to SEK 1,407.2 M (1,433.6).

Note 36. Prepaid expenses and accrued income

	Group		Parent Company	
	2013	2012	2013	2012
Prepaid rent	14.0	10.9	1.2	1.1
Prepaid insurance	4.8	2.7	–	–
Prepaid employee benefit expenses	5.9	8.2	0.4	0.4
Accrued royalties and bonus income	–	0.2	–	–
Accrued revenues from projects	2.6	0.0	–	–
Other prepaid expenses	14.6	17.2	2.6	1.8
Total	41.9	39.2	4.2	3.3

Note 37. Cash and cash equivalents

	Group		Parent Company	
	2013	2012	2013	2012
Cash at bank and in hand	651.0	405.9	495.6	254.8
Total	651.0	405.9	495.6	254.8

Note 38. Share capital

			Pre- ference shares	Total number
Number of shares	A-shares	B-shares		
Number at 2011-12-31	1,000,000	7,000,000	–	8,000,000
Number at 2012-12-31	1,000,000	7,000,000	–	8,000,000
Number at 2013-12-31	1,000,000	7,000,000	–	8,000,000

The shares have a par (quota) value of SEK 14.23 each (14.23). All issued shares are fully paid. A specification of the changes in equity is found in this report in the consolidated statement of changes in equity.

Note 39. Other reserves

	Hedging reserve	Translation reserve	Total
Balance at January 1, 2012	-38.9	-28.4	-67.3
Cash flow hedges			
– transfers through profit or loss	-6.2	–	-6.2
– tax effect	-0.9	–	-0.9
Exchange rate differences in Group	–	-59.0	-59.0
Balance at December 31, 2012	-46.0	-87.4	-133.4

Balance at January 1, 2013	-46.0	-87.4	-133.4
Cash flow hedges			
– transfers through profit or loss	23.0	–	23.0
– tax effect	-4.6	–	-4.6
Exchange rate differences in Group	–	-34.0	-34.0
Balance at December 31, 2013	-27.6	-121.4	-149.0

Note 40. Untaxed reserves

	Parent Company	
	2013	2012
Cumulative difference between book depreciation and straight-line depreciation	14.6	8.6
Tax allocation reserves	57.0	59.0
Inventory reserve	0.0	0.5
Total	71.6	68.1

Note 41. Bank overdraft facilities

The Camfil Group has internal cash pools in the following currencies: SEK, USD, GBP, DKK, NOK, CAD and EUR. The Group cash pool system has reduced the external credits of subsidiaries. Each company's share of the Group cash pools is reported as an internal balance with the Parent Company, which is the company that has the external credit with a credit institution. In addition to bank overdraft facilities in the Group's internal cash pools, there is a bank overdraft facility for a few foreign exchange accounts and a general multi-currency limit. The Parent Company has granted overdraft facilities totaling SEK 290.4 M (289.8). None of the bank overdraft facilities had been utilized at the balance sheet date.

Note 42. Borrowings

Camfil AB signed a loan facility agreement with a syndicate of banks in January 2011 to finance the company's redemption of shares in 2011, among other purposes. The syndicate consists of the Group's three main banks in the Nordic region: SEB is providing 50 percent of the financing, Danske Bank 35 percent and DNB 15 percent.

The agreement covered two loan facilities. Facility A was a multi-currency facility in the amount of SEK 1,337 M at the date the agreement was signed. At year-end 2013, the facility amounted to SEK 1,147 M. The term is five years and SEK 450 M of the loan will be amortized gradually over a five-year period. In 2013, SEK 100 M of the loan was repaid. This facility was utilized to finance the company's redemption of shares in 2011.

Facility B was a three-year revolving multi-currency facility for SEK 875 M that was signed in 2011. This facility was renegotiated during the year with a bank syndicate. The new facility agreement for SEK 750 M was signed on July 5, 2013 and has a term of five years. The facility is being used mainly to finance the Group's ongoing operations.

In addition to these loan facilities, the facility with the Nordic Investment Bank was renegotiated during the year. The Group's bond in the amount of

de skriver DNB själva på sin hemsida



SEK 125 M was repurchased prematurely and a new facility corresponding to SEK 220 M was granted. The facility has been utilized and EUR 24.5 M (216.3) was obtained as payment for a corporate bond. Amortization of the instrument on a continuous six-month basis will commence in 2017. Final payment of the bond is scheduled for 2021.

The agreements with these creditors are subject to covenant clauses in which Camfil AB has to meet certain key performance indicators with regard to the interest coverage ratio, the net debt-equity ratio and return on net debt. There are also limits for future dividends to the company's shareholders.

	Group		Parent Company	
Interest-bearing liabilities	2013	2012	2013	2012
Non-current				
Liabilities to credit institutions	1,332.7	1,328.3	1,320.5	1,315.8
Convertible debenture loan	155.6	142.9	175.8	172.1
Derivative financial instruments	43.2	77.3	43.2	77.3
Other liabilities	0.0	0.4	–	–
Provisions for pensions and similar obligations	92.2	96.0	–	–
Other provisions	11.0	12.4	–	–
Total	1,634.7	1,657.3	1,539.5	1,565.2

	Group		Parent Company	
	2013	2012	2013	2012
Current				
Liabilities to credit institutions	127.7	105.5	120.0	100.0
Derivative financial instruments	14.7	5.2	24.7	7.5
Total	142.4	110.7	144.7	107.5

Total interest-bearing liabilities	1,777.1	1,768.0	1,684.2	1,672.7
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The Parent Company and the Group have issued a bond to the Nordic Investment Bank. The bond is in the amount of EUR 24.5 M and matures in eight years. It will be amortized on a straight-line basis every six months as of the fifth year.

Fair values

The carrying amounts and fair values of certain liabilities are as follows:

	2013	
	Carrying amounts	Fair values
Group		
Non-current liabilities to credit institutions	1,332.7	1,332.7
Convertible debenture loan	155.6	155.6
Current liabilities to credit institutions	127.7	127.7
Total	1,616.0	1,616.0

Parent Company		
Non-current liabilities to credit institutions	1,320.5	1,320.5
Convertible debenture loan	175.8	175.8
Current liabilities to credit institutions	120.0	120.0
Total	1,616.3	1,616.3

	2012	
	Carrying amounts	Fair values
Group		
Non-current liabilities to credit institutions	1,328.3	1,332.0
Convertible debenture loan	142.9	142.9
Current liabilities to credit institutions	105.5	105.5
Total	1,576.7	1,580.4

Parent Company

Non-current liabilities to credit institutions	1,315.8	1,312.1
Convertible debenture loan	172.1	172.1
Current liabilities to credit institutions	100.0	100.0
Total	1,587.9	1,584.2

Fair values are based on discounted cash flows using a discount rate that is based on the interest rate estimated to be available to the Group at the balance sheet date. Regarding leasing liabilities, the carrying amount is considered to represent a reasonable approximation of the fair value.

The carrying amounts of the Group's borrowings have been denominated in the following currencies:

	2013	2012
EUR	437.1	214.8
USD	256.6	260.5
SEK	827.7	1,048.8
Other currencies	94.6	52.6
Total	1,616.0	1,576.7

Interest

On December 31, 2013, the Group's bank borrowings carried an average effective interest rate coupon of 3.30% (3.96). On the same date, the convertible debenture loan carried an average effective interest rate coupon of 2.29% (3.77). The average interest rate coupon for bank borrowings and the convertible debenture loan was 3.74% (4.17).

The Group had the following undrawn borrowing facilities on December 31:

	2013	2012
Floating rate		
– expires beyond one year	658.2	845.4
Total	658.2	845.4

Convertible debenture loan

Since 2000, Camfil has established several long-term incentive programs for key persons in the company. The purpose of these programs is to offer benefits in the form of long-term incentive programs tied to the company's performance in order to attract, retain and motivate key persons. The programs are designed so that incentives for key persons are aligned with the interests of the shareholders.

Convertible debenture loan 2011-2016

On May 31, 2011, the Parent Company issued a convertible debenture loan to key persons. The nominal value of the loan is SEK 185.8 M. The loan matures five years from the issue date and can be converted into shares, at the holder's option, at the rate of SEK 404 per share. The interest rate for the convertible debenture loan has been set at SEB's 12-month lending rate plus 0.75%.

The fair value of the liability component and equity conversion component was determined at issuance of the debentures.

The fair values of the liability component, included in non-current liabilities, were calculated using a market interest rate for an equivalent non-convertible debenture. The residual amount is included in shareholders' equity.

Convertible debentures recognized in the balance sheet were calculated as follows:

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	Group		Parent Company	
	2013	2012	2013	2012
Face value of convertible debentures issued on May 31, 2011	185.8	185.8	185.8	185.8
Equity component	-10.0	-13.7	-10.0	-13.7
Debt component				
Debt component AB but not subscribed for	-20.2	-29.2	-	-
Liability component at December 31	155.6	142.9	175.8	172.1
Liability component at January 1	142.9	133.4	172.1	168.6
Remeasurement of convertible debentures	3.7	3.5	3.7	3.5
New issue	9.0	6.0	-	-
Liability component at December 31	155.6	142.9	175.8	172.1

Note 43. Provisions for pensions and similar obligations

The table below outlines where the Group's post-employment amounts and activity are included in the financial statements.

	2013	2012
Balance sheet obligations for:		
– Defined pension benefits	84.4	84.9
– Post-employment benefits	6.0	4.8
– Capitalized defined contribution pension plan under own management	1.8	6.3
Liability in the balance sheet	92.2	96.0
Income statement charge included in Group operating profit for^{*)}:		
– Defined pension benefits	6.2	11.5
– Post-employment benefits	0.6	0.5
– Cost for special employer's contribution and tax on return	6.4	5.9
	13.2	17.9
Remeasurements for:		
– Defined pension benefits	2.2	-3.3
– Post-employment benefits	-0.1	2.0
	2.1	-1.3

^{*)} The income statement charge included within operating profit includes current service costs, past service costs, net interest costs, and gains and losses on settlement and curtailment.

The amounts recognized in the balance sheet are determined as follows:

	2013	2012
Present value of funded obligations	268.7	254.4
Fair value of plan assets	179.6	164.7
Deficit of funded plans	89.1	89.7
Impact of minimum funding requirement/asset ceiling	1.3	-
Pension plan under own management	1.8	6.3
Net liability in the balance sheet	92.2	96.0

Defined benefit pension plans

The Group operates defined benefit pension plans in France, Germany, the United Kingdom, Canada, Norway, Sweden, the Netherlands, Belgium and Thailand under broadly similar regulatory frameworks. All of the plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on the members' length of service and their salary in the final years leading up to retirement. In the plans in Sweden, pensions in payment are generally updated in line with the retail price index, whereas in the plans in other countries, pensions generally do not receive inflationary increases once in payment. With the exception of this inflationary risk in Sweden, the plans face broadly similar risks, as described below.

Pension insurance with Alecta and Collectum

The obligations for retirement pensions and family pensions under the ITP 2 plan (supplementary pension plan for industry and trade) for salaried workers in Sweden are secured through pension insurance with Alecta. In accordance with a statement by the Swedish Financial Reporting Board (UFR 3), this is a multi-employer defined benefit plan. For the 2013 financial year, the Group has not had access to information that would enable it to report its proportional share of the plan's obligations, plan assets and costs. As a consequence, it is not possible to report this plan as a defined benefit plan. The pension plan in accordance with ITP 2 is secured through insurance with Alecta and is therefore reported as a defined contribution plan. Premiums for defined benefit retirement and family pension plans are individually calculated and are dependent on salary, previously earned pension and the estimated remaining years of service. Fees in the next reporting period for ITP 2 insurance signed with Alecta are estimated to amount to SEK 9.7 M (9.5).

The collective funding ratio consists of the market value of Alecta's assets as a percentage of its insurance commitments, as calculated according to Alecta's actuarial calculation assumptions, which do not comply with IAS 19. The collective funding ratio is normally allowed to vary between 125 and 155 percent. If Alecta's collective funding ratio is less than 125 percent, or exceeds 155 percent, measures are to be taken to create the conditions for returning the funding ratio to the normal interval. If the funding ratio is low, a possible measure could be to raise the contracted price for subscribing new insurance and expanding current benefits. If the funding ratio is high, one possible measure can be to reduce the premium. At year-end 2013, Alecta's surplus in the form of its collective funding ratio was 148 percent (129).

Plan for severance benefits after termination of employment

The Group operates plans for severance benefits after termination of employment in which the employees have the right to post-employment benefits. These benefits are based on the employee's final salary and years of service. These plans exist primarily in Italy, India and Austria. The reporting method, assumptions and number of measurement periods are not the same as those for defined benefit pension plans. The plan for severance benefits after termination of employment in India is being reported for the first time as a defined benefit plan in the consolidated balance sheet and income statement. The effect of the initial value of the obligations has been recognized in the amount of SEK 1.7 M in the consolidated income statement.

Defined contribution plan under own management

In the United States, there is a defined contribution pension plan under the company's own management. There is also a defined contribution plan in Norway for a few senior executives.



The movement in the defined benefit obligation for pension plans was as follows over the year:

	Present value of obligation	Fair value of plan assets	Net total	Impact of minimum funding require- ment/asset ceiling	Total
At January 1, 2012 (Restated)	230.7	138.7	92.0	-	92.0
Current service cost	4.1	-	4.1	-	4.1
Past service cost	3.3	-	3.3	-	3.3
Interest expense/income	10.4	6.3	4.1	-	4.1
	17.8	6.3	11.5	-	11.5
Remeasurements:					
Return on plan assets, excluding amounts included in interest expense/income	-	18.5	-18.5	-	-18.5
Effect from change in financial assumptions	6.7	-	6.7	-	6.7
Experience changes	8.5	-	8.5	-	8.5
	15.2	18.5	-3.3	-	-3.3
Exchange differences	-4.4	-2.1	-2.3	-	-2.3
Contributions:					
Employers	-	13.1	-13.1	-	-13.1
Plan participants	0.2	0.2	0.0	-	0.0
Payments from plans:					
Benefit payments	-9.9	-9.9	0.0	-	0.0
Administrative expenses	-	-0.1	0.1	-	0.1
At December 31, 2012 (Restated)	249.6	164.7	84.9	-	84.9
At January 1, 2013	249.6	164.7	84.9	-	84.9
Current service cost	3.7	-	3.7	-	3.7
Past service cost	-0.7	-	-0.7	-	-0.7
Interest expense/income	10.0	6.8	3.2	-	3.2
	13.0	6.8	6.2	-	6.2
Remeasurements:					
Return on plan assets, excluding amounts included in interest expense/income	-	6.5	-6.5	-	-6.5
Effect from change in demographic assumptions	6.6	-	6.6	-	6.6
Effect from change in financial assumptions	2.4	-	2.4	-	2.4
Experience changes	-1.7	-	-1.7	-	-1.7
Change in asset ceiling, excluding amounts included in interest expense	-	-	-	1.4	1.4
	7.3	6.5	0.8	1.4	2.2
Exchange differences	-1.2	-2.7	1.5	-0.1	1.4
Contributions:					
Employers	-	10.6	-10.6	-	-10.6
Plan participants	0.2	0.2	0.0	-	0.0
Payments from plans:					
Benefit payments	-9.0	-9.0	0.0	-	0.0
Tax and administrative expenses	-0.3	-0.6	0.3	-	0.3
At December 31, 2013	259.6	176.5	83.1	1.3	84.4

Notes to the Financial Statements

The movement in the defined benefit obligation for post-employment benefits was as follows over the year:

	Present value of obligation	Fair value of plan assets	Net total
At January 1, 2012 (Restated)	5.1	-	5.1
Current service cost	0.3	-	0.3
Income expense/income	0.2	-	0.2
	0.5	-	0.5
Remeasurements:			
Effect from change in financial assumptions	0.6	-	0.6
Experience changes	1.4	-	1.4
	2.0	0.0	2.0
Exchange differences	-0.2	0.0	-0.2
Contributions:			
Employers	-	2.6	-2.6
Payments from plans:			
Benefit payments	-2.6	-2.6	0.0
At December 31, 2012 (Restated)	4.8	0.0	4.8
At January 1, 2013	4.8	-	4.8
Current service cost	0.5	-	0.5
Income expense/income	0.1	-	0.1
	0.6	-	0.6
Remeasurements:			
Experience changes	-0.1	-	-0.1
	-0.1	-	-0.1
Exchange differences	-0.1	-0.1	0.0
Contributions:			
Employers	-	1.3	-1.3
Payments from plans:			
Benefit payments	-1.3	-1.3	0.0
New plans	5.2	3.2	2.0
At December 31, 2013	9.1	3.1	6.0
Costs are distributed in the consolidated income statement as follows:	2013	2012	
Total costs for defined benefit pension plans	6.8	12.0	
Total costs for defined contribution pension plans	65.8	65.3	
	72.6	77.3	
Costs for special employer's contribution and tax on return	6.4	5.9	
Total pension cost	79.0	83.2	

Costs are distributed in the consolidated income statement as follows:

	Defined benefit pension plans		Post-employment benefits	
	2013	2012	2013	2012
Cost of goods sold	1.0	2.5	0.1	0.1
Selling costs	0.9	2.3	0.1	0.1
Administrative expenses	1.1	2.6	0.1	0.2
Financial items	3.2	4.1	0.2	0.1
Total	6.2	11.5	0.6	0.5

The defined benefit obligation and plan assets were composed by country as follows:

	U.K.	France	Germany	Norway	Canada	Other	Total
2012							
Present value of funded obligations	98.9	39.2	36.1	26.6	27.5	26.1	254.4
Fair value of plan assets	78.4	9.8	3.3	27.8	24.1	21.3	164.7
Total	20.5	29.4	32.8	-1.2	3.4	4.8	89.7
2013							
Present value of funded obligations	105.7	41.4	36.8	29.0	23.4	32.4	268.7
Fair value of plan assets	90.9	8.8	3.7	25.3	24.7	26.2	179.6
	14.8	32.6	33.1	3.7	-1.3	6.2	89.1
Impact of minimum funding requirement/asset ceiling	-	-	-	-	1.3	-	1.3
Total	14.8	32.6	33.1	3.7	0.0	6.2	90.4

The plan in Canada has a surplus that is not recognized on the basis that future economic benefits are not available to the entity in the form of a reduction in future contributions or a cash refund.

At the last valuation date, the present value of the defined benefit obligation was comprised of approximately SEK 78 M (73) relating to active employees, SEK 62 M (56) relating to deferred members, and SEK 126 M (126) relating to members in retirement.

The significant actuarial assumptions (as weighted average) were as follows:

Significant actuarial assumptions at the 2013 balance sheet date	U.K.	Eurozone excluding Austria ^{*)}	Austria	Norway	Canada	India
Discount rate	4.50	3.75 ^{*)}	3.50	4.00	4.75	9.3
Future annual salary growth rate	3.75	3.50	2.75	3.50	4.00	10% first 2 years, after which 8%
Inflation	3.40	2.50	2.50	0.10	2.50	

Significant actuarial assumptions at the 2012 balance sheet date	U.K.	Eurozone excluding Austria ^{*)}	Austria	Norway	Canada
Discount rate	4.60	3.75 ^{*)}	3.75	3.80	4.20
Estimated return on plan assets	5.00	4.50	4.50	4.80	5.25
Future annual salary growth rate	3.75	3.50	2.75	3.25	4.00
Inflation	2.60	2.50	2.00	0.20	2.50

^{*)} The exception is Italy, where the discount rate has been set at 3.25% (3.25).

Assumptions regarding future mortality are set on the basis of actuarial advice in accordance with published statistics and experience in each country. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	Netherlands	U.K.	France	Germany	Norway	Canada	Austria
Retiring at the end of the reporting period:							
Male	21	23	21	19	23	20	20
Female	24	25	21	23	23	22	24
Retiring 25 years after the end of the reporting period:							
Male	24	25	21	22	25	22	24
Female	25	27	21	26	25	23	27

Were the discount rate used to increase/decrease by 0.5 percentage points from management's estimates, the carrying amount of pension obligations would be an estimated SEK 16 M (16) lower or SEK 18 M (18) higher.

Plan assets in defined benefit obligations consisted of the following:

	2013		2012	
Equity instruments	64.6	36%	75.5	46%
Interest-bearing securities	30.1	17%	26.4	16%
Property	3.7	2%		
Cash and other cash equivalents				
than cash in hand	15.2	9%	62.8 ¹⁾	38%
Insurance policy that is a				
plan asset	63.6	36%		
Total	177.2		164.7	

1) Plan assets in 2012 were not distributed by "Buildings", "Cash and other cash equivalents than cash in hand", and "Insurance policy that is a plan asset".

There are no plan assets for post-employment benefits.

Through its defined benefit pension plans and post-employment benefits, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

As the plans mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities.

However, due to the long-term nature of the plan liabilities, the Group believes that a level of continuing equity investment is an appropriate element of the Group's long-term strategy to manage the plans efficiently. See below for more details on the Group's asset-liability matching strategy.

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the bond holdings in the plans.

Inflation risk

Some of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the obligations in the plans are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities in the plans. This is particularly significant in the plan in Sweden, where inflationary increases result in higher sensitivity to changes in life expectancy.

In case of the funded plans, the Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the processes used to manage its risks from previous periods. The Group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2013 consisted of equities, although the Group invests in interest-bearing securities, property, cash and insurance solutions. The Group believes that equities offer the best returns over the long term with an acceptable level of risk.

The weighted average duration of the defined benefit obligation is 14.2 years.

Undiscounted pension and post-employment benefits are estimated to amount to SEK 8.4 M in 2014 (8.1).

Note 44. Other provisions

	Post-employment benefits	Warranty commitments	Other items	Total
At January 1, 2012	2.3	32.5	12.1	46.9
Charged to the consolidated income statement				
– Additional provisions	1.2	18.5	25.5	45.2
– Unused amounts reversed	-0.9	-13.3	-10.6	-24.8
Exchange differences	-0.1	-1.5	-0.5	-2.1
Used during the year	–	-7.2	-8.5	-15.7
At December 31, 2012	2.5	29.0	18.0	49.5
Of which:				
Non-current portion	2.5	20.1	8.2	30.8
Current portion	–	8.9	9.8	18.7
At December 31, 2012	2.5	29.0	18.0	49.5

Notes to the Financial Statements

	Post-employment benefits	Warranty commitments	Other items	Total
At January 1, 2013	2.5	29.0	18.0	49.5
Charged to the consolidated income statement				
– Additional provisions	1.0	29.7	5.8	36.5
– Unused amounts reversed	-0.1	-13.5	-9.7	-23.3
Exchange differences	-0.2	-14.1	-6.1	-20.4
Used during the year	–	–	0.2	0.2
At December 31, 2013	3.2	31.1	8.2	42.5

Of which:

Non-current portion	3.2	21.5	2.3	27.0
Current portion	–	9.6	5.9	15.5
At December 31, 2013	3.2	31.1	8.2	42.5

Warranty commitments

In certain cases the Group provides guarantees for projects that involve measures to replace or repair defect products. The provisions are based on the estimated probability of the warranty commitments. New provisions for warranty commitments were made during the year as the project-based Power Systems business unit expanded its business.

Other items

Other items include provisions for future legal disputes.

Note 45. Accrued expenses and deferred income

	Group		Parent Company	
	2013	2012	2013	2012
Accrued interest expenses	5.4	8.2	3.7	6.3
Accrued personnel expenses	230.6	207.7	31.0	25.8
Accrued commission expenses	15.3	11.2	–	–
Accrued consulting fees	10.1	9.2	1.6	1.8
Accrued costs for completed projects	12.4	31.6	–	–
Other accrued expenses and deferred income	53.6	53.1	5.9	1.6
Total	327.4	321.0	42.2	35.5

Note 46. Pledged assets

	Group	Parent Company		
	2013	2012	2013	2012
For own liabilities and provisions				
For other liabilities				
– Chattel mortgages	1.3	2.1	–	–
Total	1.3	2.1	–	–

Note 47. Contingent liabilities

	Group		Parent Company	
	2013	2012	2013	2012
Warranty commitments	238.7	237.9	197.5	200.7
Total	238.7	237.9	197.5	200.7
Of which contingent liabilities on behalf of other Group companies	–	–	152.0	152.3

Warranty commitments are made primarily within the Power Systems business unit.

Note 48. Adjustments for items not included in cash flow

	Group		Parent Company	
	2013	2012	2013	2012
Depreciation and amortization	140.0	137.6	12.0	9.8
Capital gain on divestment of business unit	–	-76.1	–	–
Provisions	-15.3	-0.5	–	–
Interest component in pension expenses according to IAS 19	-10.1	-10.6	–	–
Return on pension plan assets	6.8	6.9	–	–
Derivative financial instruments recognized as hedges	1.1	0.7	16.6	-5.7
Other	6.7	9.2	5.4	0.9
Total	129.2	67.2	34.0	5.0

Note 49. Related party transactions

Intra-Group purchases and sales

In the Parent Company, 100 percent (100) of sales for the year consisted of sales to Group subsidiaries. No purchases were made by the Parent Company from Group companies.

Purchases and sales between Group companies are made on an arm's length basis. The internal price is based on the actual production cost plus a margin. When setting the margin, business risks and market prices are taken into account, among other factors.

Sales to related parties:

Group (SEK M)	2013	2012
Jungfrutomten AB	17	17
Södra Djursjukhuset	18	51
Swede Ship Marine	36	0
Total	71	68

Purchases of goods and services from related parties:

Group (SEK M)	2013	2012
Industriekonomi Eric Giertz AB	0.6	0.3
KTH Executive School AB	0.8	0.8
Resolvator	0.0	0.0
Rustad Eiendom AS	2.1	4.6
Silvan Hills Holding	2.5	2.5
Solution Air	0.3	–
Svensk Ventilation	0.4	0.5
Trosa Stadshotell AB	2.7	1.8
Åda Golf & Krog	0.1	0.1
Total	9.5	10.6

Purchases and sales were on market terms.

Camfil (Canada) Inc. rents a building used for its operations from Silvan Hills Holding, which is owned by Michael Dobbs, sales manager in Canada for Comfort Air and Clean Processes.

Camfil Norge AS rents premises in Oslo and Trondheim from Rustad Eiendom AS, which is owned by the former owners of Camfil Norge AS. One of these owners is an employee of Camfil Norge AS.

Operating liabilities attributable to related parties:

Group	2013	2012
Industriekonomi Eric Giertz AB	0.0	0.1
KTH Executive School AB	–	0.0
Trosa Stadshotell AB	0.1	0.0
Total	0.1	0.1

Key management compensation

Principles

Fees are paid to the Chairman of the board and board members in accordance with the decision of the Annual General Meeting. No fees are paid to union representatives. Compensation paid to the President and other key management members consists of basic salary, variable salary, other benefits, pension and financial instruments. Other key management members in the Parent Company refers to the Group's Executive Vice President and Group Management members, who together comprise the executive management team of the Group along with the President.

Basic salary

Basic salary is to constitute the basis for total compensation. Salary should be related to the relevant market and reflect the extent of the responsibilities associated with the position. Basic salary is to be reviewed annually to ensure that it is market-based and competitive.

Variable salary, STIs (Short Term Incentives)

In addition to basic salary, key management members may qualify for variable salary for profits that exceed one or several predetermined performance levels during a financial year. Variable salary is based on the company's financial results and individually set performance goals. Variable salary is maximized when the underlying goal result is exceeded by 25 percent. The portion of variable salary based on goals varies between two months of salary and 50 percent of basic salary.

Pension

Pension agreements are to be defined contribution plans, if possible, and formulated in accordance with the level and practice applicable in the country in which the key management member is employed.

The Group basically has only defined contribution pension plans for key management members. The pension expense refers to the cost that has impacted profit for the year. The retirement age for the President is 65 years. The pension premium is to amount to 35 percent of pension-based salary. Pension-based salary consists of basic salary and the variable salary paid in the most recent year. The retirement age for other key management members varies between 60 and 65 years.

Period of notice and severance pay

A six-month period of notice applies between the President and the company if the President resigns, and a 12-month period of notice if the company terminates his employment. When the company terminates the President's employment, the President will receive severance pay corresponding to 12 months of salary. Severance pay is not deducted from other income. If the President resigns, he receives no severance pay. Severance pay for other key management members varies between six and 12 months of salary.

Parent Company/ Group 2013	Basic com- pensation	Social security contribu- tions, excluding pension costs	Pension costs	Com- pensa- tion from other Group com- panies	Total
Jan Eric Larson, Executive Chairman	3.0	0.3			3.3
Johan Markman, Vice Chairman	2.0	0.7			2.7
Carl Wilhelm Ros, Director	0.3	0.0			0.3
Magnus Yngen, Director	0.3	0.1			0.4
Erik Giertz, Director	0.3	0.1		0.1	0.5
Mats Lönnqvist, Director	0.3	0.1			0.4
President	8.6	3.4	2.9		14.9
Other key manage- ment members (8)	14.3	5.1	3.7		23.1
Total	29.1	9.8	6.6	0.1	45.6

Parent Company/ Group 2012	Basic com- pensation	Social security contribu- tions, excluding pension costs	Pension costs	Com- pensation from other Group com- panies	Total
Jan Eric Larson, Executive Chairman	3.0	1.0			4.0
Johan Markman, Vice Chairman	2.0	0.6			2.6
Carl Wilhelm Ros, Director	0.4	0.0			0.4
Magnus Yngen, Director	0.3	0.1			0.4
Erik Giertz, Director	0.4	0.1		0.1	0.6
Mats Lönnqvist, Director	0.4	0.1			0.5
Christer Zetterberg, Director	0.0	0.0			0.0
President	6.7	2.6	1.9		11.2
Other key manage- ment members (2)	8.1	2.8	2.1		13.0
Total	21.3	7.3	4.0	0.1	32.7

Basic remuneration for the 2013 financial year included expensed bonuses, which are paid in 2014. Key management members have a company car benefit amounting to SEK 0.5 M. The company does not have pension costs for board members.

Preparation and decision-making process for remuneration

The formal work plan for the board states that remuneration paid to the President and Executive Vice President is to be proposed by the Remuneration Committee. This committee consists of the Executive Chairman, the Vice Chairman and two other board directors. Since the

Notes to the Financial Statements

Annual General Meeting in 2013, these committee members have been Jan Eric Larson, Johan Markman, Mats Lönnqvist and Eric Giertz.

Audit Committee

Board members serving on the Audit Committee included Johan Markman, Vice Chairman, and Mats Lönnqvist, Director.

Financial instruments

Convertible debentures held by the President and other key management members are shown below:

	Number of convertible debentures
President	8,000
Other key management members	66,400
Total	74,400

The terms and conditions of the program are described in Note 42.

Note 50. Exchange rates

The following exchange rates were used when preparing the consolidated year-end accounts:

Currency	Average rate	Rate on closing date	Currency	Average rate	Rate on closing date
USD	6.5140	6.4142	GBP	10.1863	10.6061
EUR	8.6494	8.8358	CHF	7.0256	7.2069
CAD	6.3259	6.0238			

Note 51. Definitions of key ratios

EBIT margin (operating margin)

Earnings before financial items, appropriations and taxes, as a percentage of sales.

EBT margin (profit margin before tax)

Earnings before tax, as a percentage of sales.

Equity ratio

Equity as a percentage of total assets.

Interest-bearing net debt

Interest-bearing liabilities less cash and cash equivalents and other interest-bearing receivables, such as derivative financial instruments.

Debt-equity ratio (gearing ratio)

Interest-bearing net liabilities as a percentage of equity.

Capital employed

Total assets less non-interest-bearing liabilities including non-interest-bearing provisions. Average capital employed is calculated as capital employed at January 1 plus capital employed at December 31 divided by two.

Return on capital employed

Profit after financial items plus financial expenses as a percentage of average capital employed.

Return on equity

Profit after tax as a percentage of average equity. Average equity is calculated as equity at January 1 plus equity at December 31 divided by two.

Investments

Investments in intangible assets and property, plant and equipment.

The income statement and balance sheet were presented for adoption by the Annual General Meeting on March 25, 2014.

Jan Eric Larson
EXECUTIVE CHAIRMAN

Johan Markman
VICE CHAIRMAN

Magnus Yngen
DIRECTOR AND PRESIDENT

Eric Giertz

Mats Lönnqvist

Carl Wilhelm Ros

Christer Stavström
EMPLOYEE REPRESENTATIVE

Our audit report was submitted on March 25, 2014.

Carina Åkesson
AUTHORIZED PUBLIC ACCOUNTANT

Mikael Winkvist
AUTHORIZED PUBLIC ACCOUNTANT

Auditors' Report

TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF CAMFIL AB

Corporate identity number 556230-1266

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Camfil AB for the year 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 38-86.

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

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

Responsibility of the auditors

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

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

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of December 31, 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared

in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of December 31, 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the Annual Meeting of Shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

Report on other legal and regulatory requirements

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

Responsibilities of the Board of Directors and the President

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

Responsibility of the auditors

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

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

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

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

Opinions

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

Stockholm, March 25, 2014

Carina Åkesson
AUTHORIZED PUBLIC ACCOUNTANT

Mikael Winkvist
AUTHORIZED PUBLIC ACCOUNTANT

Group Management



Back row from left:

Dan Larson

Vice President Operations, Camfil. Employed by Camfil in 2008. Holds 3,900 convertible debentures.*

Alain Bérard

Senior Vice President Sales & Marketing, Camfil. Employed by Camfil in 1995. Holds 20,000 convertible debentures.*

Tomas Bräne

Chief Information Officer (CIO), Camfil. Employed by Camfil in 2011. Holds 3,900 convertible debentures.*

Erik Markman

Vice President Project Management Office, Camfil. Employed by Camfil in 2009. Holds 3,900 convertible debentures.*

Per Sporrøng

Vice President Group Sourcing. Employed by Camfil in 2002. Holds 1,900 convertible debentures.*

Jan-Erik Dantoft

Chief Technology Officer (CTO), Camfil. Employed by Camfil in 2012. Holds 1,100 convertible debentures.*

Front row from left:

Anders Sundvik

Vice President R&D, Camfil. Employed by Camfil in 2002. Holds 3,900 convertible debentures.*

Johan Ryrberg

Executive Vice President and CFO, Camfil; Executive Vice President, Camfil AB. Employed by Camfil in 1995. Holds 25,000 convertible debentures.*

Magnus Yngen

Chief Executive Officer, Camfil; President, Camfil AB. Employed by Camfil in 2013. Holds 8,000 convertible debentures.*

Eva Bergenheim-Holmberg

Vice President Human Resources & Internal Communication, Camfil. Employed by Camfil in 2010. Holds 3,900 convertible debentures.*

Auditors: Carina Åkesson (b. 1959), Authorized Public Accountant, Öhrlings Pricewaterhouse Coopers AB. Elected Auditor for Camfil AB in 1995.
Mikael Winkvist (b. 1962), Authorized Public Accountant, Öhrlings Pricewaterhouse Coopers AB. Elected Auditor for Camfil AB in 2012.

*One convertible debenture is equal to one share upon conversion.

Board of Directors



Jan Eric Larson, born 1947. Executive Chairman. Elected to Camfil's board in 1983. Chairman, Swede Ship Marine. Board member, Trosa Stadshotell and various other Camfil companies. Holds 2,965,000 shares.



Johan Markman, born 1949. Vice Chairman. Elected to Camfil's board in 1983. Chairman, Atteviks Bil, Trosa Stadshotell, Quickbutton and Recognus. Managing Director, Jungfrutomten. Board member, various Camfil subsidiaries and other companies. Holds 2,460,000 shares.



Eric Giertz, born 1949. Elected to Camfil's board in 1992. Professor in Industrial Economics and Management at the Royal Institute of Technology (KTH) in Stockholm. Chairman, KTH Executive School. Board member, Einar Mattsson Byggnads AB. Member of the Royal Academy of Engineering Sciences. Holds 2,300 convertible debentures.*



Mats Lönnqvist, born 1954. Elected to Camfil's board in 2000. Chairman, Evidensia Djursjukvård, Midstar Hotel Properties and Ovacon. Board member, Biolin Scientific, Bordsjö Skogar, Payair Technologies, Resolvator, Spendrups Bryggeri, Sveafastigheter Funds, Det Østasiatiske Kompagni and other companies. Holds 2,300 convertible bonds.



Carl Wilhelm Ros, born 1941. Elected to Camfil's board in 1999. Board member, INGKA (IKEA Holding) AS. Member of the Royal Academy of Engineering Sciences. Holds 2,300 convertible debentures.*



Magnus Yngen, born 1958. Chief Executive Officer, Camfil; President, Camfil AB. Elected to Camfil's board in 2012. Chairman, Sveba-Dahlen AB. Board member, Dometic Group AB, Duni AB and Intrum Justitia. Holds 8,000 convertible debentures.*



Christer Stavström, born 1951. Employee representative on the board since 2012 (deputy member since 2001). Employee representative on the board of Camfil Svenska AB.

Deputy Board Members: *Dan Larson*, born 1980. Holds 345,000 shares. *Erik Markman*, born 1978. Holds 345,000 shares.

*One convertible debenture is equal to one share upon conversion.

Five-Year Summary – Camfil Group

See Note 51 for definitions	2013	2012	2011	2010	2009
Income statement					
Net sales	4,906	4,865	4,851	4,575	4,503
Operating income	516	561	490	471	417
Profit after financial items	443	469	400	435	376
Tax	-110	-128	-114	-124	-112
Profit for the year	332	341	286	311	264
Balance sheet					
Goodwill and other intangible assets	917	933	945	898	896
Property, plant and equipment	786	763	759	746	809
Financial assets	102	105	98	58	107
Inventories	986	960	760	558	583
Cash and cash equivalents	651	406	487	485	443
Other non-current assets	1,081	1,065	981	890	826
Assets	4,523	4,232	4,030	3,635	3,664
Equity	1,394	1,130	921	2,037	1,931
Interest-bearing liabilities	1,777	1,768	2,076	764	893
Interest-free liabilities	1,352	1,334	1,033	834	828
Equity and liabilities	4,523	4,232	4,030	3,635	3,664
Cash flow					
Cash flow from operating activities	442	363	319	385	617
Cash flow from investing activities	-174	-82	-183	-136	-149
Cash flow from financing activities	-16	-353	-133	-167	-244
Cash flow for the year	252	-72	3	82	225
Key ratios					
Operating margin, EBIT	10.5%	11.5%	10.1%	10.3%	9.3%
Profit margin before tax, EBT	9.0%	9.6%	8.2%	9.5%	8.4%
Equity ratio	31%	27%	23%	56%	53%
Interest-bearing net liabilities	1,093	1,293	1,552	249	399
Net debt-equity ratio (gearing ratio)	78%	112%	168%	12%	21%
Return on capital employed	20.3%	21.0%	21.7%	21.4%	17.4%
Return on equity	26.1%	32.8%	19.3%	15.6%	13.9%
Investments	175	195	163	134	163
Employees (average for the year)	3,507	3,428	3,484	3,346	3,249