

Annual Report 2012



INWIDO

Great Windows & Doors

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The business of

At Inwido, we make great environmentally friendly windows and doors. But we are actually all about well-being. When we develop our products, we focus on human needs. How can we optimize your comfort, security and energy efficiency with smart, user-friendly home improvement solutions?

As a company, we are in the middle of an exciting journey. We have good growth potential, a sturdy business model and a devoted, skilled workforce. In addition, we are one of the most profitable companies in the industry. On the following pages, we present our strategies, the forces that shape us, and how we see our future in the business of people's well-being.

well-being



This is Inwido

Key figures 2012

4,607
SEKm

Net sales

7.8%

Operating margin*
(EBITA)

358
SEKm

Operating profit*
(EBITA)

3,287

Average number, employees

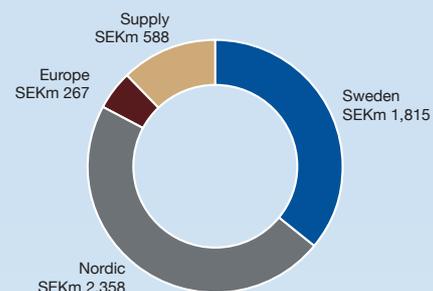
Our mission

Smart homes to improve people's well-being.

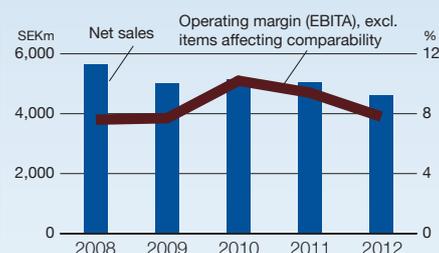
Our vision

We will be Europe's leading supplier of environmentally friendly windows and doors by focusing our resources, products and services on people's needs. By always assuming the consumer's perspective, we improve people's well-being.

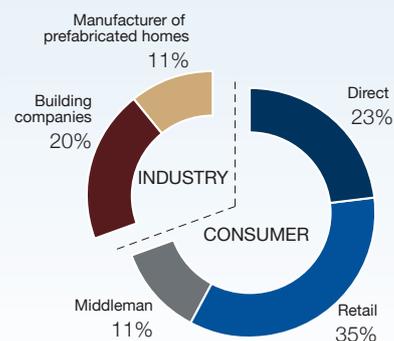
Net sales per segment



Net sales & operating margin



Customer break-down



Complete five-year financial overview on page 82.

*Excluding items affecting comparability.

2012 in brief



Indoors become outdoors: Thermo HS Sliding doors from Sokolka have a lift-and-slide-system that does not limit interior space and that facilitates architectural creativity.

Our markets

Inwido has operations in Sweden, Norway, Finland, Denmark, the UK, Ireland, Poland and Russia.



Inwido brands



Net sales decline: Net sales amounted to SEK 4,607 million, a decline of 6 percent when adjusted for currency and structural effects compared to previous year.

Stable gross margins: Improved efficiency resulted in stable gross margins despite decreased volumes.

Continued strong cash flow: The company's strong cash flow enabled Inwido to reduce net debt by SEK 240 million.

Home Improvement sold: Divestment of all shares in subsidiary Inwido Home Improvement AB. Supply is now refined to a primary segment of its own.

Consumer archetypes mapped: Conducted in Sweden, Denmark, Finland and Norway. The survey resulted in important findings about market trends and consumer archetypes.

Innovative competition: Successful completion of Inwido Compete and Incubate Innovation Challenge, in cooperation with Swedish incubator Ideon in Lund.

Turnaround in Europe: Significant profit improvement in our European markets.

New markets: Outlined green field strategy for new markets in Europe with Austria as first stop.

Investing in human resource: Started a management audit process for the management teams in Inwidos business units, and for the leaders below.

New managers: New managing directors appointed for Sweden, Norway, Europe, Poland and Russia.

Developing our leading position in the industry



Håkan Jeppsson
President and CEO

Fixed and ready: A fixed frame is a good solution when you want large glass openings. This one from Inwido's Lyssand brand is also fitted with aluminium on the outside for limiting the need for maintenance.

Increasing efficiency and profitability, focusing further on developing new products and finding the right people for the tasks – these are a few of the important steps that Inwido is currently undertaking.

Not according to our expectations but at the same time reassuring. This somewhat contradictory impression is what comes to mind when I summarize Inwido's performance in 2012. On one hand, we are disappointed that we did not reach our financial goals. Adjusted net sales fell by six percent while our operating margin reached 7.8 percent. On the other hand, we still managed to turn the trend during the second half of the year in a challenging market, delivering an operating margin exceeding 10 percent. This reassures me that, with our strategic focus on improving consumers' well-being, we are on the right track towards becoming a consumer-driven company.

The past years have affected the economy negatively at many levels. Naturally, this also impacts our business through declining volumes. With this in mind, I am satisfied with the fact that we managed to increase our market share in most of our markets in 2012. Inwido Denmark, in particular, performed well. In the second half of 2012, we also managed to turn Inwido Europe from loss to break-even for the first time. We are progressing from low levels, but it is nevertheless promising that we are now capturing market shares and delivering positive earnings. All in all, I am convinced that this is the result of our hard operational work and that we made the right decision during the previous downturns in 2008 and 2009, to maintain our focus on cost-efficiency and how to reach end-consumers.

On the downside, Inwido Sweden did not expand the way we hoped in 2012. Development in the consumer market was weaker than we anticipated, with overcapacity in our factories as a consequence. However, we have now adapted to the right levels and are constantly trimming our costs and adjusting our structures where needed.

Let me also make a few comments on what lies ahead of us. In the near future, we will be focusing on fine tuning our operations, rather than building capacity for additional volumes. In the long run, however, we see several growth opportunities since the underlying need for new-build and renovated homes is already considerable around Europe. At the same time, awareness of the need for sustainable products and solutions is growing among consumers. This opens up possibilities for us to further compete against materials like plastic, with our wood-based products. To meet these needs, we must continue to closely monitor consumer trends, develop and launch new product solutions and concepts as well as accessories.

Among our major initiatives during 2012 I would like to point out a few that have a particular bearing on the future. First, our strategy to move from being a production oriented company to one that is consumer-driven was refined and clarified even further. We divide our strategic ambitions into three areas: market, products and efficiency. In addition to this, we have complemented our market strategy with a green-field plan. The first step will be taken in 2013, when Inwido will establish a presence in certain selected markets on the European continent. Simultaneously, we will continue to identify synergies and build effective distribution across the group.

Secondly, in 2012, we acquired a high-tech firm in Sweden. This is actually a milestone – we can now combine all of our knowledge in wood and craftsmanship with knowledge in important new technologies. Product development is key to our business, and this will give us further competence in developing the next generation of solutions and products for the smart home, with consumer well-being in mind.

Thirdly, we successfully sold our Home Improvement-business, mainly because we found that it did not fit with our future plans. This improves our opportunities to enhance efficiency and focus on developing the right products and services for future consumer needs within windows and doors.

While on the subject of our strategic focus on innovation, there is a fourth event I would like to mention: the Inwido Compete and Incubate Innovation Challenge, an activity we conducted in cooperation with Swedish incubator Ideon in Lund. The basic idea is quite daring in today's competitive business climate – to innovate in public. During ten weeks, students, professors, entrepreneurs and external businesses were invited to compete with new ideas on products and concepts in windows and doors. The challenge was a great success, and we ended up with at least seven possible business ideas on which we are now working.

Finally, I would like to emphasize the importance of our co-workers. During 2013, we will continue our journey from being a fragmented organization towards one group with a lean approach and the best cost efficiency in the business. This makes HR an important strategic tool – we need to secure not just the right future competences, we also need to ensure that we have the right leaders for the tasks at hand. I am convinced that if we have the right people for the business, working in smart ways and with the courage to improve, we will be able to serve the market with the next generation of windows and doors – securing our competitive position for the long term.

MALMÖ, SWEDEN IN FEBRUARY 2013

Håkan Jeppsson,
President and CEO



Trends that shape the home sector

- ▶ **Nesting for togetherness:**
Seeking belonging and shelter from the turbulent times ahead
- ▶ **Light and landscaping windows:**
When space becomes a scarcity, the importance of light increases
- ▶ **Making everything smarter:**
Technology that shapes the future of the home
- ▶ **Downscaling:** Urbanization leads to more compact living
- ▶ **Return of craftsmanship & tradition:**
The handmade and the old is back
- ▶ **Rurbanism rules:** City people long for the countryside
- ▶ **Personal energy is the new currency:** Stressed-out consumers are won-over by solutions that simplify life, saving them their personal energy

The biggest bunch

1

Motto: "My home is my castle"

Born: 1950s or 1960s

Accounts for: 66 percent of homeowners

In an unsafe world, customers in this category see their homes as sanctuaries where they can feel safe and relaxed. It is the home itself that matters, not where it is situated. Family and close friends are of great importance to this group. In many regards, they represent the average person – and are quite happy with that.

How we adapt to the changing world around us

The major part of our business is closely connected to the consumer market. Consequently, understanding how the outside world affects our consumers and their choices is essential to us.

About 70 percent of our business derives from the consumer market. Furthermore, most of our industrial customers have consumers as their end users. That means we must understand not only the major forces that affect the new-build and renovation markets, such as GDP growth, disposable income, interest rates, environmental

development and local regulations – as a consumer-oriented company, we must also understand the trends that drive home-owners' decision making.

Windows and doors have a great impact on people's sense of well-being. They affect exposure to daylight, sense of security, indoor climate, environmental impact – and, of course, energy bills.

In addition, the way people view their homes is not constant. Priorities and habits change constantly. For example, global urbanization means that more people will move to cities where space is scarce, and digilization means that we are presented with new opportunities, such as controlling functions like home alarm and security settings remotely.

Meet our seven archetypical consumers

To help us pinpoint future needs and continue offering innovative products, we conducted a market survey in 2012.

In this survey, in collaboration with consultancy agency Kairos Future, we identified seven trends that shape the future of our homes. We also identified seven key consumer archetypes (see this and the next spread). The survey was conducted in Sweden, Denmark, Finland and Norway, but the archetypes are applicable to all of our markets.

These archetypes are one way in which we attempt to categorize our consumers, and they are of great importance to us. We use them to guide our brand strategies, in our marketing efforts and when we develop new products. By mapping our decisions against the archetypes, we ensure that we are meeting our consumers' different needs at all the right levels.

Please note that an individual is often a combination of several types and that the percentages stated do therefore not equal a sum of 100 percent.



The status seeker

Motto: *"One day my home will stun you all"*

Born: 1970s or later

Account for: 27 percent of homeowners

The status seeker is convinced that there is a dream house out there – they just haven't found it yet. They are very aware of the neighbourhood and want to live in certain areas with the "right" type of people. What others think influences them a lot – perhaps because they are still in the process of finding their own style and identity.

2



The indifferent

Motto: *"More important things in life than the home"*

Born: 1950s or 1960s

Account for: 22 percent of homeowners

This group is somewhat the opposite of the home connoisseurs: Why spend unnecessary time, money and energy when the home already works as it should? As long as the home is clean and functional, they are satisfied. The fact that they rarely get compliments from friends about their homes does not bother them.

3

Meet our seven archetypical consumers



The social gatherer

4

Motto: "Welcome to my home"

Born: 1970s or later

Account for: 33 percent of homeowners

This group feels that a home says a lot about the owner's identity. It is not just a place to sleep and store stuff – it is an extension of themselves. They are great hosts and enjoy social gatherings. Since they know that their friends will have opinions about their homes, they prefer their interior to be new, tidy and a bit on the impressive side.

The economist

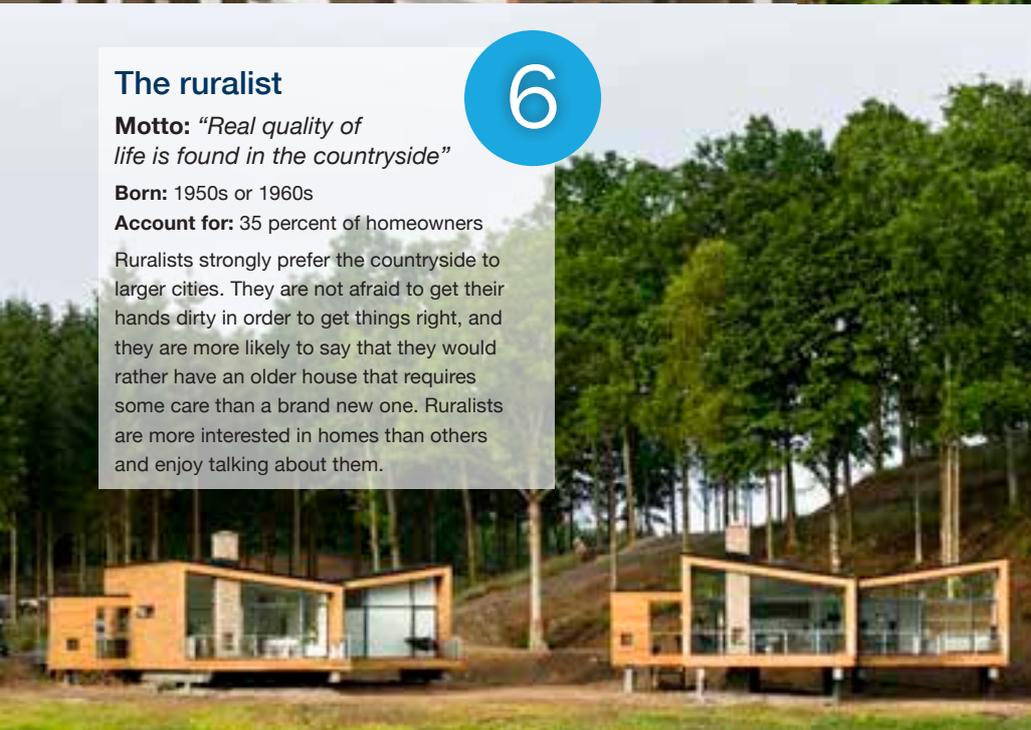
5

Motto: "Energy waste is a sin"

Born: 1950s and 1960s

Account for: 33 percent of homeowners

This group might claim that they make modifications to make their home more energy efficient for the sake of the climate, but they willingly admit that there is also a financial upside for them – a smaller energy bill. Members of the economist segment are normally older than average, and already settled in the home of their choice.



The ruralist

6

Motto: "Real quality of life is found in the countryside"

Born: 1950s or 1960s

Account for: 35 percent of homeowners

Ruralists strongly prefer the countryside to larger cities. They are not afraid to get their hands dirty in order to get things right, and they are more likely to say that they would rather have an older house that requires some care than a brand new one. Ruralists are more interested in homes than others and enjoy talking about them.

The home connoisseur

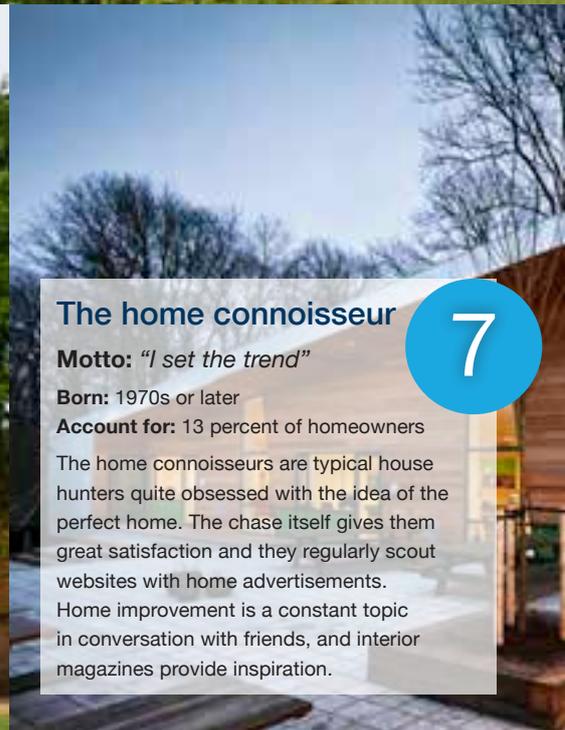
7

Motto: "I set the trend"

Born: 1970s or later

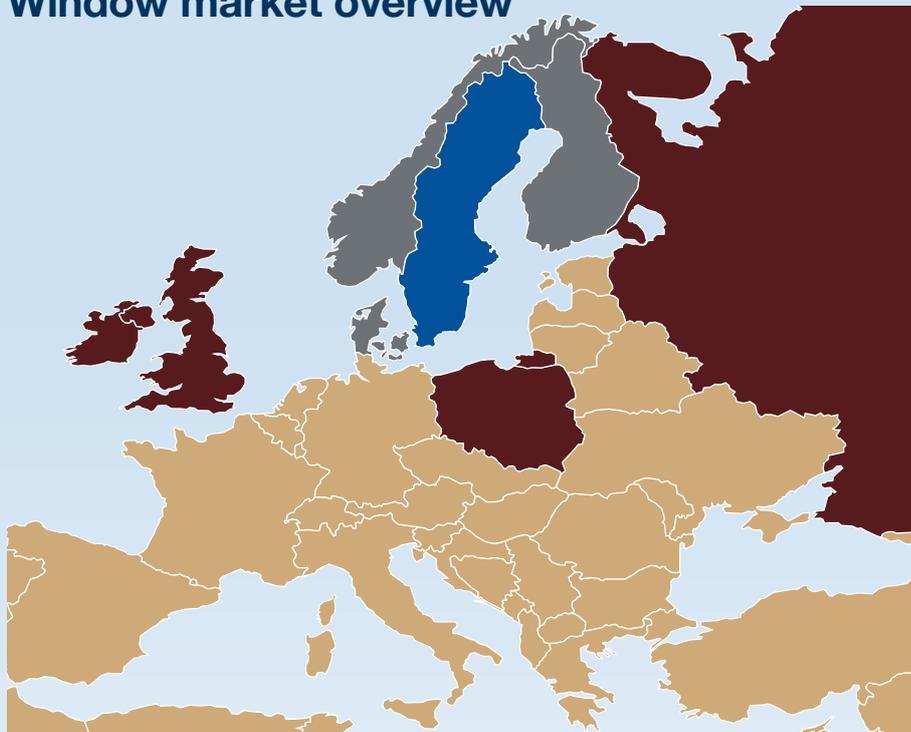
Account for: 13 percent of homeowners

The home connoisseurs are typical house hunters quite obsessed with the idea of the perfect home. The chase itself gives them great satisfaction and they regularly scout websites with home advertisements. Home improvement is a constant topic in conversation with friends, and interior magazines provide inspiration.





Window market overview



Our largest window markets*

Market	Approx. market value EUR million	Approx. wood share %	Inwido market position
Sweden	580	90	1
Denmark	590	80	2
Norway	400	90	4
Finland	290	100	1
UK	1950	20	5 (in wood)
Poland	1100	20	3 (in wood)
Russia	4500	10	3 (in wood)
Ireland	100	20	3 (in wood)

* Sources: Local industry organizations information, Inwido's estimates.

Inwido's markets are very different from one another. In our strongest markets, the Nordic region, wood and wood/aluminium products dominate. In other European countries, such as the UK and Poland, plastic products still dominate. Generally, the Nordic markets are relatively consolidated – normally with two to four local players dominating. The other European markets are far more fragmented.

Current, generally weak market trends mean that Inwido will continue to assess and implement structural adjustments. However, in the long term, we see that the underlying need for new and improved homes is considerable.

From production orientation to consumer well-being

Market

Strategic ambitions

Create a consumer-driven company with top-class sales and marketing.

Grow with profitability in selected European markets, segments and distribution channels.

Group financial targets

5%

Annual organic growth

12%

EBITA margin

Products

From an end-user perspective develop the next generation's smart and innovative window and door concepts together with accessories for:

- lower cost of living
- green environment
- smart design
- higher security
- enhanced user friendliness

Efficiency

Together, in one coordinated group with the right leadership, cooperation and a lean approach, reach maximum operational efficiency.

Strive to have the best people and competences for the business.

The Inwido journey so far

How it all began: 1996-99

- Merger of Myresjöfönster and Elitfönster
- New management team



Swedish expansion: 2000-04

- Add-on acquisitions
- Focus on brands and product portfolio



Inwido aims at being the leading European supplier of environmentally friendly windows and doors. To achieve our future goals, we are on a journey from production orientation to consumer focus.

Achievements 2012

- Outlined green-field strategy for new markets.
- Implemented market-driven strategies in all markets.
- Turn-around of European markets through consumer-oriented strategy.
- Increased market share in windows in most markets.

- Established group function for Research and Development.
- Product assortment expansions through cross-border launches and activities.
- Successful completion of Compete & Incubate Innovation Challenge with Swedish incubator Ideon.
- Acquired technology company with focus on developing next generation smart products.

- Efficiency improvement in emerging markets through intensified consumer channel strategy.
- Organizational changes in Sweden, Norway and Finland.
- Implemented processes and guidance for cross border sales.
- Successful cost savings across the board.

Focus 2013

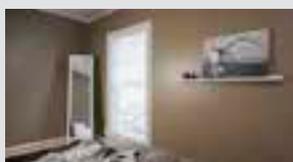
- Further develop sales competence.
- Expand market presence in selected countries.
- Intensified consumer channel strategy.
- Prioritize pricing initiatives.

- Launch new products and accessories.
- Define and develop future product areas.
- Develop new technologies.
- Harmonize group product platforms.

- Implement lean thinking as a business driver.
- Increase and further coordinate group synergies.
- Continued structural changes and increased productivity.

Nordic expansion: 2005-08

- Acquiring leading local companies
- Sourcing synergies
- Entry into selected European markets



One Group: 2009-12

- Consolidation
- Revitalizing strategy
- Competence shift
- Consumer focus emphasized



One group efficiency, with local flexibility

Since Inwido operates in different countries, we must be able to adapt to local variations in our consumers' culture, preferences and economy. To manage this, we have created an organization that combines one-group efficiency with local flexibility.

In developing our business, we always start with consumer insight. That means our organization must allow for a decentralized responsibility structure where the operating companies have a mandate to make necessary decisions based on local consumer insights and market circumstances. At the same time, we must keep the big picture in mind and secure synergies, innovation and processes at the corporate level.

Inwido's primary segments are Sweden, Nordic, Europe and Supply. To ensure that we can meet both local needs and corporate goals, our organization can be divided in two dimensions: local business areas and supporting group functions.

Business areas: The operating companies are organized into six different business areas: Sweden, Denmark, Finland, Norway, Europe and Supply.

This allows for effective decision making when deep local knowledge is required; for example in sales, operations or human resources.

Supporting group functions: Four group functions are managed at the corporate level. These are:

1. Finance & Administration
2. Operations & Development
3. Human Resources, Organization & Sustainability
4. Marketing, Sales & Communication

Each support function is directed by a manager. The manager works closely with representatives from the business areas to ensure that synergies and group goals are reached. They also play a major role in spreading new ideas and processes throughout the organization and identify cross-border opportunities.

This creates an organizational grid that secures that the supply-chain and

innovation driven processes, as well as consumer and market driven processes, work efficiently at all group levels.

Brand archetypes: A similar principle applies to the way we manage our brand structure. A great deal of local flexibility is allowed because we match our consumer archetypes with four different brand archetypes. The brands can be local, but they will at the same time fit into one of the brand archetypes, ranging from low to high-end. Our fifth archetype covers the Business to Business (B2B)-related brands.

Brand archetypes

Value for money	Popular reassurance	Personal statement	Ready to use	
Low/mid-end brand	Mid-end brand	High-end brand	Mid-end brand	
Promise: Basic and it works fine	Promise: High performance, excellent function and good design	Promise: Demonstrating that you can afford and appreciate the very best	Promise: Best comfort in the most comfortable way	
Position: Often holds the position of challenger in the market	Position: Often holds a market-leading position	Position: Often a niche or specialist brand	Position: When the consumer wants to buy both service and products in one package/ from one supplier	
				B2B-brands
				Position: Serves industry customers only or is a branded distribution channel for Inwido's windows and doors



Everyday comfort: A pleasant indoor climate and energy efficiency go hand in hand with this solution from Tiivi. Triple glazing with argon gas ensures an excellent U-factor value of 0.85.



It's in the details: The difference between the ordinary and the spectacular is often in the details. These windows from Lyssand come with a brown exterior and white interior, while a shiny aluminium window ledge adds outdoor sparkle.

Inwido segments

The economic downturn in 2012 affected Inwido's markets in different ways. In the following pages, you will find in-depth information about performances and achievements as well as local characteristics and variations.



Sturdy and elegant: Hajom's exclusive sliding doors can withstand any blizzard with their massive wood frames and large glass surfaces while still pleasing home-owners with their smart and elegant design.

Sweden

Defending market position in market slow-down

Swedish sales continued to slow down in 2012 as a consequence of the general economic downturn. On the positive side, Inwido Sweden has been able to retain its position as market leader while defending price levels in a market under increasing pressure.

Sweden is Inwido's largest individual market. The market is relatively mature and consolidated, with three dominant suppliers. Inwido is the market leader with a number of well-known brands. The market also consists of a substantial number of small and medium-sized competitors.

About 60 percent of Inwido Swedens sales comes from our end-consumers, that normally live in villas or housing cooperatives. We reach them by working with targeted marketing methods in for example traditional media channels. We work with both direct sales and other channels like builder's merchants.

Builders' merchants sell the brands Elitfönster, Outline, Hajom, SnickarPer



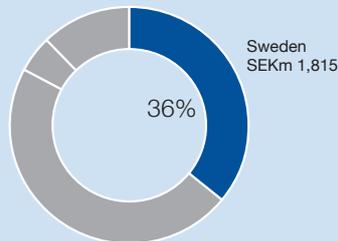
Inwido Sweden in brief

Key data	2012	2011
Net sales, SEKm	1,815	2,038
<i>Excl items affecting comparability</i>		
Operating profit (EBITA), SEKm	181	293
Operating margin (EBITA), %	9.9	14.4
<i>Incl items affecting comparability</i>		
Operating profit (EBITA), SEKm	155	273
Operating margin (EBITA), %	8.6	13.4

Factories: Lenhovda (2), Bjurträsk, Hajom, Vetlanda (2), Hånger, Bankeryd, Väröbacka

Brands: Elitfönster, Outline, Hajom, SnickarPer, Diplomat, ERAfönster, Hemmafönster

Share of total net sales



and Diplomat. DIY stores focus on Outline, ERAfönster and Diplomat. Direct sales to end-consumers are conducted via the brand Hemmafönster (which until January 2013 operated under the name Wisy), which offers both sales and installation. Hemmafönster works with a network of sales representatives throughout Sweden.

In the industry market, Inwido sells directly to the major building companies. Inwido also has long-term supplier relationships with several manufacturers of well-known prefabricated homes, such as Fiskarhedenvillan, Eksjöhus, Trivselhus, Myresjöhus and Götenehus. Inwido also develop new products and

concepts in cooperation with business partners within the industry such as Skanska, Peab, Fiskarhedenvillan and others.

The Swedish market plays an important role in Inwido's innovation processes. There are several examples of innovative thinking in product development. For example, famous designers like Björn Dahlström and Stina Sandwall have contributed by designing doors.

2012 in summary

- ▶ Declining market volumes, due to the generally uncertain economic trends.
- ▶ Anders Isaksson, new Managing Director.
- ▶ New organizational structure with stronger sales channel focus.
- ▶ Large agreements closed with Skanska, NCC and Peab during the year.
- ▶ Closing of the Edsbyn plant in June as part of structural adjustments to eliminate excess capacity.
- ▶ Focus on product innovation and production efficiency with expected effects during 2013 and forward.





Bright solutions: Light plays a central role when creating a comfortable indoor environment. This Tiivi Sliding door allows for plenty of light while ensuring good insulation with a U-factor value of 1.0.

Nordic

Mixed development in weak economies

Slightly lower sales volumes lead to lower operating profit (EBITA) for the Nordic markets in 2012. However, in spite of the generally weak economy, Inwido defended and developed its market positions well. For example, the operations in Denmark showed a solid growth rate in the consumer market and presented an all-time-high operating profit (EBITA).

The Nordic markets, Denmark, Finland and Norway, are traditional strongholds for Inwido. Wood and wood/aluminium products dominate the markets, with a low share of plastic and aluminium windows. The markets are relatively consolidated and the main competitors are large, family-owned companies.

Denmark: Inwido is the second largest window company in the country and accounts for about half of the market together with the largest competitor. The remaining players are relatively small and local companies. About 80 percent of Inwido's sales in the Danish operations come from the consumer market and 20 percent from the

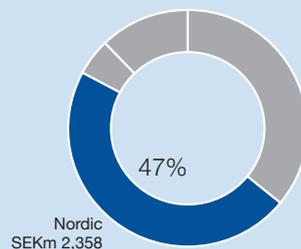
Inwido Nordic in brief

Key data	2012	2011
Net sales, SEKm	2,358	2,406
<i>Excl items affecting comparability</i>		
Operating profit (EBITA), SEKm	208	248
Operating margin (EBITA), %	8.8	10.3
<i>Incl items affecting comparability</i>		
Operating profit (EBITA), SEKm	201	230
Operating margin (EBITA), %	8.5	9.6

Factories: Farsø, Holstebro, Nykøbing, Ugerlose, Os, Frekhaug, Ruovesi (2), Eskopuu (2), Haapajärvi

Brands: KPK, Outline, Pro Tec, Frovin, Diplomat, Lyssand, Frekhaug, Tiivi, EP, Pihla

Share of total net sales



industry market. Renovation is a major driving market force. The products are marketed under the brands Outline, KPK, Frovin and Pro Tec.

Finland: A handful of major companies dominate about 80 percent of the market. Among these, Inwido is the market leader. About 70 percent of sales derive from the consumer market. In the industry market, Inwido partners with several well known brands in prefabricated homes, like Kannustalo, Kastelli-talot and Desigtalo. Inwido's brands in the Finnish market are EP, Pihla and Tiivi.

Norway: The Norwegian market is more fragmented than the Finnish and Danish markets. Inwido is the second-largest supplier of windows and doors in the country. About 87 percent of sales come from the consumer market via retailers, the rest from the industry market. The products are marketed under the brands Lyssand, Diplomat and Frekhaug.

2012 in summary

Denmark

- ▶ All-time high operating profit (EBITA).
- ▶ Increased market share and positive sales development in the renovation market. Somewhat lower sales trend in sluggish and decreasing industry market, due to pending decisions on financing from government and contractors.
- ▶ Performed structural changes at Pro Tec.

Finland

- ▶ In a declining market, Inwido Finland showed a good performance and was able to gain market share and strengthen its position as market leader.
- ▶ A new organizational structure was communicated in October and is in full effect as of January 1, 2013. Three relatively independent business units supported by a few group level processes has now turned into one business organization to gain more synergies and to be able to exploit the number one market position even better.
- ▶ Two significant new window product/concepts were launched – Tiivi Innova and Pihla Comfort Eco.
- ▶ Product platform harmonization.

Norway

- ▶ Increased market share in windows.
- ▶ A new organizational structure was launched, with the aim to gather the resources to become the top challenger in the Norwegian market.
- ▶ New management team, including Managing Director Espen Hoff, in place.
- ▶ Lyssand announced supplier of the year to IEC House.
- ▶ Challenging door business with decreased market share.



Classic style, modern comfort: Side-hung wooden windows from Carlson with board groove create just the right atmosphere without compromising on comfort or energy efficiency.

Europe

New profitable growth strategy

In 2012, Inwido Europe experienced a turnaround in its development. In the second half of the year, Inwido reached a break-even level. In addition, Inwido decided to pursue an organic growth strategy, with Austria as its first stop.

Inwido Europe comprises the non-Nordic operations in Poland, the UK, Ireland and Russia. These markets are all highly fragmented with small, local players, particularly in the consumer market, and the level of consolidation is low. As opposed to the Nordic markets, plastic windows are still the dominant product, which opens up for future growth opportunities for wood and wood/aluminium windows. Generally, Inwido is among the top five companies in the market for wood-based products.

Poland: The market situation in Poland is more stable than in the other countries in the business area. Inwido conducts sales to the consumer market under the Sokolka brand, both through its own shops and external dealers. The industry



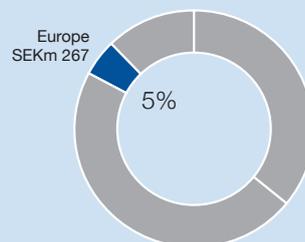
Inwido Europe in brief

Key data	2012	2011
Net sales, SEKm	267	268
<i>Excl items affecting comparability</i>		
Operating profit (EBITA), SEKm	-13	-39
Operating margin (EBITA), %	-4.9	-14.4
<i>Incl items affecting comparability</i>		
Operating profit (EBITA), SEKm	-16	-70
Operating margin (EBITA), %	-6.0	-26.3

Factories: Sokolka, Berwick-Upon-Tweed

Brands: Sokolka, Allan Brothers, Eurotiivi, Carlson

Share of total net sales



segment focuses on premium residential building projects, where Hajom is an addition to the Sokolka brand.

Russia: This is a fast-growing market. Consumer sales are primarily managed through dealers and direct to industrial costumers. The activities are concentrated to the Moscow and St. Petersburg areas. Architects and installers are also important channels for reaching end-consumers. Sokolka and Tiivi are the main brands represented in Russia. In 2013 the Inwido brands will be sold under the new Russian brand Skandi-Okna. The production plant in Murmansk closed in 2011 and there are now no local production in the country. Instead products are sourced from other Inwido units.

UK: Market growth has been low in the UK due to the generally weak economy. Despite this, the UK operations achieved a turnaround and showed an operating profit (EBITA) for the year. The main reasons for the turnaround were a successful new installer concept, strong sales effort and substantial efficiency improvements. Inwido UK managed to compensate a decrease in order volume from one of its larger customers by securing volumes from new customers. The main UK brand is Allan Brothers. The Danish brand Pro Tec was also introduced during the year.

Ireland: Ireland is still suffering from recession and Inwido's activities there have been adjusted accordingly. In Ireland, Inwido is represented by the

2012 in summary

- ▶ Significant result improvement.
- ▶ Mikael Carleson new Managing Director.
- ▶ Increased market shares in generally declining markets through intensified and focused consumer channel strategy.
- ▶ Efficiency enhancement through improved manufacturing productivity.
- ▶ Product expansion through cross-border launches and activities.

Carlson brand, which offers high-performance windows and patio doors. Inwido serves both the consumer and industry markets with a significant level of repeat business and referrals.

New markets: Inwido's wide range of premium brands and products opens considerable cross-border opportunities in both existing and new markets. Inwido's European expansion into new markets is planned with Austria as the first stop.



Showing off: Suddenly a unique view can be enjoyed all year round. Supply provides aluminium details and fittings for windows like these from Schüco.

Supply

Refining the group's supply functions

After the divestment of Home Improvement in 2012, the remaining activities within Inwido Supply are well adapted to secure a part of the Group's needs for essential components in windows and doors.

Inwido Supply consists of six specialized production companies that provide different kinds of components and services within windows and doors. Principal products are aluminium profiles, glass, fittings and doors. Supply functions both as a supply organization to the Inwido Group and as an independent business that also serves other players in the industry.

The products that Inwido Supply provides are all of strategic importance to the rest of the Group's production. By owning the manufacturing of these products, Inwido not only secures unrestricted access to the products, but also

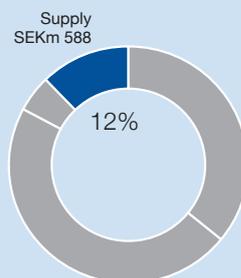


Inwido Supply in brief

Key data	2012*	2011
Net sales, SEKm	588	728
(of which Supply, SEKm)	(457)	(452)
<i>Excl items affecting comparability</i>		
Operating profit (EBITA), SEKm	42	29
(of which Supply, SEKm)	(31)	(3)
Operating margin (EBITA), %	7.1	4.0
(of which Supply, %)	(6.8)	(0.7)
<i>Incl items affecting comparability</i>		
Operating profit (EBITA), SEKm	42	29
(of which Supply, SEKm)	(31)	(3)
Operating margin (EBITA), %	7.1	4.0
(of which Supply, %)	(6.8)	(0.7)

Companies: A-lackering AB, Alakiernia SP. Zo.o, Inwido Produktion Dörrar AB, ABC Snickerier i Hindås AB, IP Glass Sp.Zo.o, Steelform Scandinavia AB.

Share of total net sales

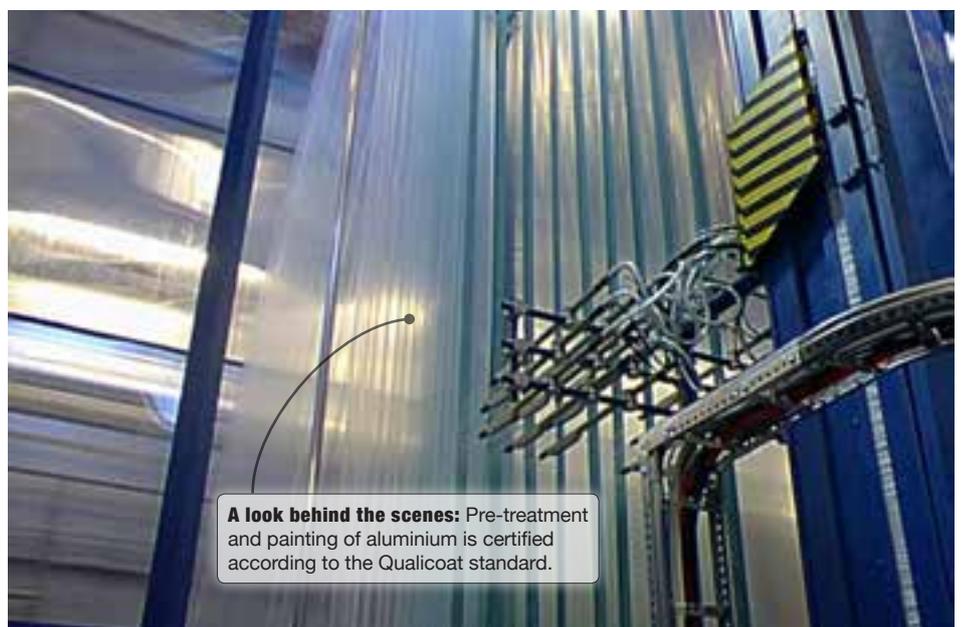


* Inwido Home Improvement AB divested per June 15, 2012.

2012 in summary

- ▶ Divestment of all shares in Inwido Home Improvement AB to the private equity fund, Priveq Investment Fund IV completed June, 2012.
- ▶ Increased sales and operating profit (EBITA) as a result of increased productivity and higher margins.
- ▶ Commenced delivery of new window hinges with improved design and product features.
- ▶ Increased order intake for manufacturing components for windows, sliding doors and folding aluminium systems.

learns and takes part in the innovation processes that can be essential in developing other products within the Group. Secondly, by allowing Inwido Supply to deliver to outside players, Inwido makes sure that the products are competitive and that processes are up to market standards.



A look behind the scenes: Pre-treatment and painting of aluminium is certified according to the Qualicoat standard.

Human resources – a strategic business tool

Effective human resource work is an essential part of our strategy. To achieve our ambitious business goals, we need to ensure that we have the right people both for today's tasks and those of the future.

Every day, Inwido's employees have to adapt to a variety of tasks and markets. We employ a wide range of competences, from sales persons and craftsmen to engineers and financial experts, in nine different countries. To manage this complexity and ensure that the whole organization strives in the same direction, our human resource work rests on three principal pillars: Group culture, competence development and leadership.

Group culture

In order to build the foundation of a Group wide culture, Inwido decided in 2011 on three core values: Consumer in mind, Courage to improve and Competent people at hand (see below). These values form the basic guidelines to how Inwido conducts business – they form the cultural core of our organization.

Competence development

Finding the right people is a strategic priority for Inwido. We work in several different ways to ensure that we attract and retain the most competent, committed and best-suited employees. We encourage internal mobility, both geographically and across professional boundaries.

In 2012, we initiated a management audit to chart and analyse our present and future competence needs at the senior management level and for the leaders below. The audit process is based on dialogue as well as on evaluation templates that the managers complete before the audit. The audits are performed with a group-wide perspective on competence development, talent management and succession plans. This helps us identify what skills we already possess and which we need to add or develop in the future.

In addition, an important aspect is to achieve a gender balance and cultural diversity within the group. A workforce that reflects society as a whole makes us dynamic and helps us develop new consumer insights. For example, it is our target that a minimum of 25 percent of senior positions be filled by women.

Leadership

Strong leadership is a critical factor for success – especially in a changing and growing organization like Inwido. When recruiting leaders from within and outside the organization, we take more into account than the applicants' formal background, to find the right personality that match the Inwido

culture and goes in line with our values. We always proceed focusing on future needs.

Educating our leaders is another important factor. In 2011, we began a tailor-made leadership programme to educate and support Inwido's present and future leaders. Over time, this programme will create a common leadership platform throughout the group.

Sixty top managers in the group participated in the first step of the leadership programme, which covered company culture and core values, communication, involvement and other important group aspects. In the second step in 2012, the focus was on change – how to drive change and innovation – and on selling ideas and convincing others.

This education is of great importance since it can make a big difference for our culture, as well as our business. Our culture drives our behaviour, and our behaviour drives our business. Consequently, investing in leadership training is a must if we are to be able to follow our strategies and reach our targets.

Inwido's core values

Consumer in mind

Our goal is to understand consumer expectations and needs, and then act on them. In order to live up to what our consumers and business associates expect of us, we need to be personally involved and behave with honesty and respect.

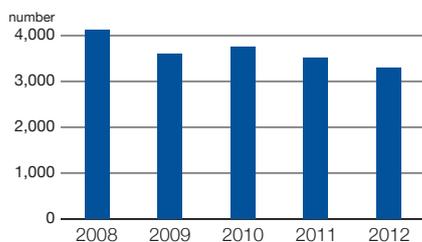
Courage to improve

We are proactive and strive to be in the front line of innovation in everything we do. We promote an innovative mind-set to reach our goals and always find the best solutions.

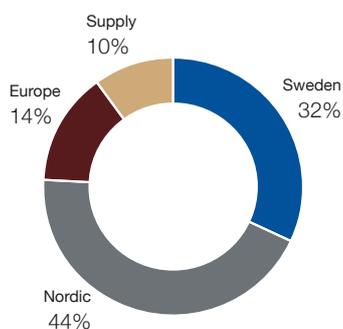
Competent people at hand

Through the right competences we want to create involvement and inspiration for our minds to grow. We encourage each other to share knowledge and work together in teams. Through our way of working we build motivation and trust.

Average number of employees



Employees per segment



Major achievements in 2012

- ▶ Step two of leadership training programme implemented.
- ▶ Started a management audit process for the business units' management teams and the leaders below.
- ▶ Employees' competences identified and charted to better understand present and future needs.
- ▶ Continuous implementation of group values in the business units.
- ▶ A group forum for HR-related questions was formed.
- ▶ HR-competences recruited locally in Sweden and Norway.
- ▶ The number of female employees in senior positions increased and women now represent 20 (17) percent.
- ▶ The employee satisfaction survey was conducted for the third consecutive year.

Simple yet effective: These discreet Optimi windows from Tiivi have a solid design in finger jointed pine and aluminium on the outside.



Corporate responsibility as part of our business

Business development and corporate responsibility are closely connected at Inwido. If we take our responsibility by developing sustainable products, our consumers can in turn choose products that help them decrease their environmental impact.

Wood from the north: Inwido uses slow-growing FSC-certified wood from cold Nordic forests. As a material, this wood offers excellent natural qualities.

At Inwido, we prefer wooden products for many reasons. One of the most important is that wood is a material offering outstanding environmental advantages. It is renewable, recyclable and carbon absorbing. It is hard to find a better base when developing safe, reliable and sustainable products.

In addition, we know that our customers are increasingly aware of the importance of reducing their

environmental impact. Integrating sustainability in our business philosophy will make us more competitive – by developing responsibly produced and energy efficient solutions we are, at the same time, securing business opportunities for tomorrow.

Our overall objective is that all of Inwido's operations should be characterized by great care for our environment, consumers and employees. To

support our employees in their daily work and decision making, we provide guidelines and policies.

We sort our corporate responsibility goals into three major areas of focus (see below). Within these three areas, we work on many levels to constantly improve our performance.

To be an Inwido supplier one must sign and adhere to our Code of Conduct for business partners. This code clearly

Inwido's corporate responsibility focus areas

Sustainable products and business

We use wood from sustainable forestry, maintain a sustainable procurement process and produce products that contribute to a sustainable living environment.

Safe and stimulating work environment

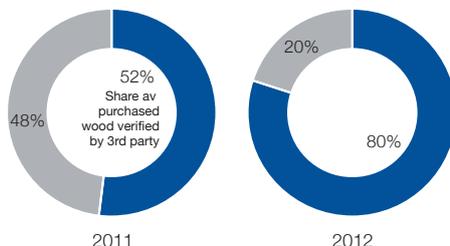
We want our employees to feel safe and to evolve. We therefore strive to have no work-related accidents, to decrease sick-leave and to develop our people.

Decreasing negative impact on the environment from our production

Constantly reducing our impact on the environment is a necessity. We find ways to decrease energy consumption and carbon dioxide emissions and we also monitor waste carefully.

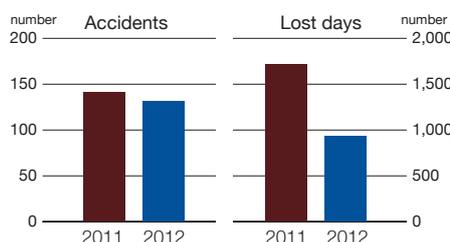


Wood from sustainable forestry



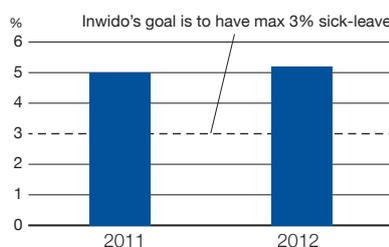
In 2012 we raised our ambition concerning sourcing of wood, when stretching our previous ambition of only sourcing wood from sustainable forestry to also having third party certifications such as PEFC or FSC. The work with our strategic suppliers in 2012 has resulted in an increase from 52 percent share of certified wood to a share of 80 percent.

Accidents and lost days



Our ambition in terms of accidents is zero tolerance. We work with continuous improvements especially in the line of production. This work has during 2012 decreased the number of days absent due to work accidents with about 50 percent and a total decrease of accidents.

Total sick-leave



Inwido's goal is to have maximum three percent sick-leave. Systematic efforts to reduce the numbers have already proven successful in Finland who decreased their total number of sick-leave from 6,4 percent to 4 percent this year. During 2013, Inwido will take measures to reduce the total number of sick-leave for the whole group.

Sustainability summary 2012

- ▶ Increased share of third party certified wood from 52 to 80 percent, to ensure sustainable forestry.
- ▶ Focus to reduce the number of suppliers resulting in fewer incoming transports.
- ▶ Optimizing window and door platforms during 2012 have resulted in fewer materials used, decreasing our impact on the environment. An example of that are three platforms in Finland becoming one reducing the variation of major material groups like wood and aluminum.
- ▶ Materials choice to use wooden products enables to heat plants with production waste.
- ▶ Energy saving projects reducing kW/wing used in production. An example is Inwido Denmark reducing their energy consumption in one plant with 34 percent from project start.

stipulates requirements within laws and regulations, ethics, labor rights, environment, health and safety. You also agree to be audited by Inwido at any time, which creates a foundation for an open and trusting partnership. An example of a prioritized area clearly impacting our environment is transportation. We minimize transports by optimized route systems combining transport for windows, doors, accessories and installation material for our multi brand portfolio.

Our ambition is to start reporting Inwido's corporate responsibility work in accordance with level C of the Global Reporting Initiative, GRI. We implemented a non-financial reporting tool in 2011. During 2012, we have been collecting all of the necessary data that will provide us with a baseline for measurable KPI's for future reporting.

Our sustainability work can be followed at www.inwido.com

Corporate governance 2012

Operations

Inwido is Northern Europe's largest producer of innovative, environmentally friendly window and door solutions. The company has operations in Sweden, Denmark, Finland, Norway, Poland, Russia, the UK and Ireland, as well as exports to a large number of other countries. Inwido's primary segments are Sweden, Nordic, Europe and Supply, which in turn consist of six business areas.

The governance of Inwido is based on the Articles of Association, the Swedish Companies Act and other Swedish and foreign regulations and legislation. Because Inwido's shares are not traded in a regulated market, the company is not required to apply the Swedish Code of Corporate Governance ("the Code"). Nonetheless, the Board of Directors has decided to follow certain parts of the Code in order to safeguard sound corporate governance. In accordance with the requirements of the Code, Inwido's Board of Directors has prepared this corporate governance report.

Share capital and voting rights

At 31 December 2012, the share capital in Inwido AB amounted to SEK 231,870,112 shared among 231,870,112 shares of a single class of shares. The shares have a par value of SEK 1 each. Each share entitles the holder to one vote and equal entitlement to participation in the company's assets and earnings.

Shareholders

Since December 2004, Inwido AB has been a subsidiary of Ratos AB (publ), corporate identity number 556008-3585.

Annual general meeting

The Annual General Meeting for the 2011 financial year was held on 30 March 2012. The Chairman of the Board, Anders C Karlsson, was elected Chairman of the meeting. The Annual General Meeting approved the income statement and balance sheet,

as well as the consolidated statement of total recognized gains and losses and consolidated statement of financial position as presented and resolved that profit brought forward and the profit for 2011 be carried forward. The meeting discharged the members of the Board and the CEO from responsibility and approved the fees to be paid to the members of the Board and the auditor.

At the Annual General Meeting of 30 March 2012, it was resolved that for the period up until the next Annual General Meeting, the Board of Directors should consist of Chairman Anders C Karlsson (re-elected), ordinary members Leif Johansson (re-elected), Thomas Hofvenstam (re-elected), Benny Ernstson (re-elected), Anders Wassberg (re-elected), Eva S Halén (re-elected) and Deputy Board member Henrik Lundh (re-elected). Kjell Åkesson declined re-election to the Board of Directors.

During the year, Thomas Hofvenstam ceased to be a Board member, while Per Frankling and Henrik Lundh were elected as ordinary Board members.

The Board and its work

Composition

The Board of Directors of Inwido AB consists of seven members elected by the Annual General Meeting. The employees appoint two representatives and two deputies to the Board of Directors. The President is not a member of the Board but participates in all Board meetings on a co-opted basis. Other officers of Group participate in Board meetings to present reports and to act as secretary.

Rules of procedure of the Board

Each year, the Board adopts written rules of procedure that clarify its responsibilities and regulate the division of labour within the Board and its committees including the role of the Chairman, decision-making procedures, meeting schedules, procedures for calling Board meetings, agendas and minutes, as well as the Board's work in connection

with accounting, auditing and financial reporting. The Board has also adopted a set of instructions for the CEO and other special policies.

The responsibility of the Board includes monitoring the work of the CEO through the continuous review of operations over the year, safeguarding a structure for the appropriate management of Inwido's interests. The Board's responsibilities also involve setting strategies and targets, developing special policies, making decisions regarding large-scale acquisitions and divestments of operations, making decisions on other major investments, determining investments and loans in accordance with the Group's finance policy, issuing financial reports, evaluating operational management and planning succession.

The Board safeguards the quality of the financial reports by means of adopted control instruments and instructions to the CEO, as well as through its consideration of reports from the audit committee in the form of minutes and observations, as well as recommendations and proposed decisions and measures. The Board also safeguards the quality of the financial reports by addressing the appurtenant materials in detail during Board meetings.

The Chairman organises and manages the work of the Board, ensuring that it is conducted in accordance with the Swedish Companies Act, other legislation and regulations, as well as the Board's internal control instruments. The Chairman monitors operations through on-going contacts with the CEO and is responsible for ensuring that the other members of the Board receive satisfactory information and data on which to make decisions. The Chairman is responsible for ensuring that the Board continuously updates and deepens its knowledge of Inwido and that it receives the training otherwise necessary to be able to conduct its work efficiently.

The audit committee consists of members of the Board. The purpose of

Member	Attendance, type and number of meetings		Approved remuneration, SEK	Elected, year	Position in relation to	
	Board of Directors, out of 6 in total	Audit committee, out of 3 in total			Company	Owners
Anders C Karlsson	6	3	360,000	2004	Independent	Dependent
Leif Johansson	6	-	-	2004	Independent	Dependent
Per Frankling*	3	2	-	2012	Independent	Dependent
Henrik Lundh**	1	-	-	2012	Independent	Dependent
Benny Ernstson	6	-	175,000	2004	Independent	Independent
Anders Wassberg	6	-	175,000	2009	Independent	Independent
Eva S Halén	6	-	175,000	2011	Independent	Independent

* Elected as ordinary Board member in June 2012.

** Elected as ordinary Board member in October 2012.

the audit committee is to extend the efforts of the Board and to enhance their efficiency and to prepare certain matters. The audit committee does not have the authority to make decisions. The members of the committee are appointed annually by the Board at its statutory meeting following its election/re-election by the Annual General Meeting. Instructions to the audit committee are included in the agenda of the Board.

Work of the Board in 2012

According to the current rules of procedure, the Board shall meet on three to six occasions per year, in addition to its statutory meeting. Additional meetings shall be held as necessary. During 2012, the Board held a total of six meetings, of which one was held over the telephone.

Over the year, the work of the Board has focused in particular on capacity adjustments and strategic discussions regarding the development of the company over the next five years. All decisions were reached unanimously. The CEO was present at all Board meetings and reported on the development of the Group.

Apart from the members of the Board, other officers in Inwido participated in Board meetings to present reports on particular issues and when otherwise deemed appropriate. The CFO acted as secretary at the Board meetings. A summary of the composition of the Board is given in the table at the top of this page.

Audit committee

The audit committee's assignment is to supervise the procedures for accounting, financial reporting and internal control. The committee's work focuses on the quality and accuracy of the financial accounts and reports, efforts in internal financial control, the Group's adherence to applicable regulations and, where appropriate, transactions between the Group and related parties.

In addition, the audit committee maintains regular contact with the auditor for Inwido AB and the Group in order to engender an on-going exchange of ideas and information between the Board and the auditor on audit issues, to assess the auditor's work and to set guidelines for the additional services, besides auditing, that Inwido may procure from its auditor.

The audit committee consists of Per Frankling (Chairman), Anders C Karlsson and Peter Welin. The work of the committee is regulated by a special set of instructions adopted by the Board as part of its agenda.

During 2012, the audit committee held three meetings, which were attended by all committee members. The meetings of the audit committee are minuted and reported orally at Board meetings.

Remuneration to the Board

The Annual General Meeting of 30 March 2012 also set the fees paid to

the Board for 2012 at SEK 885,000, of which SEK 360,000 is paid to the Chairman of the Board and SEK 175,000 each to the Board members not employed by the Inwido Group and Ratos AB.

Reporting and control

The Board and its audit committee monitor the quality of the financial reports and Inwido's internal control systems and review Inwido's risk scenario. This is achieved by issuing instructions to the CEO, setting requirements for the contents of regular reports on financial conditions to the Board, and through reviews conducted together with the Board and auditors. Financial reports, such as the annual report, are subject to review and approval by the Board and audit committee.

Group management

Group management holds regular meetings led by the CEO. The CEO leads operations in accordance with the Companies Act and within the parameters set by the Board. In consultation with the Chairman of the Board, the CEO prepares the data and materials the Board requires to make its decisions, presents matters and explains proposed decisions. The CEO is also responsible for Inwido's commercial, strategic and financial development, leading and coordinating daily operations in line with the Board's guidelines and decisions. The CEO also appoints the members

of Group management in consultation with the Chairman of the Board.

Auditors

At the 2007 Annual General Meeting, authorized public accountant Eva Melzig Henriksson of the KPMG Bohlins AB firm of auditors was elected auditor for Inwido AB.

The auditor maintains regular contact with the Chairman of the Board, the audit committee and Group management. Inwido's auditor shall review the annual report and accounts, as well as the CEO's management work.

The auditor works according to an audit plan that takes into account comments submitted by the Board via the audit committee. The auditor has submitted her observations to the Board. Reports have been submitted during the progress of the audit and in connection with the adoption of the 2011 annual report on 30 March 2012. The auditor also participates in one Board meeting per year, where she outlines the audit process and her observations in an audit report.

Over the year, the auditor has also performed certain consulting assignments outside the scope of the audit – these have mainly involved advice on accounting matters. The external audit is conducted in accordance with the generally accepted accounting principles in Sweden. The auditing of documentation for the annual report for legal units outside Sweden is conducted in accordance with legal requirements and other applicable regulations in the relevant countries, in accordance with generally accepted accounting principles and accompanied by audit reports where so required by local legislation.

Internal audit

Inwido has developed systems for governance and internal control. The Board and audit committee follow up Inwido's assessment of internal control through measures including contact

with Inwido's auditors. Given the above, the Board has elected not to establish a special internal audit unit.

Board of Directors' report on internal control

The responsibility of the Board and CEO regarding internal control is regulated by the Swedish Companies Act. The responsibility of the Board is also regulated by the Swedish Code of Corporate Governance which also includes requirements on the annual provision of information externally regarding how internal control is organised vis-à-vis financial reporting.

The principal purpose of internal control is to ensure the achievement of the company's targets for appropriate and efficient operations, reliable reporting and adherence to applicable legislation and regulations.

Internal control relating to financial reporting serves to provide reasonable security regarding the reliability of external financial reporting and to ensure that external financial reports are prepared in accordance with legislation and applicable accounting standards. This report on internal control has not been reviewed by the company's auditors.

Control environment

The Board bears the overall responsibility for internal control regarding financial reporting. To establish and maintain a functioning control environment, the Board has adopted a set of basic documents that have a bearing on financial reporting. In particular, these include the formal work plan for the Board and the instructions for the CEO. In addition, the Board has appointed an audit committee whose principal task is to ensure that the established principles for financial reporting are complied with and that appropriate relations are maintained with the company's auditors. The responsibility for maintaining an effective control environment and for on-going internal control efforts

regarding financial reporting is delegated to the CEO. In turn, the CEO reports to the Board in accordance with established procedures. In addition, reports are provided by the company's auditors.

The internal control structure also builds on a management system based on the company's organisation with clearly defined roles, areas of responsibility and delegated authority. Operational decisions are made at the company or business area level while decisions regarding strategy, overarching financial matters, acquisitions and major investments are made by Inwido's Board and Group management.

Control documents addressing accounting and financial reporting represent crucial components in the control environment with regard to financial reporting. These documents are updated regularly in connection with changes in, for example, accounting standards and legislation.

Risk assessment

The Group conducts continuous risk assessment to identify key risks relating to financial reporting. With regard to financial reporting, risk is primarily judged to involve significant errors in the accounts; for example with regard to the reporting and valuation of assets, liabilities, revenues and costs or other discrepancies. Fraud and losses through embezzlement represent another risk. Risk management is built into all processes and various methods are used to assess and limit risks and to ensure that the risks to which Inwido is exposed are managed in accordance with established policies, instructions and follow-up procedures designed to reduce possible risks and to promote correct accounting, reporting and information.

Control activities

The risks identified with regard to financial reporting are managed through the company's control activities, such as authorization controls in IT systems and signature authentication.



The control structure includes clear organisational roles that enable an efficient division of responsibilities for specific control activities serving to uncover or prevent the risk of errors arising in reports. All units have their own controllers/finance managers who participate in the assessment of their own reporting alongside the central controller function. The continuous analysis of financial reporting, alongside the analysis conducted at Group level, is highly important in ensuring that financial reports are free of material errors. The Group's controller organization plays a key role in the internal control process, which is responsible for ensuring that financial reports from each unit are submitted correct, complete and on time.

Information and communication

The Group maintains channels of information and communication that serve to safeguard completeness and accuracy in financial reporting. Policies, guidelines and internal instructions regarding financial reporting are available

in printed format. The employees concerned are given access to and notified of regular updates and messages regarding changes in accounting principles, reporting requirements or other provision of information.

Follow-up

The CEO is responsible for internal control being organised and followed up in accordance with the guidelines adopted by the Board. The CEO is responsible for ensuring that independent and objective reviews are conducted with the aim of systematically assessing and proposing improvements to the Group's processes for governance, internal control and risk management. Financial control is exercised by the Group finance function. Inwido's management reviews results on a monthly basis, analysing deviations from budget, forecasts and comparative data from the preceding year; all monthly accounts are discussed with the management of the business units. The Board receives monthly financial reports and follows up on financial reporting at each of its meetings. The Board and

Group management review financial reporting ahead of the publication of the annual report. An audit is carried out of the year-end accounts for the period January – September, known as 'hard close', as well as of the annual accounts. The company's auditors present their observations to the Board. The auditors' duties also include monitoring internal control within the Group's subsidiaries on an annual basis.

Review

This Corporate Governance Report is not a part of the formal annual accounts and has not been reviewed by the company's auditors.

MALMÖ, SWEDEN, MARCH 30, 2013

The Board of Directors
of Inwido AB

Board of Directors and Auditors



Anders C Karlsson

Chairman of the Board

Born: 1950

Education: Bachelor of Science in Business and Economics, Uppsala University

Member of the Board since: 2004
Chairman since 2004

Other assignments: Chairman of H+H International A/S and WSP Europe AB

Previous positions: Leading positions in the AB Nils Dacke Group, President and CEO of Bilsom AB and member of Skanska's Senior Management Team with responsibility for Industry and Europe. Various board directorships in Sweden, Denmark and the UK

Benny Ernstson

Board member

Born: 1949

Education: Bachelor of Science in Business and Economics, Lund University

Member of the Board since: 2004

Other assignments: Business consultant, Board member of Kährs Holding AB

Previous positions: President of Universal Hardwood Flooring, President and Business Area Manager for Tarkett AB, Business Area Manager for Nobia AB, divisional manager for Perstorp AB and LB Invest AB

Eva S Halén

Board member

Born: 1966

Education: Bachelor of Science in Engineering, Royal Institute of Technology, Stockholm

Member of the Board since: 2011

Other assignments: Sales & Service Director at Etac AB

Previous positions: President of Electrolux Home AB, Program Director, Consumer Innovation Program, Electrolux AB, senior sales position at Electrolux HemProdukter AB, President of Elektroservice AB/ Electrolux Service



Per Frankling

Board member

Born: 1971

Education: MSc Economics and MSc Engineering

Member of the Board since: 2012

Other assignments: Investment Director, Ratos AB, Board Member of Jøtul AS and Stofa A/S

Previous positions: McKinsey & Co, Arkwright

Ulf Jakobsson

Union representative

Born: 1960

Member of the board since: 2012

Other assignments: Member of Inwido Sweden AB board, chairman of GS Bjurträsk trade-union

Robert Wernersson

Union representative

Born: 1965

Member of the board since: 2012

Other assignments: Member of the board Inwido Produktion AB and Elitfönster AB, chairman of Unionen Lenhovda



Leif Johansson

Board member

Born: 1949

Education: Advanced degree in business administration

Member of the Board since: 2004

Other assignments: Deputy CEO and COO of Ratos AB, Board member of Arcus A/S, Euromaint AB and Profura AB

Previous positions: President and CEO of LB Invest AB and Executive Director of PE Procuritas



Anders Wassberg

Board member

Born: 1965

Education: Master of Science in Engineering, Chalmers University of Technology

Member of the Board since: 2009

Other assignments: President and CEO of Ballingslöv International AB, Board member of AB Gustaf Kähr

Previous positions: President of AB Gustaf Kähr, President of Beijer Byggmaterial AB



Henrik Lundh

Board member

Born: 1972

Education: MSc Economics

Member of the Board since: 2012

Deputy Board member since 2010

Other assignments: Senior Investment Manager, Ratos AB, Board member of Scandinavian Business Seating Group AS

Previous positions: Keystone Advisers, UBS Warburg



Annika Nicklasson

Union representative

Born: 1968

Deputy member of the board since: 2012

Other assignments: Chairman GS section 4, Eastern Småland trade-union, chairman of GS Vetlanda trade-union



Tony Johansson

Union representative

Born: 1967

Deputy member of the board since: 2012

Other assignments: Member in the GS section 3 Halland/Kronoberg trade-union



Eva Melzig Henriksson

Authorized Public Accountant

Born: 1961

KPMG AB

Auditor for Inwido AB since: 2007

Group management



Håkan Jeppsson

President and Chief Executive Officer, CEO

Born: 1961

Education: Bachelor of Science in Business and Economics, Lund University and several training programmes for senior executives

Employed since: 2009

Member of Group Management since 2009

Other assignments: Chairman of Malmö FF, Board member of Handelsbanken Malmö City and member of the Advisory Council, Lund University School of Economics and Management

Previous positions: President and CEO of BE Group AB (2002-2009), President of Papyrus AB (1999-2002), where he has also been a Board member

Peter Welin

Chief Financial Officer, CFO

Born: 1973

Education: Master of Arts, Economics, Lund University

Employed since: 1998

Member of Group Management since 2004

Previous positions: Business Area manager for Inwido Sverige AB (2003-2004), President of Allmogefönster i Sverige (2000-2003)

Jonna Opitz

Senior Vice President, Marketing, Sales & Communication

Born: 1969

Education: Bachelor of Arts, Media and Communications, University of Växjö

Employed since: 2009

Member of Group Management since 2009

Previous positions: Vice President Corporate Communications for ReadSoft (2006-2009). Corporate Communications Manager for PartnerTech (2001-2006)



Mads Storgaard Mehlsen

Senior Vice President, Denmark

Born: 1971

Education: Master of Arts, Economics, Aalborg University

Employed since: 2007

Member of Group Management since 2010

Other assignments: Chairman of the board of Celebert, Chairman of the Board of Dansk Byggeri ("Industry section" and "Danish Building materials")

Previous positions: Board assistant, Aalborg Industries A/S (2004-2007), Authorised Public Accountant at KPMG (1993-2004)

Mikael Carleson

Senior Vice President, Emerging Markets Europe

Born: 1962

Education: Bachelor, Economics, Lund University

Employed since: 2012

Member of Group Management since 2012

Previous positions: Cardo, President Region EMEA & Global Manager Service Operations Cardo Flow solutions (2009-2011), Höganäs, President Region Europe (2008-2009)

Lena Wessner

Senior Vice President, Human Resources, Organisation & Sustainability

Born: 1961

Education: Bachelor of Science in Business and Economics, Lund University

Employed since: 2010

Member of Group Management since 2010

Previous positions: HR Manager E.ON ES (2009-2010), Head of HR Operations Sony Ericsson Mobil Communication AB (2006-2009)



Espen Hoff

Senior Vice President, Norway

Born: 1965

Education: Business and Administration, Handelsakademiet/Handelshögskolen BI.

Employed since: 2012

Member of Group Management since 2012

Previous positions: Managing Director/CEO Byggnakker Norge AS (2006-2012), Managing Director RIMI Norge/Vice President ICA Norge AS (2002-2006)

Anders Isaksson

Senior Vice President, Sweden

Born: 1959

Employed since: 2001

Member of Group Management since 2004.

Other assignments: Chairman Femib, Board member of Eurowindow, Swedish Flat Glass Association and the Swedish Federation of Wood and Furniture Industry

Previous positions: Chief Operating Officer of Inwido (2010-2012), President of Inwido Sverige (2004-2010)

Timo Luhtaniemi

Senior Vice President, Finland

Born: 1963

Education: Master of Science in Engineering, Helsinki University of Technology and Master of Business Administration, Helsinki School of Economics

Employed since: 2006

Member of Group Management since 2007

Other assignments: Board member of Siili Solutions AB, Päätoimija AB and Träproduktindustrin rf

Previous positions: President of Siili Solutions AB (2005-2006), President of Endero Abp (2001-2005)



Johan Berglund

Senior Vice President,
Operations & Development (acting)*

Born: 1975

Education: Master of Science Industrial Organization & Finance, University of Halmstad

Employed since: 2004

Member of Group Management since 2012

Previous positions: Vice President Procurement & Supply Chain Inwido AB (2011-), BsC for Inwido Sverige AB and MD for Wisy AB (2009-2010)

Lars Petersson

Senior Vice President, Operations & Development*

Born: 1969

Education: Master of Science in Engineering and Management, Chalmers University of Technology. Sales and Marketing, HEC Lausanne.

Employed since: 2013

Member of Group Management since 2013

Other assignments: Partner and Board Member Ergosafe AB

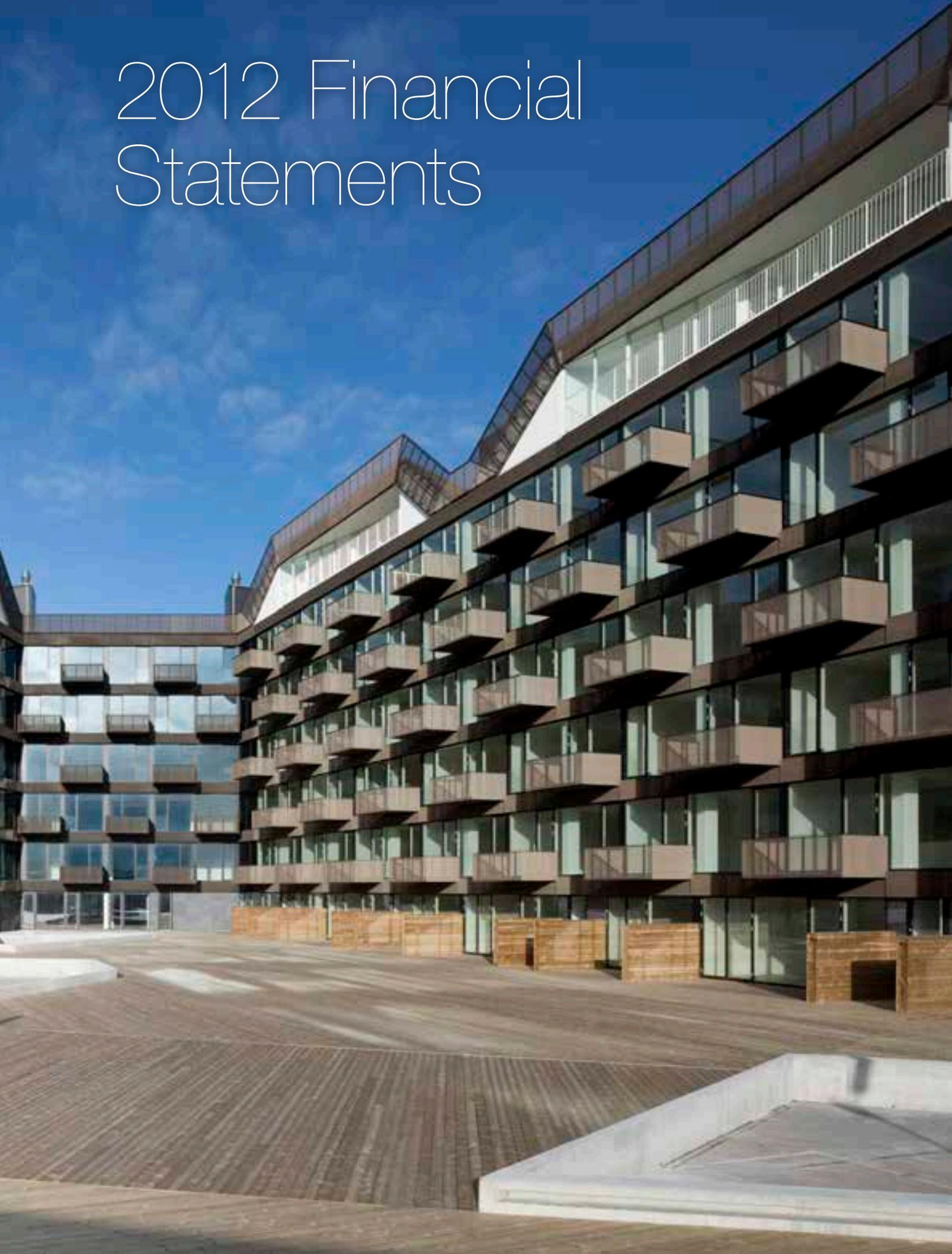
Previous positions: Vice President Commercial and EMEA Divisions Tarkett, Managing Director Tarkett AB (2004-2013). General Manager South Sweden, Flextronics (1998-2003)

* The management position of Senior Vice President, Operations & Development was held (acting) by Johan Berglund, Vice President Procurement & Supply Chain, during the period June 2012 to April 2013. May 2013 Lars Petersson will be in position as Senior Vice President, Operations & Development.



A new take: Why not make a glass façade? Danish brand Pro Tec created a new take on the balcony concept using its Classic series with sliding doors running along the exterior of the building.

2012 Financial Statements



Directors' Report 2012

The Board of Directors and the President of Inwido AB, corporate identity number 556633-3828, domiciled in Sweden and with registered offices in Malmö, hereby present their annual report and consolidated annual accounts for the 2012 financial year.

Group relationships

Inwido AB is the Parent Company for the Inwido Group. Since December 2004, Inwido AB has been a subsidiary of Ratos AB (publ), corporate identity number 556008-3585.

Operations

Inwido is Northern Europe's largest producer of innovative, environmentally friendly window and door solutions. The company has operations in Sweden, Denmark, Finland, Norway, Poland, Russia, the UK and Ireland, as well as exports to a large number of other countries. Inwido's primary segments are Sweden, Nordic, Europe and Supply, which in turn comprise six business areas.

Inwido operates in both the consumer and industry markets. In 2012, sales to the consumer market accounted for about 70 percent of the total, while sales to the industry market accounted for the remaining approximately 30 percent.

The consumer market is dominated by residential renovation, remodelling and extension projects. Sales to industry customers, such as major building companies and manufacturers of prefabricated homes, are generally conducted through framework agreements or larger volumes for specific building projects.

Development of the Group's operations

Over the year, the continued weak economic trend in general had a subduing effect on private consumption, which affected consumer sales negatively. This trend was particularly evident in Sweden and Finland, which are Inwido's two largest individual markets. The uncertain economic trend has also had a negative impact on sales to the industry market.

Despite a weakened market, Inwido has advanced its positions and captured market shares in most countries and in the second half of the year, Inwido noted in general a certain stabilization in order bookings and sales.

The lower operating margin (EBITA) is mainly explained by lower volumes and a changed sales mix with a higher proportion of sales to building companies. A continued prioritization of profitability over volume, combined with on-going cost savings and efficiency enhancement measures, has partly offset the effects of the weaker development in volumes in 2012.

Financial development throughout Inwido varied and Denmark, Europe and Supply were able to report improved profitability over the year.

As part of Inwido's strategy to increase its presence in the consumer market by continuously being able to offer products and solutions for enhanced well-being, a number of activities were launched during the year. Among other things, Inwido has commenced a collaboration with the Ideon business incubator in Lund to develop new and innovative products. In addition, Inwido has conducted a number of consumer and trend surveys that, among other things, form the basis for the identification and development of new products.

The process of establishing a Group-wide business culture and shared values continued in 2012. Among other measures, the Group's managers attended the second part of the leadership training programme initiated in 2011. In addition, HR resources were recruited in Sweden and Norway and a shared HR forum was established.

To be even clearer towards its stakeholders regarding its sustainability work, Inwido has decided to, from 2012, report on its sustainability work in accordance with GRI level C. Sustainability reporting also gives the company new and complementary data, allowing Inwido to work according to best practice and knowledge sharing in a more efficient way. Measurements and reporting also mean that real progress and possible setbacks are made visible and can be followed up.

Corporate acquisitions and divestments

On 15 May 2012, Inwido signed an agreement regarding the divestment of all shares in its subsidiary Inwido Home Improvement AB and its subsidiaries Lundbergs Produkter AB and Duri Svenska AB to private equity fund Priveq Investment Fund IV. The transaction was carried out on 15 June 2012.

Net sales and profit/loss

Consolidated net sales amounted to SEK 4,607 million (5,050) for 2012. Adjusted for currency and structural effects, this corresponds to a decline of 6 percent. Structural changes, including the acquisition of Pro Tec Vinduer in Denmark in 2011 and the divestment of Inwido Home Improvement in 2012 affected net sales negatively by 2 percent.

In the Swedish segment, net sales fell by 11 percent while net sales in the Nordic segment reported a decline in net sales of 2 percent, adjusted for currency and structural effects. In the European segment, adjusted net sales were largely unchanged. The Supply segment reported an increase in net sales of 1 percent.

Operating profit (EBITA) declined to SEK 288 million (407). The operating margin amounted to 6.2 percent (8.1). Operating profit for 2012 was burdened by a total SEK 70 million (69) mainly attributable to the restructuring of the Group's production capacity.

Net financial items improved to a negative SEK 41 million (80) as a consequence of lower net debt, lower interest

rates and a positive currency effect. The Group's profit before tax amounted to SEK 246 million (315) and profit after tax amounted to SEK 172 million (208).

Cash flow

Cash flow from operating activities was SEK 248 million (546). The lower cash flow is mainly associated with the weaker profit trend. In addition, a substantial programme to enhance efficiency in working capital was implemented in 2011 and this is reflected in the comparison figures for the preceding year. Net investments for the year amounted to SEK 109 million (neg 105), including the divestment of Inwido Home Improvement. Total amortization, depreciation and impairment for the period amounted to SEK 113 million (145).

Financing activities generated cash flow of a negative SEK 541 million (neg 675), primarily attributable to a reduction in financial liabilities.

Financial status

As per 31 December 2012, consolidated net debt totalled SEK 1,131 million (1,371). Interest-bearing liabilities and provisions amounted to SEK 1,253 million (1,677). At year-end, shareholders' equity amounted to SEK 2,367 million (2,227). At the end of the year, the equity/assets ratio was 49 percent (41) and the net debt/equity ratio was 0.5 (0.6). Consolidated cash and equivalents were SEK 99 million (283) at the end of the year. Available funds, including unutilised credit facilities, amounted to SEK 553 million (760).

Staff

There was an average of 3,269 (3,523) employees in the Inwido Group during the year.

Efficient HR work forms an important part of our strategy. To achieve our ambitious business targets, we must make sure we have the right employees for both current and future assignments.

Our HR work is based on three principal areas: corporate culture, competence development and leadership.

Corporate culture – to lay the foundation for a shared corporate culture, in 2011, Inwido adopted the following three core values: Consumer in mind, Courage to improve and Competent people at hand. These values represent basic guidelines to how Inwido conducts its business – they form the cultural core of our organization.

Competence development – finding the right people is a strategic priority for Inwido. We apply many different tools to ensure that we attract and retain the most competent, committed and best-suited employees. In 2012, we initiated a management audit to chart and analyze our current and future competence requirements. This process helps us identify what competences we have today and which we need to add for the future.

Leadership – strong leadership is a decisive success factor, particularly in a changeable and growing organization like Inwido. In the recruitment of leaders both inside and outside the organization, we place considerable emphasis on attributes beyond the applicant's formal background. Training our leaders is another important factor. In 2011,

we initiated a tailored leadership programme to train and support Inwido's current and future leaders. With time, this programme will create a Group-wide leadership platform.

In 2012, an employee satisfaction survey was carried out for the third consecutive year.

Environment

The Group ascribes great importance to adhering to and exceeding legal requirements in the area of the environment and conforming to the Group's environmental policy. Of the Group's total net sales in Sweden, a large proportion derive from activities requiring permits or compulsory registration. The Group's other production units in Denmark, Finland, Norway, Poland and the UK have been inspected by local environmental authorities and meet local environmental legislation.

The subsidiary Inwido Sverige AB and its subsidiaries, as well as Inwido Supply AB are affiliated to an active and goal-oriented environmental programme. Inwido's Swedish units operate in a network, working together on environmental issues and improvement projects. Inwido Sweden's production units in Vetlanda and Lenhovda have been certified in accordance with ISO 14001 since 1999.

All production units within Inwido Sweden conduct operations requiring permits or registration in accordance with Swedish environmental legislation. The obligation to undergo testing applies to the use of solvents and the operation of solid fuel furnaces.

Inwido Supply's production units at Bankeryd and Sävsjö conduct operations requiring permits or registration in accordance with Swedish environmental legislation. In Sweden, Inwido conducts operations requiring permits at five operational locations: Lenhovda in Kronoberg County, Vetlanda, Hånger, Bankeryd and Sävsjö in Jönköping County. The permit for Lenhovda applies to the manufacture of windows and sealed glass panes. The permit for Vetlanda applies to the manufacture of windows. The permits for Hånger and Bankeryd apply to the manufacture of doors. The probationary permit for Sävsjö applies to the pre-treatment and powder coating of aluminium profiles. Operations requiring registration are conducted at five sites: Vetlanda in Jönköping County, Bjurträsk in Västerbotten County, Hajom in Västra Götaland County and Väröbacka in Halland County. The facilities for which permits are required adhere to the decisions made by the environmental committees of the relevant municipalities.

The operations primarily affect the environment through emissions of solvents and dust to the atmosphere as a result of surface treatment and impregnation, as well as the operation of solid fuel furnaces. Solvent-filtration plants have been installed in Lenhovda, Vetlanda, Hånger and Bankeryd. In Hajom and Väröbacka, solvents are used to such a minor extent that filtration is not required. At the other facilities, surface treatments are carried out using water-based paints and filtration is not required. Flue-gas filtration to reduce dust emissions has been installed at all operation facilities.

Current permits cover the production volumes budgeted for 2013.

Risks and risk management

The significant risks that have been identified are managed continuously at various levels in Inwido and in its over-arching strategic planning. This allows Inwido to identify and manage risks at an early stage. In addition, the Group

continuously reports risk related matters to the Board of Inwido, which bears the ultimate responsibility for the company's risk management. Inwido divides risks between financial, operational and external risks.

Financial risks

RISK	MANAGEMENT/EXPOSURE
<p>Financial credit risks</p> <p>In the Group's treasury management, credit risk mainly occurs as counterparty risk in connection with futures contracts and other derivative instruments. The Group is a net borrower and surplus liquidity is primarily to be used to amortize external loans.</p>	<p>In treasury management, credit risks are limited by engaging counterparties with a high credit rating who chiefly participate in the Group's mid and long-term financing.</p> <p>In 2012, no credit losses were incurred as a consequence of investments in cash equivalents or financial instruments.</p>
<p>Currency risks</p> <p><i>Transaction exposure</i></p> <p>The Group is exposed to currency risk in the form of transaction exposures arising through purchases and sales of goods and services in currencies other than each subsidiary's local currency.</p>	<p>The Group applies a finance policy adopted by the Board of Directors.</p> <p>In the event that the transaction exposure for an individual business unit should exceed EUR 500,000 on an annual basis, 40-60 percent of the individual currency concerned shall be hedged with a maturity of up to six months.</p>
<p><i>Translation exposure</i></p> <p>When subsidiaries' balance sheets in local currency are translated into SEK, a translation difference arises as a consequence of the current year being translated at a different closing rate than the previous year. The income statement is translated at the average exchange rate for the year while the balance sheet is translated at the exchange rate as per 31 December. The translation exposure forms the risk represented by the translation difference as the change in shareholders' equity.</p>	<p>The Group does not hedge this risk. However, an analysis of these risks is made once a year to ensure that they do not increase. See Note 2.</p>
<p>Interest rate risks</p> <p>Interest rate risk represents how changes in market interest rates affect cash flow and the Group's earnings, as well as the value of financial instruments.</p>	<p>Management of the Group's interest exposure is centralized, meaning that the central finance function is responsible for identifying and managing this exposure. A minimum of 50 percent of gross borrowing shall be at variable interest rates. The average period of fixed interest on the Group's gross borrowing may not exceed three years.</p>
<p>Financing and liquidity risks</p> <p>Financing and liquidity risks represent the risk that it will be difficult or costly to refinance loans reaching maturity or that it will not be possible to meet payment obligations due to insufficient liquidity or difficulties in obtaining external financing.</p>	<p>To safeguard adequate payment capacity, Inwido's objective is to secure sufficient liquidity or credit facilities. In addition, to reduce financing risk, maturity dates shall be evenly distributed over time to avoid a large proportion of loans maturing for repayment at a single point in time. The Group's debt/equity ratio and forecasts of its liquidity are followed up on an on-going basis.</p>

Operational Risks

RISK	MANAGEMENT/EXPOSURE
<p>Risk of losses on accounts receivable</p> <p>The risk that the Group's customers fail to meet their payment obligations for accounts receivable constitutes a customer credit risk.</p>	<p>Credit checks are performed on the Group's customers with information regarding their financial status being obtained from various credit information agencies. In certain cases, the risk of losses on accounts receivable is mitigated by means of credit insurance. Bank guarantees or other sureties are required of customers with low credit ratings or insufficient credit history. The assessment of credit risk is primarily managed by each subsidiary.</p> <p>As per the balance sheet date, there were no significant concentrations of credit exposures. See Note 2.</p>
<p>Refund and product liability risks</p> <p>Inwido could incur expenses in correcting faults in delivered products and, in certain cases installation, and could be found liable for damages to individuals or property.</p>	<p>Inwido seeks to limit these risks by following locally adapted procedures for quality assurance and through extensive testing of the Group's products. In 2012, compensation costs incurred as a consequence of complaints amounted to approximately 2 percent of net sales.</p>
<p>Risk of loss of key expertise</p> <p>The loss of key individuals could negatively affect the Group's earning capacity.</p>	<p>Inwido works actively to safeguard regeneration and identify future leaders. Senior executives are regularly assessed to identify needs vis-à-vis on-going in-service training and competence development. In addition to applying a market-based salary structure, Inwido also uses various forms of incentives for key individuals within the Group.</p>
<p>Risk of operational interruptions</p> <p>Inwido could be affected by operational interruptions due to, for example, equipment failure, fire, strikes or natural disasters.</p>	<p>Together with its insurance advisors, Inwido conducts regular risk inspections of its production units. The results of these inspections are used to implement preventative measures to reduce the risk of disruptions and accidents in operations. Inwido is able to transfer production to other units, mainly within each respective market, in the event that a unit becomes inoperative.</p> <p>Inwido also strives to maintain well-functioning cooperation with local trade union organizations, thereby reducing the risk of conflicts and strikes in which Inwido is directly involved.</p>
<p>Risk associated with product development</p> <p>Inwido's sustained earnings and competitive vigour is to some extent dependent on its capacity to develop and sell new innovative products and solutions demanded by customers.</p>	<p>Through Inwido's strong market presence, shifts, trends and new requirements from customers and other stakeholders are caught, providing a basis for the focused, on-going development of the product portfolio.</p>
<p>Business development risks</p> <p>Risks associated with business development such as corporate acquisitions and the Group's long-term strategic focus.</p>	<p>Inwido establishes and develops procedures for the analysis, implementation and review of acquisitions, including due diligence. Risks associated with the Group's long-term planning are primarily addressed once a year when the Board adopts the Group's strategic plan.</p>

Operational Risks (continued)

RISK	MANAGEMENT/EXPOSURE
Corporate governance and policy risks	
In the event of inadequate internal control, the Group risks being exposed to a crisis of confidence.	Inwido develops internal control procedures on an on-going basis. Examples include the division of duties between the Board and the CEO and reporting instructions.
Insurance risks	
These risks involve the expenses that Inwido could incur due to inadequate insurance cover for products, property, disruptions, liability, transport, life and pensions.	The Group strives to maintain insurance cover that keeps risk at an acceptable level for a Group of Inwido's size and that is, at the same time, cost-efficient. At the same time, continuous efforts are made to minimize risks in operations through proactive measures. Insurance cover is also maintained for Inwido's senior executives and Board members. Inwido takes the view that its insurance protection is appropriate for the risks normally associated with its operations. There is naturally no guarantee that Inwido will not incur losses beyond the scope of its insurance cover.
Customer dependency risk	
Inwido operates in a market that is exposed to competition and existing customers may choose to use competing suppliers.	Inwido has a broad customer structure divided between the consumer and industry markets, as well as a presence in a number of different geographical markets.
External risks	
RISK	MANAGEMENT/EXPOSURE
Market risk	
Demand for Inwido's products is primarily affected by activity in the market for residential building. The new building market is more cyclical than the renovation market. In a general economic downturn with lower building activity, demand for Inwido's products and services could decrease. Political decisions can also influence customer demand independently of economic trends (see Political decisions below).	Inwido maintains a presence in a large number of countries and in different market segments, thereby balancing, to a certain extent, various country-specific risks. Inwido's operations are also affected favourably by the debate on climate change and increasing demands for energy-efficient housing, which are not particularly affected by economic trends.
Competition	
Inwido operates in markets that primarily comprise a large number of local competitors but that also include companies that operate internationally.	Today, Inwido is Northern Europe's largest supplier of environmentally friendly window and door solutions with a strong market position in most of its current markets. Inwido's size allows it to derive economies of scale and benefit from best practices in areas including purchasing, product development, production and processes. Inwido constantly strives to meet customer needs with new, innovative, energy-efficient and attractively designed products. This is one of the most important prerequisites for the Group's future competitiveness.
Prices for raw materials	
Inwido relies on on-going deliveries of wood, glass, aluminium, fittings, etc. Inadequate supply could entail increased costs and, in certain cases, disrupted production. Normally, there is a certain displacement between purchase and sales price adjustments due to agreements entered with suppliers and customers. Altered price levels affect Inwido's purchasing prices with a delay of up to six months.	Inwido has built up its relations with key suppliers over many years. Inwido's central purchasing organization coordinates purchases of the major material categories. By centralising its purchasing, Inwido is able to enhance its negotiating position and cut costs for materials. To safeguard supply and to increase its control of the value chain, the Inwido Group also includes a number of companies that produce sealed window panes and fittings and refine aluminium profiles.

External risks (continued)

RISK	MANAGEMENT/EXPOSURE
<p>Political decisions</p> <p>Political decisions can affect demand positively or negatively. Political decisions include changes in tax legislation in countries where Inwido operates. Changes in taxation and subsidies for homes and residential building can, in the long term, affect demand for Inwido's products and services. In addition, changed standards and regulations regarding residential building can impose requirements for changes in the product range in specific markets.</p>	<p>The Group mostly operates in countries where the risk of political decisions that would drastically change its market conditions is judged to be relatively low. In addition, Inwido is active in local industrial organizations that often provide Inwido with early insight into external changes that may affect its business operations.</p>
<p>Risk of legal disputes</p> <p>This risk involves the expenses that the Group could incur as a consequence of pursuing legal processes, expenses associated with settlements and expenses for any damages it is required to pay.</p>	<p>Inwido's assessment is that there are currently no disputes that could have a material impact on the Group's financial position. Where necessary, Inwido makes provisions for perceived risks of possible losses.</p>
<p>Environmental risks</p> <p>Inwido's operations mainly affect the external environment through noise and emissions of solvents to the atmosphere, as well as through transport emissions. Inwido could incur increased expenses in adjusting to new or stricter environmental legislation. This could also involve soil decontamination at currently or previously owned industrial facilities, waste management, securing continued permits, etc.</p>	<p>Inwido's operations cannot be described as having a heavy impact on the environment. The Group works in accordance with and adheres to national and international environmental legislation.</p>

Significant events after the end of the year

In the first quarter of 2013, Inwido Denmark A/S acquired shares in the part-owned company Frovin Vinduer og Døre A/S corresponding to 30 percent of the total number of shares. Inwido Denmark A/S subsequently holds 100 percent of the shares in Frovin Vinduer og Døre A/S.

Prospects for 2013

Although there have been some cautiously optimistic signals in early 2013 regarding the global economy, weak economic development is causing hesitation among consumers and industry customers alike. The continued uncertainty regarding the economy makes near-term demand difficult to assess. We should probably expect demand to remain weak for some time to come. In the longer-term perspective, however, Inwido assesses the underlying demand for the company's products and services to be favourable.

Parent Company

The Parent Company is a public limited company with registered offices in Sweden. The operations of the Parent Company consist of joint Group functions and ownership of the subsidiaries. The loss after financial items amounted to SEK 60 million (101) and consisted primarily of the net of income from intra-Group services less administration and interest expenses.

Ownership structure

Ratos AB (publ) holds 96.7 percent of the capital and votes, while senior executives in the Inwido Group together hold 3.3 percent of the capital and votes.

Proposed treatment of the profit/loss of the parent company

The Board of Directors and President propose that the available profit, SEK 1,359.2 million, be distributed in the following manner:

Brought forward to new account	SEK	1,359.2 million
Total	SEK	1,359.2 million

The profit and position of the company and Group in other regards are presented in the financial statements below and in the supplementary disclosures.

Consolidated statement of comprehensive income

1 January – 31 December, SEKm	Note	2012	2011
Net sales	3	4,607.4	5,050.1
Cost of goods sold	9	-3,588.6	-3,920.2
Gross profit		1,018.8	1,129.9
Other operating income	5	32.6	13.4
Selling expenses	9	-421.0	-437.8
Administrative expenses	8, 9	-267.6	-288.9
Research and development expenses	9	-17.5	-15.6
Other operating expenses	6, 9	-58.6	-8.0
Participations in the profit of associated companies and joint ventures	9	1.0	2.2
Operating profit	7, 24	287.7	395.3
Financial income	10	36.7	22.6
Financial expenses	10	-78.0	-102.6
Net financial items		-41.3	-80.0
Profit before tax		246.4	315.3
Taxes	11	-74.0	-107.0
Profit after tax		172.4	208.3
Other comprehensive income			
Translation differences, foreign operations		-31.7	-8.2
Tax attributable to other comprehensive income		-	-
Other comprehensive income for the year		-31.7	-8.2
Comprehensive income for the year		140.7	200.1
Profit for the year attributable to:			
Parent Company shareholders		170.8	208.1
Non-controlling interests		1.6	0.2
		172.4	208.3
Comprehensive income for the year attributable to:			
Parent Company shareholders		139.2	200.0
Non-controlling interests		1.5	0.1
		140.7	200.1

Consolidated statement of financial position

As per 31 December, SEKm	Note	2012	2011
Assets	2		
Other intangible assets	12	2,928.5	3,172.4
Tangible assets	13	599.6	633.9
Participations in associated companies and joint ventures	14	5.3	5.0
Financial investments	16	20.1	20.9
Deferred tax assets	11	51.0	54.4
Other non-current assets	16	14.5	15.9
Total non-current assets		3,619.0	3,907.6
Inventories	17	416.0	473.5
Current tax assets		17.2	19.5
Trade and other receivables	16	450.4	505.5
Receivables from Group companies	16	76.3	187.0
Prepaid expenses and accrued income		34.3	48.1
Other receivables	16	64.7	52.4
Cash and equivalents	16, 18	98.7	282.7
Total current assets		1,157.6	1,568.7
Total assets		4,776.6	5,476.4
Shareholders' equity	19		
Share capital		231.9	231.9
Other capital provided		943.4	943.4
Other reserves		-85.0	-53.4
Profit brought forward including profit for the year		1,272.5	1,101.7
Shareholders' equity attributable to Parent Company shareholders		2,362.8	2,223.6
Non-controlling interests		4.3	3.6
Total shareholders' equity		2,367.1	2,227.2
Liabilities	2		
Non-current interest-bearing liabilities	20	1,028.4	1,333.5
Deferred tax liabilities	11	74.2	84.9
Other liabilities		20.9	37.7
Total non-current liabilities		1,123.5	1,456.1
Other current interest-bearing liabilities	20	224.1	343.5
Other provisions	22	31.3	55.5
Trade and other payables		348.6	404.0
Liabilities to Group companies		168.6	304.2
Current tax liabilities		49.6	60.3
Other liabilities		131.0	258.1
Accrued expenses and prepaid income	23	332.8	367.6
Total current liabilities		1,286.0	1,793.1
Total liabilities		2,409.5	3,249.2
Total shareholders' equity and liabilities		4,776.6	5,476.4

For information on the Group's pledged assets and contingent liabilities, see Note 25.

Consolidated statement of changes in shareholders' equity

2011, SEKm	Shareholders' equity attributable to Parent Company shareholders					Non-controlling interests	Total equity
	Share capital contributions	Other capital contributions	Translation reserve	Retained earnings	Total		
Equity, opening balance, 1 Jan. 2011	231.9	943.4	-45.3	1,183.9	2,313.9	26.1	2,340.0
Profit for the year				208.1	208.1	0.2	208.3
Other comprehensive income							
Change in translation reserve for the year (exchange rate difference)			-8.1		-8.1	-0.1	-8.2
Other comprehensive income for the period			-8.1		-8.1	-0.1	-8.2
Total comprehensive income for the period, excluding transactions with the company's owners			-8.1	208.1	200.0	0.1	200.1
Transactions with the Group's owners							
Unconditional shareholder's contribution				187.0	187.0		187.0
Group contributions paid				-253.7	-253.7		-253.7
Tax attributable to Group contributions				66.7	66.7		66.7
Dividend				-301.4	-301.4	-2.0	-303.4
Acquisition of non-controlling holding				11.2	11.2	-20.9	-9.7
Other changes in net wealth						0.3	0.3
Total transactions with the Group's owners	-	-	-	-290.2	-290.2	-22.6	-312.9
Equity, closing balance, 31 Dec. 2011	231.9	943.4	-53.4	1,101.7	2,223.6	3.6	2,227.2

2012, SEKm	Shareholders' equity attributable to Parent Company shareholders					Non-controlling interests	Total equity
	Share capital contributions	Other capital contributions	Translation reserve	Retained earnings	Total		
Equity, opening balance, 1 Jan. 2012	231.9	943.4	-53.4	1,101.7	2,223.6	3.6	2,227.2
Profit for the year				170.8	170.8	1.6	172.4
Other comprehensive income							
Change in translation reserve for the year (exchange rate difference)			-31.6		-31.6	-0.1	-31.7
Other comprehensive income for the period			-31.6		-31.6	-0.1	-31.7
Total comprehensive income for the period, excluding transactions with the company's owners			-31.6	170.8	139.2	1.5	140.7
Transactions with the Group's owners							
Unconditional shareholder's contribution				76.2	76.2		76.2
Group contributions paid				-103.5	-103.5		-103.5
Tax attributable to Group contributions				27.3	27.3		27.3
Dividend				0.0	0.0	-0.9	-0.9
Acquisition of non-controlling holding				0.0	0.0	0.0	0.0
Other changes in net wealth						0.2	0.2
Total transactions with the Group's owners	-	-	-	0.0	0.0	-0.7	-0.7
Equity, closing balance, 31 Dec. 2012	231.9	943.4	-85.0	1,272.5	2,362.8	4.3	2,367.2

Consolidated cash flow statement

1 January – 31 December, SEKm	Note	2012	2011
Operating activities	18		
Profit before tax		246.3	315.3
Adjustment for items not included in cash flow:			
- Depreciation/amortization and impairment of assets		112.8	145.3
- Provisions		-24.2	26.5
- Unrealized exchange rate differences		-5.1	0.9
- Capital gains		44.8	-0.4
- Change in provision for synthetic option		-13.2	-5.2
- Changes in value of derivatives		-0.4	3.9
- Participations in profit/loss of associated companies		-1.0	-2.0
- Participations in taxes of associated companies		0.2	0.1
Income tax paid		-23.3	-15.0
Cash flow from operating activities before changes in working capital		336.9	469.4
Cash flow from changes in working capital			
Increase(-)/decrease(+) in inventories		5.4	52.2
Increase(-)/decrease(+) in operating receivables		3.4	-6.8
Increase(-)/decrease(+) in operating liabilities		-97.8	31.8
Cash flow from operating activities		248.0	546.5
Investing activities			
Acquisitions of tangible non-current assets		-75.8	-76.1
Divestments of tangible non-current assets		2.3	2.8
Acquisitions of intangible assets		-11.4	-4.7
Divestments of intangible assets		0.7	-
Acquisitions of subsidiary companies/businesses, net effect on liquidity	4	-	-27.2
Divestments of subsidiary companies/businesses, net effect on liquidity	4	190.5	-
Divestments of financial assets		2.9	0.5
Cash flow from investing activities		109.3	-104.7
Financing activities			
Acquisition of non-controlling holding	4	-	-9.7
Dividends paid to Parent Company shareholders		-	-301.4
Dividends paid to non-controlling holding		-0.9	-2.0
Loans raised		29.1	3.5
Amortization of loans		-508.6	-343.7
Amortization of leasing liability		-9.0	-21.4
Shareholders' contributions received		145.0	-
Group contributions paid		-196.8	-
Cash flow from financing activities		-541.2	-674.7
Cash flow for the year		-183.9	-232.9
Cash and equivalents at beginning of the year		282.7	517.2
Exchange rate difference in cash and equivalents		-0.1	-1.6
Cash and equivalents at end of the year		98.7	282.7
Interest paid		-70.9	-84.3
Interest received		9.0	13.3

Income Statement, Parent Company

1 January – 31 December, SEKm	Note	2012	2011
Net sales	3	55.8	52.6
Gross profit		55.8	52.6
Administrative expenses	8	-61.9	-58.2
Other operating income	5	19.4	0.9
Other operating expenses	6	-1.1	-0.8
Operating profit/loss	7	12.3	-5.4
Result from financial items:			
Profit from participations in Group companies	10	-48.7	-36.9
Profit from participations in associated companies	10	0.0	-
Loss from other securities and receivables that are non-current assets	10	-	-25.7
Other interest income and similar profit items	10	42.0	24.1
Interest expense and similar loss items	10	-15.9	-26.8
Loss after financial items		-10.3	-70.7
Appropriations			
Group contributions received		192.3	283.9
Group contributions paid		-22.7	-19.7
Profit before tax		159.3	193.5
Taxes	11	-47.1	-65.9
Profit for the year		112.2	127.6

Statement of comprehensive income, Parent Company

Profit for the year	112.2	127.6
Other comprehensive income for the year		
Other comprehensive income for the year	-	-
Comprehensive income for the year	112.2	127.6

Balance Sheet, Parent Company

As per 31 December, SEKm	Note	2012	2011
Assets			
Non-current assets			
Intangible non-current assets	12	1.8	-
Tangible non-current assets	13	0.3	0.4
Financial non-current assets:			
Participations in Group companies	27	1,890.7	1,787.9
Participations in associated companies	14	1.0	-
Receivables from Group companies	15	538.0	630.4
Deferred tax assets	11	2.1	2.3
Financial investments		-	-
Total financial non-current assets		2,431.8	2,420.6
Total non-current assets		2,433.9	2,421.0
Current assets			
Current receivables:			
Current tax assets		-	1.0
Receivables from Group companies		76.3	187.0
Prepaid expenses and accrued income		0.9	1.8
Other receivables		0.1	-
Total current receivables		77.3	189.7
Cash and equivalents		-	159.2
Total current assets		77.3	348.9
Total assets		2,511.1	2,769.9
Equity and liabilities			
Shareholders' equity			
Restricted equity:			
Share capital (231,870,112)		231.9	231.9
Statutory reserve		55.3	55.3
Non-restricted equity:			
Share premium reserve		888.1	888.1
Accumulated profit		358.8	231.3
Profit for the year		112.2	127.6
Total shareholders' equity		1,646.3	1,534.2
Non-current liabilities			
Liabilities to credit institutions	21	113.3	130.2
Liabilities to Group companies		525.6	596.6
Other liabilities		12.5	28.2
Total non-current liabilities		651.4	755.0
Current liabilities			
Liabilities to Group companies		168.6	304.2
Liabilities to credit institutions	21	9.2	47.3
Trade and other payables		2.4	5.1
Current tax liabilities		18.6	-
Other liabilities		4.5	113.2
Accrued expenses and prepaid income	23	10.1	10.9
Total current liabilities		213.4	480.7
Total equity and liabilities		2,511.1	2,769.9

Pledged assets and contingent liabilities, Parent Company

As per 31 December, SEKm	Note	2012	2011
Pledged assets	25	1,896.6	1,793.0
Contingent liabilities	25	1,090.6	1,435.1

Changes in equity, Parent Company

2011, SEKm	Restricted equity		Non-restricted equity			
	Share capital	Statutory reserve	Share reserve premium	Accumulated profit	Profit for the year	Total equity
Equity, opening balance, 1 January 2011	231.9	55.3	888.1	477.6	55.1	1,708.0
Profit for the year					127.6	127.6
Other comprehensive income for the year					-	-
Comprehensive income for the year					127.6	127.6
Appropriation of profit				55.1	-55.1	-
Unconditional shareholder's contribution				187.0		187.0
Group contributions paid				-253.7		-253.7
Tax attributable to Group contributions				66.7		66.7
Dividend				-301.4		-301.4
Equity, closing balance, 31 Dec. 2011	231.9	55.3	888.1	231.3	127.6	1,534.2

2012, SEKm	Restricted equity		Non-restricted equity			
	Share capital	Statutory reserve	Share reserve premium	Accumulated profit	Profit for the year	Total equity
Equity, opening balance, 1 January 2012	231.9	55.3	888.1	231.3	127.6	1,534.2
Profit for the year					112.2	112.2
Other comprehensive income for the year					-	-
Comprehensive income for the year					112.2	112.2
Appropriation of profit				127.6	-127.6	-
Unconditional shareholder's contribution				76.2		76.2
Group contributions paid				-103.5		-103.5
Tax attributable to Group contributions				27.3		27.3
Dividend				-		-
Equity, closing balance, 31 Dec. 2012	231.9	55.3	888.1	358.8	112.2	1,646.3

Cash flow statement, Parent Company

1 January – 31 December, SEKm	Note	2012	2011
Operating activities			
Profit after financial items		-10.3	-70.7
Adjustment for items not included in cash flow:			
- Depreciation/amortization and impairment of assets		3.6	62.8
- Capital loss/gains on sales of fixed assets		45.2	
- Capitalized interest on receivables from Group companies		-0.2	2.3
- Change, synthetic option		-12.1	-5.2
- Unrealized exchange rate differences		10.6	0.2
Income tax paid		-0.1	0.0
Cash flow from operating activities before changes in working capital		36.7	-10.6
Cash flow from changes in working capital			
Increase(-)/decrease(+) in inventories		-	-
Increase(-)/decrease(+) in operating receivables		186.7	-49.1
Increase(-)/decrease(+) in operating liabilities		-123.0	-7.0
Cash flow from operating activities		100.4	-66.6
Investing activities			
Acquisitions of intangible assets		-1.8	-
Acquisitions of tangible fixed assets		0.0	-0.1
New share issue and shareholder contributions to subsidiaries		-313.8	-36.9
Acquisitions of subsidiaries, net effect on liquidity	27	-25.0	-9.7
Acquisitions of associated companies, net effect on liquidity	14	-1.0	-
Divestments of subsidiaries, net effect on liquidity		187.4	-
Divestments of financial assets		260.6	-47.1
Cash flow from investing activities		106.4	-93.9
Financing activities			
Option premium		-	1.3
Dividends paid		-	-301.4
Loans raised		-	347.7
Amortization of loans		-314.2	-80.6
Shareholders' contributions received		145.0	-
Group contributions paid		-196.8	-
Cash flow from financing activities		-366.0	-33.0
Cash flow for the year		-159.2	-193.5
Cash and equivalents at beginning of the year		159.2	352.7
Cash and equivalents at end of the year		0.0	159.2
Interest received		16.3	14.6
Interest paid		-11.1	-12.5

Note 1 Accounting principles

Agreement with standards and legislation

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as adopted by the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary accounting rules has also been applied. The Parent Company applies the same accounting principles as the Group except in the cases stated in the section "The Parent Company's accounting principles". The deviations arising between the principles applied by the Parent Company and the Group are caused by limitations to the opportunities to apply IFRS in the Parent Company as a consequence of the Annual Accounts Act and the Pension Obligations Vesting Act (Tryggandelagen) and, in certain cases, tax considerations. The Annual Report and the consolidated accounts were approved for publication by the Board of Directors and President and CEO on 30 March 2013. The consolidated statement of comprehensive income and the Parent Company's income statement and balance sheet are subject to the approval of the Annual General Meeting on 30 March 2013.

Valuation principles applied in the preparation of the consolidated financial accounts and the financial accounts of the parent company

Assets and liabilities are reported at historical cost with the exception of certain financial assets and liabilities, which are reported at fair value. Financial assets and liabilities measured at fair value consist of derivatives and financial assets classified as financial assets recognized at fair value through profit/loss or financial assets held for sale.

Functional currency and reporting currency

The functional currency of the Parent Company is SEK and this is also the reporting currency of the Parent Company and the Group. Consequently, the financial accounts are presented in SEK. All amounts are rounded off to the nearest hundred thousand unless otherwise stated.

Assessments and estimates in the financial accounts

Preparation of the financial accounts in accordance with IFRS requires management making assessments, estimations and assumptions that affect the application of the accounting principles and the figures reported for assets, liabilities and expenses. The actual outcome may deviate from these estimations and assessments. The estimations and assessments are reviewed regularly. Changes in estimations are reported in the period in which they are made if they only affect that period, or in the period in which they are made and future periods if they affect both the period concerned and future periods. Assessments made by management in the application of IFRS that have a significant effect on the financial statements and estimates that may cause material adjustments to the financial statements of the ensuing year are described in greater detail under note 30.

Changes in accounting principles

Changes to IFRS applicable as of 2012 have had no material effect on the Group's reporting.

New IFRS and interpretations yet to be applied

IFRS 9 Financial Instruments is intended to replace IAS 39 Financial Instruments: Recognition and Measurement from 2015 at the latest. IASB has published the first two parts of what will ultimately comprise the final IFRS 9. The first phase deals with classification and valuation of financial assets. The categories for financial assets included in IAS 39 are being replaced by two categories, with valuation being carried out at fair value or amortized cost. Amortized cost is used for instruments held in a business model, the aim of which is to receive contractual cash flows comprising payments of principal and interest on principal on specified dates. Other financial assets are recognized at fair value with the possibility of applying the fair value option, which is retained in IAS 39. Changes to fair value should be recognized in the consolidated statement of comprehensive income, with the exception of changes in value in equity instruments that are not held for sale and for which it is initially decided to recognize changes in value under other comprehensive income. The company has not yet decided if the new principles will be applied prior to, or from 2015.

Amended IAS 1 – Presentation of Financial Statements addresses how items within other comprehensive income are to be reported. These are to be divided into two categories based on whether or not they are to be reclassified to profit/loss for the year. The change is to be applied from financial years commencing 1 July 2012 or later and will affect the company's statement of other comprehensive income.

The following changes to accounting principles coming into effect in the future are not expected to have any impact on the consolidated accounts:

- Changes to IAS 19 Employee Benefits
- Changes to IAS 32 Financial Instruments: Classification. The amendment clarifies the rules regarding where financial assets and liabilities may be offset.
- IFRS 7 Financial Instruments: Disclosures. The amendment deals with new disclosure requirements regarding the offsetting of financial assets and liabilities.
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interest in Other Entities
- Amended IAS 27 Consolidated and Separate Financial Statements
- Amended IAS 28 Investments in Associates and Joint Ventures
- IFRS 13 Fair Value Measurement
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
- Annual Improvements to IFRSs (2009-2011)
- UFR 9 Recognition of Tax on Returns

Operating segment reporting

Operating segment reporting in accordance with IFRS 8 is only obligatory for listed companies. Consequently, the Inwido Group provides no segment reporting.

Classifications, etc.

Fixed assets and long-term liabilities essentially consist of amounts that are expected to be recovered or paid more than 12 months after the balance sheet date. Current assets and current liabilities essentially consist of amounts that are expected to be recovered or paid within 12 months of the balance sheet date.

Consolidation principles

Subsidiaries

Subsidiaries are companies over which Inwido AB has a controlling influence. Controlling influence entails a direct or indirect right to determine a company's financial and operational strategies with the purpose of benefiting financially. The assessment of whether a controlling influence prevails takes into account potential voting shares that can be exercised or converted without delay.

Acquisitions on or after 1 January 2010

Subsidiaries are reported in accordance with the acquisition method. The method entails acquisitions of subsidiaries being viewed as transactions through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis determines the fair value of the acquired identifiable assets and assumed liabilities, as well as any possible non-controlling interests on the date of acquisition. Transaction expenses that arise, with the exception of transaction expenses attributable to the issue of equity instruments or liability instruments, are recognized directly in profit/loss for the year.

For business combinations for which payment made, possible non-controlling interests and fair value of previously owned participations (in the event of gradual acquisitions) exceed the fair value of the acquired assets and assumed liabilities that are recognized separately, the difference is reported as goodwill. When the difference is negative, what is known as a bargain purchase, this is recognized directly in profit/loss for the year.

Payment made in connection with the acquisition does not include payments that relate to the settlement of previous business connections. This type of settlement is recognized in the profit/loss.

Conditional purchase prices are recognized at fair value at the point of acquisition. In cases where the conditional purchase price is classified as an equity instrument, no revaluation or settlement is carried out under shareholders' equity. Other conditional purchase prices are revalued on each report date and the change is recognized in profit/loss for the year.

Acquisitions that do not relate to 100 percent of the subsidiary give rise to non-controlling interests. There are two options for reporting non-controlling interests. The two options are to recognize the percentage of non-controlling interests that makes up proportional net assets, or to recognize non-controlling interests at fair value, which means that non-controlling interests form a percentage of goodwill. The choice between the two alternatives for recognizing non-

controlling interests can be made on a case by case basis. For acquisitions that are made in stages, goodwill is determined on the day the controlling interest arises. Previous interests are valued at fair value and the change in value is recognized in profit/loss for the year. For divestments that lead to the loss of a controlling influence, but where an interest remains, this interest is valued at fair value and the change in value is recognized in profit/loss for the year.

Acquisition of non-controlling interests

Acquisitions from non-controlling interests are recognized as transactions under shareholders' equity, i.e. between the Parent Company's owner (under profit brought forward) and non-controlling interests. Consequently no goodwill arises as a result of these transactions. The change in non-controlling interests is based on their proportional share of net assets.

Sales to non-controlling interests

Sales to non-controlling interests where a controlling interest remains are recognized as transactions under shareholders' equity, i.e. between the Parent Company's owner and non-controlling interests. The difference between proceeds received and the non-controlling interest's proportional share of acquired net assets is reported under retained profit.

Associated companies

Associated companies are those in which the Group has a significant, but not controlling, influence over operational and financial control, commonly through holdings corresponding to between 20 and 50 percent of votes. From the point at which a significant influence is obtained, holdings in associated companies are reported in the consolidated accounts in accordance with the equity method. The equity method entails the value of holdings in associated companies reported in the consolidated accounts being equivalent to the Group's share of the associated companies' shareholders' equity, as well as consolidated goodwill and any other consolidated surplus or deficit. In the consolidated income statement, participations in the earnings of associated companies include the Group's participations after tax in the net earnings of associated companies, adjusted for possible amortization/depreciation and impairment or reversals of acquired surpluses or deficits. Dividends received from an associated company decrease the reported value of the investment. The Group's participation in the other comprehensive income of its associated companies is reported as a separate item in the consolidated statement of comprehensive income. Any discrepancy at the point of acquisition between the cost of the holding and the owning company's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities is reported in accordance with IFRS 3 Business Combinations. Transaction expenses that arise, with the exception of transaction expenses attributable to the issue of equity instruments or liability instruments, are included under cost. Where the Group's share of losses reported by the associated company exceeds the reported value of the Group's holdings, the value of the holdings is reduced to zero. Losses are also offset against long-term balances

without security, the financial significance of which forms part of the owning company's net investment in the associated company. Continued losses are not recognized unless the Group has given guarantees to cover losses arising in the associated company. The equity method is applied until the time the significant influence ceases. Intragroup receivables and liabilities, income and expenses and unrealized gains or losses arising from intragroup transactions between Group companies are eliminated in full when preparing the consolidated accounts. Unrealized gains arising from transactions with associated companies and joint ventures are eliminated to a degree corresponding to the Group's ownership of those companies. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no indication that any impairment is necessary.

Foreign currency

Transactions in foreign currencies

Transactions in foreign currencies are translated into the functional currency at the exchange rate in force on the transaction date. The functional currency is the currency of the primary economic environments in which the Group's companies carry out their business. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate in force at the balance sheet date. Exchange rate differences arising from the conversions are recognized in profit/loss for the year. Non-monetary assets and liabilities recognized at their historical costs are translated at the exchange rate applicable at the time of the transaction. Non-monetary assets and liabilities recognized at fair value are converted to the functional currency at the rate in effect at the time of the fair value assessment.

Foreign businesses financial statements

Assets and liabilities in foreign businesses, including goodwill and other groupwise surplus or deficit values, are translated from the foreign operation's functional currency into the Group's reporting currency, SEK, at the exchange rate applicable on the balance sheet date. Income and expenses in a foreign operation are translated into SEK at an average exchange rate approximating the currency exchange rates applicable on the relevant transaction dates. Translation differences arising in connection with the translation of foreign operations are reported in other comprehensive income and accumulated in a separate component in shareholders' equity titled translation reserve.

Net investments in foreign operations

The Group encompasses operations in several countries. In the consolidated statement of financial position, investments in foreign operations are reported as net assets in subsidiaries. To a certain extent, measures have been taken to reduce the currency risks associated with these investments, primarily by securing loans in the same currency as the net investments. At the close of the accounting period, these loans are reported translated at the closing exchange rate.

Revenue

Sales of goods and execution of service assignments

Income from the sale of goods is recognized in profit/loss when significant risks and rewards associated with the ownership of the goods are transferred to the buyer. Income from service assignments is recognized in profit/loss on the basis of the degree of completion on the balance sheet date. The degree of completion is determined by means of an assessment of the work carried out based on surveys. Revenue is not recognized if it is likely that the economic benefits will not accrue to the Group. If there is significant uncertainty regarding payment, accompanying costs or the risk of returns and if the seller retains a commitment in the on-going administration which is usually associated with ownership, no revenue is recognized. Income is recognized at the fair value of what has been received or is expected to be received with deductions for discounts granted. The degree of completion is determined on the basis of the expenses hitherto incurred for the assignment in relation to the total calculated expenses for the assignment. Only expenses corresponding to work that has been carried out may be included in the expenses incurred as per the balance sheet date. Only expenses corresponding to work that has been carried out or that will be carried out may be included in the total calculated expenses.

Contract assignments

Where the outcome of a construction contract can be calculated in a reliable manner, the income and expenses attributable to the assignment are recognized in consolidated profit/loss as income and expenses in relation to the assignment's degree of completion. This is known as successive income recognition. The degree of completion is determined by calculating the relationship between the expenses hitherto incurred for the assignment and the total calculated expenses for the assignment. For assignments where the outcome cannot be reliably calculated, revenue corresponding to the expenses incurred is recognized. A feared loss on a contract assignment is recognized immediately in consolidated profit/loss.

Government subsidies

Government subsidies are recognized in the statement of financial position as deferred income when there is reasonable certainty that the subsidy will be received and that the Group will meet the conditions associated with the subsidy. Subsidies shall be systematically periodized in profit/loss in the same way and across the same periods as the expenses that the subsidies are intended to offset. Government subsidies associated with assets are recognized in the statement of financial position as a reduction in the recognized value of those assets.

Leasing

Operating leasing agreements

Costs relating to operating lease agreements are recognized in profit/loss on a linear basis over the leasing period. Benefits received in connection with the signature of an agreement

are recognized in profit/loss as a reduction of the lease payments on a linear basis over the leasing period. Contingent rents are expensed in the periods in which they arise.

Financial leasing agreements

The minimum lease payments are apportioned between interest expense and reduction of the outstanding liability. The interest expense is distributed over the lease term so that each accounting period is assigned an amount corresponding to a fixed interest rate for the liability in the respective period. Contingent rents are expensed in the periods in which they arise.

Income and expenses

Financial income consists of interest income from invested funds (including financial assets available for sale), dividend income, profit from the divestment of financial assets available for sale and value gains from financial assets/liabilities valued at fair value in profit/loss. Interest income from financial instruments is recognized according to the effective interest method. Effective interest is the rate at which the net present value of all future inward and outward payments during the anticipated term of the financial instrument is equal to the carrying amount of the receivable or liability. Dividend income is recognized when the right to receive the dividend has been established. Results from the sale of financial investments are recognized when the risks and rewards associated with ownership of the instruments have in all essentials been transferred to the buyer and the Group no longer has control of the instruments. Financial expenses consist of interest expenses on loans, the effect of the resolution of present value calculations for provisions, value losses on financial assets/liabilities valued at fair value via profit/loss and the impairment of financial assets. Borrowing expenses are recognized in profit/loss applying the effective interest method, except where they are directly attributable to the acquisition, construction or production of assets that take considerable time to complete for their intended use or sale, in which case they are included in the cost of those assets. Exchange rate gains and losses are reported net.

Taxes

Income taxes consist of current tax and deferred tax. Income taxes are recognized in profit/loss unless the underlying transaction is recognized in other comprehensive income or in shareholders' equity, whereby the associated tax effect is recognized outside profit/loss. Current tax is tax due for payment or receipt in respect of the financial year, using tax rates decided or virtually decided upon on the balance sheet date. Adjustment of current tax related to earlier periods is also included. Deferred tax is calculated in accordance with the balance sheet method, proceeding on the basis of temporary differences between the carrying amounts and taxable values of assets and liabilities. Temporary differences arising upon the initial recognition of goodwill are not taken into consideration, nor is the initial recognition of assets and liabilities that are not business combinations and which do not affect reported or taxable profit at the time of the transaction. Nor

are temporary differences taken into account that are related to investments in subsidiaries and associated companies which are not expected to be reversed in the foreseeable future. The valuation of deferred tax provided is based on how carrying amounts of assets or liabilities are expected to be realized or settled. Deferred tax is calculated by applying the tax rates and regulations decided or virtually decided upon at the balance sheet date. Deferred tax assets for tax-deductible temporary differences and loss carryforwards are recognized only to the extent it is likely that these items will be able to be utilized. The value of deferred tax assets is derecognized when it is no longer deemed likely that they can be utilized. Any additional income tax arising from a dividend is recognized at the same time as the dividend is recognized as a liability.

Financial instruments

Financial instruments recognized as assets in the statement of financial position include cash and cash equivalents, loan receivables and accounts receivable. Liabilities include accounts payable and borrowing. Derivatives are also included among financial instruments, both on the asset and liability side.

Recognition in and derecognition from the statement of financial position

Liabilities are recognized once the counterparty has completed its task and there is a contractual obligation to pay, even though an invoice may not yet have been received. Accounts receivable are recognized in the statement of financial position once an invoice has been sent. Liabilities are recognized once the counterparty has completed its task and there is a contractual obligation to pay, even though an invoice may not yet have been received. Accounts payable are recognized once the invoice has been received. A financial asset is removed from the statement of financial position when the rights in the agreement are realized, fall due or the company loses control over them. This also applies for parts of a financial asset. A financial liability is removed from the statement of financial position when the commitment in the agreement is fulfilled or extinguished in some other manner. The same applies for part of a financial liability. A financial asset and a financial liability are offset and recognized as a net amount in the statement of financial position only when a legal entitlement to offset the amounts is in place, and where there is an intention to balance the items with a net amount or to simultaneously realize the asset and settle the liability. The acquisition or sale of financial assets is reported on the transaction date, which is the date on which the company pledges to acquire or sell the asset.

Classification and measurement

Financial instruments which are not derivatives are initially recognized at a cost corresponding to the instrument's fair value with an addition for transaction expenses. Exceptions are those categorized as financial assets recognized at fair value via profit/loss, which are recognized at fair value excluding transaction expenses. On first recognition, a financial instrument is classified based on the reason for its purchase. The classification determines how the financial

instrument is measured after the first recognition as described below. Derivative instruments are initially recognized at fair value, which means that any transaction expenses are charged against the profit/loss for the period. After the initial recognition, derivative instruments are accounted for as described below. Hedge accounting is not applied. Value gains and losses on derivatives are reported as income or expense in operating profit/loss or in net financial items based on whether the use of the derivative is related to an operating or financial item. Cash and cash equivalents comprise cash and instantly accessible balances at banks and equivalent institutions as well as current investments with a term from the acquisition date of less than three months which are exposed to only a negligible risk of fluctuations.

Financial assets recognized at fair value in profit/loss

This category consists of two sub-groups: financial assets held for sale and other financial assets that the Group has initially chosen to place in this category. A financial asset is classified as being held for sale if it is retained with the intention of being sold in the near future. Derivatives with positive fair value are classified as being held for sale. Assets belonging to this category are continuously recognized at fair value with changes in value recognized in profit/loss for the year.

Changes in loans and accounts receivable

Loan receivables and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at the amortized cost. The amortized cost is determined based on the effective interest calculated at the time of acquisition. Accounts receivable are recognized at the amount estimated to be paid, i.e. with a deduction for doubtful receivables.

Unlisted shares and participations

The company's holdings of unlisted shares and participations are valued at cost in accordance with the exemption rule in IAS 39 for equity instruments for which fair value cannot be reliably determined. These are classified as financial assets available for sale.

Financial liabilities recognized at fair value in profit/loss

This category consists of two sub-groups: financial liabilities held for sale and other financial liabilities that the Group has initially chosen to place in this category. Derivatives with negative fair value are classified as being held for sale, with the exception of derivatives that are identified and effective hedging instruments. Fair value changes are recognized in profit/loss for the year.

Other financial liabilities

Loans and other financial liabilities, such as accounts payable, are included in this category. The liabilities are measured at the amortized cost.

Derivatives and hedge accounting

The Group's derivative instruments have been acquired to financially hedge its interest and exchange rate exposures.

Currency forward contracts are used to hedge forecast sales and purchasing in foreign currencies. To hedge the uncertainty in highly probably forecast interest flows in borrowing at variable rates, interest rate swaps are used whereby the company receives variable interest but pays fixed interest. Derivatives are initially recognized at fair value, which means that any transaction expenses are charged against profit/loss for the period. The Group has elected not to apply hedge accounting, meaning that on-going changes in the fair value of the derivatives are reported in profit/loss for the year.

Tangible fixed assets

Owned assets

Tangible fixed assets are stated in the Group at cost less accumulated depreciation and any impairment. The cost includes the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Borrowing expenses directly attributable to the purchase, construction or production of assets that take considerable time to complete for the intended use or for sale are included in cost. Accounting principles for impairment of assets are shown below. The cost for self-constructed fixed assets includes expenses for materials, employee benefits, other manufacturing costs considered directly attributable to the fixed asset where applicable, as well as estimated expenses for dismantling and removing the asset and restoring the site or area where it is located. Tangible fixed assets comprising parts with different useful lives are treated as separate components of tangible fixed assets. The carrying amount for a tangible fixed asset is derecognized from the statement of financial position on scrapping or sale, or when no future economic benefits are expected from the use, scrapping or sale of the asset. Gains or losses arising from the sale or scrapping of an asset constitute the difference between the sale price and the asset's carrying amount less direct sales expenses. Gains and losses are recognized as other operating income/expense.

Leased assets

Leases are classified in the consolidated accounts as either financial or operating leases. A financial lease is a lease whereby the financial risks and rewards associated with the ownership are in all essentials transferred to the lessee. If this is not the case the lease is considered an operating lease. Assets leased through financial leasing agreements are reported as assets in the statement of financial position and initially valued at the lower of the fair value of the leased item of the current value of the minimum leasing fees at the commencement of the agreement. Obligations to pay future lease payments have been recognized as long-term and current liabilities. The leased assets are depreciated according to plan while the lease payments are recognized as interest and reduction of the liabilities. For operating leases, the lease payment is expensed over the lease term in accordance with the usage, which may differ from what is de facto paid in leasing fees during the year.

Subsequent expenses

Subsequent expenses are only added to the cost if it is probable that the future economic benefits associated with the asset will flow to the company and the cost can be measured reliably. All other subsequent expenses are expensed in the period they arise. The question of whether a subsequent expense is attributable to the replacement of identified components, or parts thereof (whereby such expenses are capitalized) plays a decisive role in determining if that expense should be added to cost. Even in cases where new components are constructed, the expense is added to the cost. Any non-depreciated carrying amounts for replaced components, or parts of components, are scrapped and derecognized in connection with replacement. Repairs are expensed as they are incurred.

Borrowing expenses

Borrowing expenses attributable to the construction of qualifying assets are capitalized as part of the acquisition cost of the qualifying asset. A qualifying asset is one that by nature takes considerable time to complete. The borrowing expenses primarily capitalized those incurred through general loans not specific to any other qualifying asset. For the Group, the capitalization of borrowing expenses is mainly applicable in connection with the proprietary construction of storage and production buildings.

Depreciation principles

Depreciation is carried out on a linear basis over the asset's estimated useful life. Leased assets are also depreciated over their estimated useful life or over the agreed lease term, whichever is shorter. The Group applies the component approach, whereby the components assessed useful life forms the basis for depreciation.

Estimated useful lives:

- Buildings 25–50 years
- Land improvements 20–27 years
- Machinery and technical plant 10 years
- Equipment, tools, fixtures and fittings 3–5 years

Land is not depreciated. Depreciation methods used and the residual value and useful life of assets are reviewed at each year-end.

Intangible assets

Goodwill

Goodwill represents the difference between the cost of the business combination and the fair value of acquired assets, assumed liabilities and contingent liabilities. Since the Group's inception on 28 December 2004, all acquisitions have been reported in accordance with IFRS 3. Goodwill is stated at cost less any accumulated impairment. Goodwill is distributed to cash generating units and is tested annually to determine possible impairment needs. Goodwill arising from acquisitions of associated companies is included in the carrying amount for participations in associated companies. For business combinations where the cost is less than the net value of the acquired assets and assumed liabilities and

contingent liabilities, the difference is recognized directly in profit/loss for the year.

Product development expenses

Where research results or other knowledge are applied to achieve new or improved processes, product development expenses are reported as an asset in the statement of financial position if the product or process is technically and commercially viable and the company has sufficient resources to complete development and subsequently use or sell the intangible asset. Most of the Group's product expenses pertain to unique customer adaptations or updating existing products in line with technical advances. For such expenses, the criteria for capitalization stipulated by IAS 38 are not considered to have been met and the expenses are recognized as expenses against profit/loss for the year in which they are incurred.

Other intangible assets

Other intangible assets mainly include customer agreements and software acquired by the Group. These assets are recognized at cost less accumulated amortization and impairment. Expenses for internally generated goodwill and internally generated trademarks are recognized in profit/loss as they are incurred.

Subsequent expenses

Subsequent expenses for capitalized intangible assets are only recognized as assets in the statement of financial position if they increase the future economic benefits for the specific assets to which they refer. All other costs are expensed as they are incurred.

Depreciation principles

Amortization is charged to statement of comprehensive income on a linear basis over the intangible assets' estimated useful lives, provided the useful life is not indefinite. The useful lives of assets are reassessed at least once per year. Goodwill has an indefinite useful life and is therefore tested for possible impairment annually, or as soon as indications arise that the asset in question has decreased in value. Intangible assets which are amortized are amortized from the date they are available for use. The estimated useful lives are:

- Customer agreements 5 years
- Software 10–20 years

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost for inventories is based on the first-in first-out principle (FIFO) and includes costs arising upon acquisition of the inventories and their transport to their current location and condition. For manufactured goods and work in progress, the purchase value includes a reasonable proportion of indirect costs based on normal capacity. Net realizable value is the estimated sales price in the ordinary course of business, less estimated expenses for completion and bringing about a sale.

Impairment

Carrying amounts of the Group's assets are reviewed at each balance sheet date to assess whether there is any indication of impairment. IAS 36 is applied in impairment testing for assets other than financial assets which are tested in accordance with IAS 39, inventories and deferred tax assets. For the exceptions stated above, the carrying amount is assessed according to the relevant standard.

Impairment tests for tangible and intangible assets, and holdings in subsidiaries, associated companies, joint ventures, etc.

If a need for impairment is indicated, the recoverable amount of the asset is calculated in accordance with IAS 36 (see below). The recoverable amount for goodwill, other intangible assets with indefinite useful lives and intangible assets that are not yet ready for use is calculated annually. If, in connection with impairment testing, largely independent cash flows cannot be established for an individual asset, assets are grouped at the lowest level at which largely independent cash flows can be identified – this is known as a cash generating unit. Impairment is recognized when an asset's or cash generating unit's carrying amount exceeds the recoverable amount. Impairment is charged to the statement of comprehensive income. Impairment of assets attributable to a cash generating unit is primarily allocated to goodwill. After this, a proportional impairment of all other assets included in the unit is implemented. The recoverable amount is the higher of fair value less costs to sell and value in use. Upon calculating the value in use, future cash flows are discounted at a discount rate that takes into account risk-free interest and the risk associated with the specific asset.

Impairment testing for financial assets

At each reporting date, the company evaluates whether there is objective evidence that any impairment is necessary for a financial asset or group of assets. Objective evidence constitutes observable events that have an adverse impact on the potential to recover the cost, and a significant or long-term decrease in the fair value of a component of a financial investment classified as a financial asset available for sale. The company classifies accounts receivable as doubtful when: 1) the customer is insolvent or subject to bankruptcy proceedings, 2) the payment is more than 60 days overdue (whereupon the financial position of the individual customer is assessed and provisions are implemented as deemed necessary). For impaired accounts receivable, the amount of the expected future payment is reported. Short-term receivables are not discounted. The recoverable amount of loans, accounts receivable and assets classed as investments held to maturity is calculated as the present value of future cash flows discounted by the effective interest rate applicable on the initial recognition of the asset. Short-term assets are not discounted. Impairment is charged to the statement of comprehensive income.

Reversal of impairment

Impairment is reversed if there is an indication that it is no longer necessary, and there has been a change in the

assumptions which formed the basis of the calculation of the recoverable amount. However, impairment of goodwill is never reversed. A reversal is only made to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that the asset would have had, with a deduction for amortization, if no impairment had been recognized. Impairment losses on loan receivables and accounts receivable reported at accrued cost are reversed if the former grounds for impairment no longer apply and full payment from the customer is expected. Impairments of interest-bearing instruments classified as financial assets available for sale are reversed through the statement of comprehensive income if the fair value increases and the increase can objectively be attributed to an event which occurred after the impairment was implemented.

Share capital

Dividends

Dividends are recognized as a liability once approved by the Annual General Meeting.

Employee benefits

Defined contribution plans

The Group mainly has defined-contribution pension plans. Defined contribution pension plans are those for which the Group only pays fixed fees and is under no obligation to pay additional fees if plan assets are insufficient. Consequently the employee bears the risk regarding future pension levels. Obligations regarding defined contribution plans are recognized as an expense in the statement of comprehensive income at the rate at which they are earned by employees performing services for the company.

Remuneration on termination of employment

An expense for remuneration in connection with termination of employment for employees is recognized only if the company is demonstrably obliged in a formal detailed plan to terminate employment ahead of the normal point in time, with no realistic possibility of withdrawal. When remuneration is paid as an incentive for voluntary departure, an expense is recognized if it is likely that the offer will be accepted and the number of employees accepting the offer can be reliably estimated.

Short-term employee benefits

Current employee benefits are calculated without discounting and are expensed as the relevant services are received. Expected expenses for profit sharing and bonus payments are recognized as liabilities when the Group has a present legal or constructive obligation to make such payments as a consequence of services being received from employees and that obligation can be calculated reliably.

Stock option scheme

Stock options settled in cash (synthetic options) give rise to an obligation towards employees that is recognized at fair value and reported as an expense with a corresponding increase in

liabilities. Fair value is initially calculated at the time of allocation and is distributed across the vesting period. The fair value of the stock options settled in cash is calculated according to the Black-Scholes model, taking into account the terms and conditions of the allocated instrument. The liability is reassessed on each balance sheet date and upon settlement. All changes in the fair value of the liability are reported under profit/loss for the year as a financial expense.

Provisions

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimation of the amount can be made. When the effect of the timing of the payment is important, provisions are calculated by discounting the expected future cash flow at a pre-tax interest rate which reflects current market assessments of the time value of money and, if applicable, the risks associated with the liability.

Guarantees

A provision is made for guarantees when the underlying products or services are sold. The provision is based on historical data regarding guarantees and a total appraisal of conceivable outcomes in relation to the probabilities with which those outcomes are associated.

Restructuring

Restructuring provisions are recognized when the Group has adopted a detailed formal restructuring plan and the restructuring has been commenced or publicly announced. No provisions are made for future operating costs.

Group contributions

Inwido AB is a subsidiary of listed company Ratos. Group contributions to and from the Parent Company and sister companies within the Ratos Group are reported in the Group as a transaction with the company's owners directly in the statement of changes in shareholders' equity in accordance with IAS 1, which requires all transactions with the owners, in their capacity as owners, to be recognized directly against shareholders' equity. This means that Group contributions made with the aim of minimizing the Group's total tax are recognized directly against profit brought forward after deductions for their current tax effect.

The parent company's accounting principles

The Parent Company has prepared its Annual Report in accordance with the Swedish Annual Accounts Act (1995:1554) and Recommendation RFR 2 of the Swedish Financial Accounting Standards Council, on Accounting for Legal Entities. Statements issued by the Swedish Financial Reporting Board are also applied. RFR 2 means that the Parent Company in the annual report for the legal entity shall apply all EU-approved IFRS standards and statements as far as possible within the framework of the Annual Accounts Act, taking into consideration the relationship between

accounting and taxation. The recommendation stipulates which exceptions and additions to IFRS shall be applied.

Differences between the group's and parent company's accounting principles

The differences between the Group's and Parent Company's accounting principles are shown below. The accounting principles shown below for the Parent Company have been applied consistently to all periods presented in the Parent Company's financial statements. Effective from 2012, Group contributions received and paid are recognized as appropriations in the income statement. The comparison figures for 2011 have been adjusted according to the new principles. Previously, Group contributions were reported in accordance with statement UFR 2 from the Swedish Financial Reporting Board regarding shareholders' contributions directly against shareholders' equity

Classifications and presentation

The income statement and statement of comprehensive income are produced separately for the Parent Company, whereas for the Group these two reports are combined into a single statement of comprehensive income. In addition the titles 'balance sheet' and 'cash flow statement' are used for the Parent Company for statements that for the Group are titled 'consolidated statement of financial position' and 'consolidated statement of cash flows' respectively. The Parent Company income statement and balance sheet have been prepared in accordance with regulations stipulated in the Annual Accounts Act, while the statement of comprehensive income, summary of changes in shareholders' equity and cash flow statement is based on IAS 1.

Presentation of financial statements and IAS cash flow statements

The differences compared with the consolidated statements that are evident in the Parent Company's income statement and balance sheet comprise mainly the reporting of financial income and expenses, fixed assets and shareholders' equity.

Subsidiaries, associated companies and joint ventures

Investments in subsidiaries, associated companies and joint ventures are accounted for in the Parent Company in accordance with the cost method. This means that transaction expenses are included in the carrying amount for holdings in subsidiaries, associated companies and joint ventures. In the consolidated accounts, transaction expenses attributable to subsidiaries are recognized directly in profit/loss as they are incurred. Conditional purchase prices are valued based on the likelihood that the purchase price will be paid. In the consolidated accounts, conditional purchase prices are recognized at fair value with changes in value over profit/loss. Bargain purchases that correspond to expected future losses and expenses are resolved over the anticipated periods during which losses and expenses arise. Bargain purchases that arise due to other reasons are recognized as provisions, to the extent that they do not exceed the fair value of the acquired identifiable non-monetary assets. The portion that

exceeds this value is immediately taken up as income. The portion that does not exceed the fair value of the acquired identifiable non-monetary assets is systematically taken up as income over a period that is calculated as the remaining weighted average useful life for the acquired identifiable assets that are amortized. In the consolidated accounts, bargain purchases are reported directly in profit/loss.

Untaxed reserves

Untaxed reserves including deferred tax liability are recognized in the Parent Company. In the consolidated accounts

however, untaxed reserves are divided into deferred tax and shareholders' equity.

Group contributions

Group contributions received by the Parent Company from its subsidiaries are reported in the Parent Company according to the same principles as normal dividends from subsidiaries, in other words, as a financial income item in the income statement. Group contributions paid by the Parent Company to its subsidiaries are recognized as an appropriation in the income statement.

Note 2 Financial risks and policies

Through its operations, the group is exposed to various kinds of financial risks

Financial risks are those involving fluctuations in the Group's earnings and cash flow as a consequence of changes in exchange rates, interest rate levels, and refinancing and credit risks. The Group's financial policy for the management of financial risks has been designed by the Board of Directors and provides a framework of guidelines and regulations in the shape of risk mandates and limits for financing activities. To read more about the Company's financial risks, please see the Financial Risks section in the Directors' Report.

Responsibility for the Group's financial transactions and risks is managed centrally by the Parent Company's finance department. The overarching objective for risk management efforts is to provide cost effective financing and to minimize the negative effects of market fluctuations on the Group's earnings.

Liquidity risks

Liquidity risk (or financing risk) refers to the risk that it will not be possible to secure financing or that it will only be possible to do so at considerably increased expense. Consequently, it is the Group's objective that there always be sufficient cash and equivalents, as well as guaranteed lines of credit to cover the next six months. Furthermore loan maturities have been spread out over time to limit the liquidity risk.

To ensure that the Group always has access to external financing, the finance department shall make sure that commitments to grant credit, both short and long-term, are available. Efforts shall be made to maintain the highest level of cost efficiency possible within the set framework.

At the end of the year, the Group's financial liabilities amounted to SEK 1,922.0 million with the maturity structure indicated in the table below.

Maturity structure, financial liabilities – undiscounted cash flows

SEKm	2012						2011				
	Nominal amount, functional currency	0-6 months	6-12 months	1-5 years	5 years or later	Total	0-6 months	6-12 months	1-5 years	5 years or later	Total
Bank loans	1,108.6	61.8	70.1	1,038.7	11.3	1,181.9	143.0	150.1	1,345.3	16.6	1,655.0
Overdraft facilities	122.2	1.8	1.8	125.8		129.5	4.1	4.1	103.9		112.1
Derivatives	9.9	2.1	1.7	6.1		9.9	0.3	0.3	9.9		10.5
Synthetic instrument	11.4				11.4	11.4				27.9	27.9
Trade and other payables	348.6	348.2	0.4			348.6	404.0				404.0
Liabilities to Group companies	168.6			168.6		168.6			304.2		304.2
Financial lease liabilities	21.6	4.1	3.7	16.4	0.2	24.4	6.2	6.2	20.7		33.2
Other current liabilities	131.0		131.0			131.0		224.9			224.9
Total accounts receivable		418.0	208.7	1,355.6	23.0	2,005.3	557.6	385.6	1,784.0	44.5	2,771.8

Interest rate risks

Interest rate risk refers to the risk that the value of a financial instrument may fluctuate due to changes in market rates. The Group's interest rate risk consists of that entailed by its borrowing. Management of the Group's interest exposure is centralized, meaning that the central finance function is responsible for identifying and managing this exposure. Derivative instruments, such as interest swap contracts, are used to manage the credit risk.

The Group is mainly exposed through its interest-bearing

financial assets, which are indicated in the table in Note 20. The total exposure for the credit risk corresponds to the value of the receivables in the balance sheet. At 31 December 2012, the fair value of these swaps amounted to a negative SEK 9.6 million (neg 10.5) consisting of liabilities of SEK 9.6 million (10.5).

As per 31 December 2012, interest-bearing liabilities, excluding financial leasing amounted to SEK 1,231 million (1,648). The average period of fixed interest, excluding derivatives was approximately one month (one). The average period of fixed interest, including derivatives was approximately six months (six).

Sensitivity analysis – interest risk

The impact on interest income and interest expenses over the coming 12-month period from an increase in interest of 1 percentage point on the balance sheet date amounts to an increased expense of SEK 12 million (16) – given the interest-bearing assets and liabilities held as of the balance sheet date and that no liabilities and assets have been hedged. Taking implemented hedging into account, the impact on interest income and interest expenses amounts to an increased expense of SEK 9 million (11).

Credit risks in accounts receivable

The risk that the Group's/company's customers fail to meet their obligations, that is, that no payment is obtained for accounts receivable, constitutes a customer credit risk.

Specification of accounts receivable

Group, SEKm	2012				2011			
	Book invoice amount	Provision for losses on accounts receivable	Book amount	Collateral received	Book invoice amount	Provision for losses on accounts receivable	Book amount	Collateral received
Not overdue	342.6	-1.3	341.3	-	396.9	0.0	396.9	-
Overdue 0-60 days	85.2	-0.1	85.0	-	78.9	-1.0	77.9	-
Overdue 61-180 days	13.9	-0.7	13.2	-	19.3	-7.0	12.3	-
Overdue 181-365 days	8.9	-2.3	6.6	-	7.9	-1.3	6.6	-
More than 1 year	19.9	-15.5	4.4	-	27.0	-15.1	11.9	-
Total accounts receivable	470.4	-20.0	450.4	-	530.0	-24.4	505.6	-

Currency risks

Transaction exposure

The Group applies a finance policy adopted by the Board of Directors. Each business area manager is responsible for assessing transaction exposure. In the event that the transaction exposure for an individual business unit should exceed EUR 500,000 on an annual basis, 40-60 percent of the individual currency concerned shall be hedged with a maturity of up to six months.

The Group is not exposed to transaction risks to any great extent because sales and purchasing are mainly conducted in the functional currencies of the countries concerned. Transaction exposure shall primarily be minimized through internal measures, such as matching of flows, choice of invoicing currency and the use of currency clauses, and secondarily through financial instruments. The table below shows the net flows and hedge volumes of the Group companies in each currency.

Group, SEKm	2012		2011	
	12 months net flows	Total hedges	12 months net flows	Total hedges
SEK	-210.6	92.5	-128.8	-40.8
EUR	-143.9	22.1	-78.2	-12.3
NOK	-3.0	0.0	8.7	-2.0
DKK	-9.8	0.0	-8.3	0.0
GBP	2.2	0.0	-1.3	0.0
USD	0.0	0.0	-10.6	-3.4
Other	-17.5	0.0	-13.7	-8.2
Total	-382.7	114.6	-232.1	-66.7

Transaction exposure has been hedged through currency derivatives. The derivatives used are mainly forward rate contracts.

Credit checks are performed on the Group's customers with information regarding their financial status being obtained from various credit information agencies. For certain types of customers, the risk of credit losses is limited by means of credit insurance. Bank guarantees or other sureties are required for customers with low credit ratings or insufficient credit history. The credit quality of non-provisioned accounts receivable is deemed to be good.

As per the balance sheet date, there were no significant concentrations of credit exposures. The maximum exposure for an individual credit risk as per 31 December 2012 amounts to SEK 6.5 million (17.8), corresponding to 1 percent (4) of total accounts receivable. The maximum exposure for credit risk is the same as the gross value of the accounts receivable in the balance sheet.

Translation exposure

The hedging of translation exposure is guided by the Group's finance policy. Translation exposure is not currently hedged as the risk is relatively limited. However, an analysis of these risks is made once a year to ensure that they do not increase. Foreign net assets in the Group are mainly distributed among the following currencies:

Group, SEKm	2012			2011	
	Local currency	Amount	%	Amount	%
SEK	2,230.0	2,230.0	94.4	2,125.4	95.6
NOK	17.9	22.2	0.9	43.5	2.0
DKK	157.0	146.8	6.2	98.6	4.4
EUR	33.7	290.9	12.3	249.5	11.2
GBP	-8.6	-100.7	-4.3	-95.4	-4.3
LTL	0.9	0.2	0.0	0.2	0.0
PLN	-70.0	-162.5	-6.9	-138.9	-6.2
RUB	-287.1	-64.1	-2.7	-59.2	-2.7
Total		2,362.8	100	2,223.6	100

A 10 percent strengthening of the SEK against other currencies as of 31 December 2012 would entail a negative change in shareholders' equity of 13.3 (8.8) and a negative change in profit of 6.6 (2.5). This sensitivity analysis is based on all other factors (e.g. interest rates) remaining unchanged. The same conditions were applied for 2011.

Fair value

In all instances, fair value corresponds to the financial instrument's carrying amount. Fair values and carrying amounts are detailed in the balance sheet below (next page):

Group 2012, SEKm	Account and loan receivables	Financial assets available for sale	Held for trade		Other liabilities	Total carrying amount	Fair value
			Financial assets recognized at fair value in profit/loss	Financial liabilities recognized value in profit/loss			
Financial investments	17.3	2.8				20.1	20.1
Other non-current assets	14.5					14.5	14.5
Trade and other receivables	450.4					450.4	450.4
Receivables from Group companies	76.3					76.3	76.3
Other current assets	64.7					64.7	64.7
Cash and equivalents	98.7					98.7	98.7
Total	721.9	2.8	-	-	-	724.7	724.7
Non-current interest-bearing liabilities					1,028.4	1,028.4	1,028.4
Other non-current liabilities					20.9	20.9	20.9
Current interest-bearing liabilities					224.1	224.1	224.1
Trade and other payables					348.6	348.6	348.6
Liabilities to Group companies					168.6	168.6	168.6
Other current liabilities				0.6	130.4	131.0	131.0
Total	-	-	-	21.5	1,900.1	1,921.6	1,921.6

Group 2011, SEKm	Account and loan receivables	Financial assets available for sale	Held for trade		Other liabilities	Total carrying amount	Fair value
			Financial assets recognized at fair value in profit/loss	Financial liabilities recognized value in profit/loss			
Financial investments	17.7	3.1	0.1			20.9	20.9
Other non-current assets	15.9					15.9	15.9
Trade and other receivables	505.5					505.5	505.5
Receivables from Group companies	187.0					187.0	187.0
Other current assets	52.1		0.3			52.4	52.4
Cash and equivalents	282.7					282.7	282.7
Total	1,060.9	3.1	0.4	-	-	1,064.4	1,064.4
Non-current interest-bearing liabilities					1,333.5	1,333.5	1,333.5
Other non-current liabilities					37.7	37.7	37.7
Current interest-bearing liabilities					343.5	343.5	343.5
Trade and other payables					404.0	404.0	404.0
Liabilities to Group companies					304.2	304.2	304.2
Other liabilities				1.0	257.1	258.1	258.1
Total	-	-	-	38.7	2,642.2	2,680.9	2,680.9

Disclosures regarding determination of fair value

Group, SEKm	2012				2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Non-current receivable – derivative	-	-	-	-	-	0.1	-	0.1
Current receivable – derivative	-	-	-	-	-	0.3	-	0.3
Total	-	-	-	-	-	0.4	-	0.4
Non-current liability – derivative	-	9.3	-	9.3	-	9.7	-	9.7
Non-current liability – options	-	-	11.4	11.4	-	-	28.0	28.0
Current liability – derivative	-	0.8	-	0.8	-	1.0	-	1.0
Total	-	10.1	11.4	21.5	-	10.7	28.0	38.7

The table at right presents a reconciliation of opening and closing balances for financial instruments recognized at fair value in the statement of financial position using valuation techniques based on non-observable in-data (level 3).

Calculation of fair value

The following is a summary of the main methods and assumptions used to establish the fair value of the financial instruments presented in the table at right.

Group, SEKm	Long-term liability	Total
Opening balance, 1 Jan. 2011	32.3	32.3
Options/shares redeemed	-2.9	-2.9
Options/shares issued	4.0	4.0
Total recognized gains and losses:		
Reported in profit for the year	-5.4	-5.4
Closing balance, 31 Dec. 2011	28.0	28.0
Opening balance, 1 Jan. 2012	28.0	28.0
Options/shares redeemed	-4.4	-4.4
Options/shares issued	1.0	1.0
Total recognized gains and losses:		
Reported in profit for the year	-13.2	-13.2
Closing balance, 31 Dec. 2012	11.4	11.4

A change in value of SEK 13.2 million regarding instruments measured according to class 3 affected profit/loss for the year.

Calculation of fair value

The following is a summary of the main methods and assumptions used to establish the fair value of the financial instruments presented in the table above.

Securities

For listed securities, fair value is determined on the basis of the asset's quoted bid price on the balance sheet date, not including transaction expenses incurred on acquisition. Nor are potential transaction costs on the divestment of an asset taken into account.

The fair value of unlisted financial assets is determined by calculating future discounted cash flows in the company. The resulting value is then compared to assessments of similar shares, participations or other financial instruments that are judged comparable but that are listed. The comparative valuation is made by applying relevant multiples to the key figures of the company concerned (for example, EBITDA) less deductions for individually determined adjustments due to factors such as differences in size between the company concerned and comparable companies. An additional factor taken into account in the valuation is the value in connection with any transactions in each company and any external valuations that have been made, usually on the basis of discounted cash flows.

Derivative instruments

For foreign exchange forward contracts, fair value is determined on the basis of quoted prices where available. If these are not available, fair value is calculated by discounting the difference between the contracted forward rate and the forward rate that can be signed on the balance sheet date for the remaining contract period. Discounting is applied at a risk-free interest rate based on government bonds.

For interest rate swaps, fair value is based on the valuation made by the mediating credit institute, with the fairness of this being tested by discounting calculated future cash flows in accordance with the terms and maturity dates of the contract and on the basis of market interest rates for similar instruments on the balance sheet date.

Where discounted cash flows are applied, future cash flows are calculated based on company management's best assessment. The interest rate applied in discounting is based on market rates for similar instruments on the balance sheet date. Where other valuation methods have been applied, input data are based on market related data on the balance sheet date.

Interest-bearing liabilities

For financial liabilities that are not derivative instruments, fair value is calculated by discounting future cash flows on principals and interest applying market interest rates on the balance sheet date.

Financial lease liabilities

Fair value is based on the present value of future cash flows discounted at market interest rates for similar lease agreements.

Accounts receivable and accounts payable

For accounts receivable and accounts payable with a remaining maturity of less than six months, the carrying amount is considered to reflect fair value. Accounts receivable and accounts payable with a maturity of more than six months are discounted in connection with the determination of fair value.

Parent Company

The Parent Company conducts certain Group-wide services and is therefore not exposed to any substantial financial risks.

Note 3 Distribution of income

Income by major income category

SEKm	Group		Parent Company	
	2012	2011	2012	2011
Sale of goods	4,607.4	5,050.1	-	-
Service assignments	-	-	55.8	52.6
Net sales	4,607.4	5,050.1	55.8	52.6

Net sales include no income in connection with the exchange of goods and services, either in the Group or the Parent Company.

Income by geographical market

SEKm	2012	2011
Sweden	1,922.4	2,287.1
Norway	536.0	574.4
Denmark	691.0	658.4
Finland	1,124.4	1,209.1
Poland	94.5	96.9
United Kingdom	22.4	140.6
Russia	26.9	29.0
Ireland	161.1	29.3
Japan	11.7	9.0
Netherlands	0.4	0.0
Germany	9.6	10.1
Hungary	0.0	0.7
Estonia	1.3	1.4
Lithuania	1.0	1.0
Belgium	0.4	0.4
France	0.4	0.7
Other countries	3.9	1.9
	4,607.4	5,050.1

Note 4 Acquisitions and divestments

Divestments in 2012

On 15 May 2012, Inwido signed an agreement regarding the divestment of all shares in its subsidiary Inwido Home Improvement AB to private equity fund Priveq Investment Fund IV. The sale was completed on 15 June. The business had a combined total of some 80 employees and in 2011, sales amounted to SEK 274 million with an operating profit (EBITA) of SEK 25.8 million.

The net purchase consideration amounted to SEK 188 million. A consolidated loss before tax of SEK 51 million was reported. The loss was reported under other operating expenses in the consolidated accounts and as a financial expense in the accounts of the Parent Company.

Result from divestment of Home Improvement AB

Group, SEKm	2012	2011
Profit/loss from operations in the divested business		
Revenue	131.3	275.5
Expenses	-123.4	-278.3
Profit/loss before tax	7.9	-2.8
Taxes	-2.1	0.6
Profit/loss after tax	5.8	-2.2
Loss on divestment of operations		
Capital gains/losses on divestment of operations	-51.3	
Taxes attributable to capital gains above	-	
Loss on divestment after tax	-51.3	
Loss from divested operations after tax	-51.3	
Effect on individual assets and liabilities in the Group of the divestment		
Group, SEKm	2012	
Goodwill	193.1	
Intangible non-current assets	0.7	
Tangible non-current assets	0.8	
Inventories	45.8	
Trade receivable and other receivables	58.9	
Cash and equivalents	1.0	
Deferred tax liabilities	-3.4	
Trade payables and other liabilities	-58.3	
Divested assets and liabilities, net	238.7	
Net purchase consideration received in cash and equivalents	191.5	
Less: Cash and equivalents in the divested business	-1.0	
Net effect on cash and equivalents	190.5	

Acquisitions in 2011

In the first quarter of 2011, Inwido acquired 5 percent of the shares from non-controlling interests in Inwido Denmark A/S. Ownership thus increased from 95 percent to 100 percent. The investments totalled SEK 9.8 million, of which SEK 9.8 million was paid in cash. The carrying amount for Inwido Denmark's net assets in the consolidated accounts amounted at the time

of acquisition to SEK 20.9 million. The Group recognizes a decrease in its non-controlling interests of SEK 20.9 million and an increase in profit brought forward of SEK 11.2 million.

On 1 July 2011, 100 percent of the shares and votes were acquired in the Danish company Pro Tec Vinduer A/S and its subsidiary Pro Tec Windows UK Ltd. Pro Tec Vinduer is a leading supplier of innovative windows and doors and holds a strong market position among architects and developers, complementing Inwido's existing operations in Denmark well. The purchase consideration for the shares amounted to SEK 27.2 million and was paid in cash on the date of transfer.

Acquisition of Pro Tec Vinduer A/S

Group, SEKm	2011
Fair value of acquired net assets	8.3
Goodwill	18.9
Purchase consideration, cost to the Group	27.2
Acquired assets and liabilities	Fair value, Group
Tangible non-current assets	8.4
Financial non-current assets	0.3
Deferred tax assets	2.5
Operating assets	46.9
Cash and equivalents	0.0
Interest-bearing liabilities	-19.7
Operating liabilities	-29.0
Deferred tax liabilities	-1.1
Fair value of acquired net assets	8.3

The sales of the acquired company have been consolidated with those of the Group as of the acquisition date in the amount of SEK 106 million and in profit before tax in the amount of SEK 5 million. For the period January-June, net sales amounted to SEK 74 million and the loss before tax to SEK 18 million. Expenses related to the acquisition amounted to SEK 1 million and have been recognized as other operating expenses in the consolidated profit/loss for the period.

Goodwill includes the value of synergies in the form of more efficient purchasing and production processes, as well as a strong market position in the industrial segment. No portion of goodwill is expected to be tax deductible.

Note 5 Other operating income

Group, SEKm	2012	2011
Rental income	1.0	0.8
Gain on sale of non-current assets	2.3	1.7
Exchange gains on operating receivables/liabilities	1.3	2.1
Insurance compensation	0.8	1.3
Reversed provision for additional purchase consideration	19.2	-
Other	7.9	7.4
Total	32.6	13.4
Parent Company, SEKm	2012	2011
Exchange gains on operating receivables/liabilities	0.2	0.9
Other	19.2	-
Total	19.4	0.9

Note 6 Other operating expenses

Group, SEKm	2012	2011
Loss on sale of non-current assets	-	1.4
Exchange losses on operating receivables/liabilities	2.9	4.5
Divestment of business	51.3	-
Other	4.4	2.1
Total	58.6	8.0
Parent Company, SEKm		
Exchange losses on operating receivables/liabilities	1.1	0.8
Total	1.1	0.8

Note 7 Employees and personnel expenses

Group, SEKm	2012	2011
Wages, remunerations, etc.	1,117.4	1,156.0
(of which, wages and remunerations to the Board of Directors, CEO & senior management)	(55.6)	(57.7)
(of which, bonuses to the Board of Directors, CEO and senior management)	(-4.5)	(5.3)
Pension expenses, defined contribution plans	98.2	101.5
(of which, to the Board of Directors, CEO and senior management)	(9.8)	(10.6)
Social security contributions	208.6	215.0
	1,424.2	1,472.5

Average number of employees

	2012	of which, men	2011	of which, men
Parent Company (Sweden)	18	67%	18	78%
Total, Parent Company	18	67%	18	83%
Subsidiaries				
Sweden	1,287	71%	1,390	72%
Norway	221	66%	225	68%
Finland	698	76%	688	75%
Denmark	513	76%	507	78%
Ireland	9	56%	12	67%
Lithuania	10	50%	10	30%
Poland	339	73%	367	74%
United Kingdom	173	94%	187	93%
Russia	17	65%	116	66%
China	2	0%	3	33%
Total, subsidiaries	3,269	73%	3,505	74%
Total, Group	3,287	79%	3,523	74%

Gender distribution in executive management

	2012	2011
Parent Company	Women	Women
Board of Directors	14%	14%
Total, Group		
Board of Directors	15%	8%
Other senior executives	20%	14%

Salaries, other remunerations and social security expenses

Parent Company, SEKm	2012		2011	
	Wages and remunerations	Social security expenses	Wages and remunerations	Social security expenses
Board of Directors, CEO and senior management	13.4	9.3	16.8	11.2
(of which, bonuses)	(0.9)	-	(5.2)	-
Other employees	10.8	4.8	8.8	3.5

Of social security expenses, SEK 3.9 million (4.8) represent pension expenses for members of the Board of Directors, the CEO and senior management, and SEK 1.3 million (1.7) for other employees.

Benefits to senior management

Board fees are not paid to members employed by the Inwido Group or Ratos AB. Other, external members receive fees as follows (SEK thousands):

- Chairman of the Board 360
- Other four members 175 each

Severance agreements

In the event that the employment contract is terminated by the company, the CEO is entitled to remuneration over a period of 18 months. In the event of termination by the CEO, a notice period of six months applies. For other senior executives, the corresponding periods are twelve and six months respectively.

Note 8 Auditors' fees and reimbursements

SEKm	Group		Parent Company	
	2012	2011	2012	2011
KPMG				
Audit assignments	3.8	3.8	0.5	0.3
Other assignment	0.7	0.1	0.4	0.4
Tax advisory services	0.4	0.1	0.1	-
Other advisory services	0.2	0.7	0.2	-
Other auditors				
Audit assignments	0.3	0.8	-	-
Other assignment	-	-	-	-
Tax advisory services	0.1	0.1	-	-
Other advisory services	0.0	0.4	0.0	0.3
Total	5.5	5.9	1.2	1.0

Auditing assignments refer to the audit of the annual report and accounting as well as the administration of the Board and CEO, other tasks undertaken by the company's auditors in order to complete the assignment. Auditing activities beyond the auditing assignment refers to reviews such as certificates, interim reports etc. that have resulted in a report from the auditor. Tax advisory services refer to assignments that have been carried out in relation to taxes and fees. Other advisory services other refers to all other assignments that are not included in the above.

Note 9 Operating expenses by type of expense

Group, SEKm	2012	2011
Raw materials and input goods	1,651.6	1,872.0
Changes in inventories of finished products and products in progress	26.0	35.9
Personnel costs	1,487.1	1,534.8
Depreciation and impairment	112.9	145.2
Transport	185.6	224.3
Energy	52.8	70.9
Repairs and maintenance	57.7	204.8
IT and telephony	88.7	60.2
Other external expenses	690.0	514.3
Total	4,352.4	4,662.4

Note 10 Financial income and expenses

Group, SEKm	2012	2011
Financial income		
Interest income *	9.0	12.2
Assets and liabilities valued at fair value		
- Held for trade	13.2	5.4
Exchange rate difference	14.0	5.0
Other financial income	0.5	-
Total	36.7	22.6
Financial expenses		
Interest expenses*	-70.9	-83.3
Assets and liabilities valued at fair value		
- Held for trade	-	-5.0
Exchange rate difference	-2.8	-5.5
Other financial expenses	-4.3	-8.8
Total	-78.0	-102.6
Net financial items	-41.3	-80.0

* Interest income and expenses are attributable in their entirety to financial assets and liabilities measured at accrued cost.

Parent Company, SEKm	2012	2011
Loss from participations in subsidiaries		
Capital gains/loss on divestment of participations	-45.2	-
Impairment of shares in subsidiaries	-3.5	-36.9
Total	-48.7	-36.9
Loss from other non-current financial assets		
Impairment of shares from Group companies	-	-25.7
Total	-	-25.7
Other interest income and similar profit items		
Interest income	0.7	2.7
Interest income, Group companies	15.9	11.9
Exchange rate difference	13.0	4.6
Change in synthetic options	12.1	4.9
Change in value of derivatives	0.3	-
Total	42.0	24.1
Interest expense and similar profit/loss items		
Interest expenses	-9.6	-9.9
Interest expenses, shareholders loan	-1.8	-2.6
Exchange rate difference	-2.5	-4.7
Change in value of derivatives	-	-2.5
Change in synthetic options	-	-
Other financial expenses	-2.0	-7.1
Total	-15.9	-26.8
Net financial items	-22.6	199.0

Note 11 Taxes

Group, SEKm	2012	2011
Current tax expense (-) / income (+)		
Tax expense/income for the period	-82.1	-106.5
Adjustment for taxes attributable to previous years	6.0	2.7
Taxes on participation in profit/loss of associated companies	-0.2	-0.3
Deferred tax expense (-) / income (+)		
Deferred tax on temporary differences	-2.4	-4.2
Deferred tax expense /income due to changes in tax rates	4.0	-
Deferred tax income on tax value of loss carryforwards capitalized during the year	13.1	3.4
Utilization of loss carryforwards not previously capitalized	-12.4	-2.1
Total consolidated tax recognized	-74.0	-107.0
Parent Company, SEKm	2012	2011
Current tax expense (-) / income (+)		
Tax expense (-) / income (+) for the period	-46.7	-66.7
Adjustment for taxes attributable to previous years	-0.3	0.0
Deferred tax expense (-) / income (+)		
Deferred tax expense /income due to changes in tax rates	-0.4	-
Deferred tax on temporary differences	0.3	0.8
Total reported tax expense in the Parent Company	-47.1	-65.9

Reconciliation of effective tax

Group, SEKm	2012	2011
Profit before tax	246.3	315.3
Less participations in profit of associated companies	-1.0	-2.2
Calculated profit before tax	245.3	313.1
Tax according to the current tax rate for the Parent Company, 26.3%	-64.5	-82.3
Effect of different tax rates for foreign subsidiaries	1.2	-4.6
Non-deductible expenses	-16.7	-17.2
Non-taxable income	9.2	6.1
Increase in loss carryforwards with no equivalent capitalization of deferred tax	-1.9	-7.8
Impairment of previously capitalized loss carryforwards	-11.5	-
Effects of changed tax rates and regulations	4.0	-
Taxes attributable to previous years	6.0	2.7
Other	0.4	-3.6
Taxes for associated companies	-0.2	-0.3
Recognized effective tax	-74.0	-107.0
Parent Company, SEKm	2012	2011
Profit before tax	159.3	193.5
Tax according to the current tax rate for the Parent Company	-41.9	-50.9
Non-deductible expenses	-12.8	-16.6
Non-taxable income	8.3	1.6
Taxes attributable to previous years	-0.3	-
Deferred tax expense /income due to changes in tax rates	-0.4	-
Recognized effective tax	-47.1	-65.9

Tax items recognized directly in shareholders' equity

Parent Company, SEKm	2012			2011		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Current tax on Group contributions paid/received	-103.5	27.3	-76.2	253.7	66.7	-187.0
	-103.5	27.3	-76.2	253.7	66.7	-187.0

Deferred tax receivables and liabilities recognized

Recognized deferred tax receivables and liabilities relate to the following:

Group, SEKm	Deferred tax receivables		Deferred tax liabilities		Net	
	2012	2011	2012	2011	2012	2011
Intangible assets	2.8	3.1	-7.1	-7.1	-4.3	-4.1
Tangible non-current assets	2.7	2.2	-65.3	-69.8	-62.6	-67.7
Financial assets	0.1	0.2	-0.3	-0.3	-0.2	-0.1
Inventories	1.7	2.7	-0.6	-0.5	1.2	2.1
Trade and other receivables	0.7	0.7	-0.1	-	0.6	0.7
Other receivables	1.5	1.9	-0.2	-	1.2	1.9
Interest-bearing liabilities	0.0	0.9	0.0	-0.1	0.0	0.8
Pensions	2.0	2.0	0.0	-	2.0	2.0
Provisions	0.8	0.8	0.0	-	0.8	0.8
Other	2.1	6.0	0.0	-0.9	2.1	5.1
Tax loss carryforwards	34.1	33.9	0.0	-	34.1	33.9
Tax allocation reserve	2.5	-	-0.7	-6.0	1.9	-6.0
Tax receivables/liabilities, net	51.0	54.4	-74.2	-84.9	-23.2	-30.5
Deferred tax receivables/liabilities maturing within one year	0.9	1.3	-0.1	-0.8	0.8	0.5
Deferred tax receivables/liabilities maturing after one year	17.8	26.6	-3.6	-3.7	14.1	22.9
Deferred tax receivables/liabilities without maturity	32.3	26.5	-70.4	-77.6	-38.1	-51.1
Parent Company, SEKm						
Other non-current liabilities	2.1	2.3	-	-	2.1	2.3
Tax receivables/liabilities	2.1	2.3	-	-	2.1	2.3
Set-off	-	-	-	-	-	-
Tax receivables/liabilities, net	2.1	2.3	-	-	2.1	2.3

Temporary difference between recognized value and tax base for participations etc. directly owned by the Parent Company

For both years, the temporary differences in the Parent Company's directly owned participations amount to zero. For the Group, the amount is not material.

Deferred tax receivables not recognized

Deductible temporary differences and tax loss carryforwards for which deferred tax receivables have not been recognized amount to:

	Group		Parent Company	
	2012	2011	2012	2011
Tax losses	5.0	31.7	-	-
	5.0	31.7	-	-

Nearly all of the Group's tax loss carryforwards have an indefinite period of applicability. According to current tax regulations, deductible temporary differences do not expire. Deferred tax receivables have not been recognized for these items as the Group is unlikely to use them to offset future taxable profits.

Group, SEKm	2012					2011			
	Balance at 1 Jan. 2012	Reported in profit for the year	Divested business	Translation difference	Balance at 31 Dec. 2012	Balance at 1 Jan. 2011	Reported in profit for the year	Translation difference	Balance at 31 Dec. 2011
Intangible assets	-4.1	-0.4	-	0.2	-4.3	-19.9	15.8	0.0	-4.1
Tangible non-current assets	-67.7	-34.4	0.6	1.1	-100.4	-45.6	-22.4	0.3	-67.7
Financial assets	-0.1	-0.1	-	0.0	-0.2	-0.2	0.1	0.0	-0.1
Inventories	2.1	-1.0	-	0.0	1.1	1.4	0.8	-0.1	2.1
Accounts receivable	0.8	-0.1	-	0.0	0.7	1.1	-0.3	0.0	0.8
Other receivables	1.9	-0.6	-	-0.1	1.3	1.7	0.2	0.0	1.9
Interest-bearing liabilities	0.8	-0.8	-	0.0	0.0	4.0	-3.2	0.0	0.8
Pensions	2.0	-0.1	-	0.0	1.9	1.9	0.1	0.0	2.0
Provisions	0.8	-	-	0.0	0.8	1.0	-0.2	0.0	0.8
Other liabilities	5.2	-0.3	-	-0.1	4.8	4.1	1.1	-0.1	5.2
Tax loss carryforwards	33.9	-0.2	-	0.4	34.1	33.8	1.7	-1.6	33.9
Tax allocation reserve	-6.1	40.3	2.8	0.0	37.0	-9.4	3.4	0.0	-6.1
Total	-30.5	2.3	3.4	1.6	-23.3	-26.1	-2.9	-1.4	-30.5

Note 12 Intangible assets

Group, SEKm	Acquired intangible assets		Goodwill	Total
	Customer relations	Other intangible assets		
Accumulated cost				
Opening balance, 1 January 2011	35.1	123.2	3,159.4	3,317.7
Business combinations	-	12.5	18.9	31.4
Other investments	-	4.6	-	4.6
Exchange rate differences for the year	-	-1.1	-15.1	-16.2
Closing balance 31 Dec. 2011	35.1	139.2	3,163.2	3,337.5
Opening balance, 1 January 2012	35.1	139.2	3,163.2	3,337.5
Other investments	-	11.4	-	11.4
Disposals and scrappings	-	-35.2	-193.1	-228.3
Disposals of operations	-	-1.1	-	-1.1
Reclassifications	-	2.0	-	2.0
Exchange rate differences for the year	-	-3.3	-53.3	-56.6
Closing balance 31 Dec. 2012	35.1	113.0	2,916.8	3,064.9
Accumulated amortization and impairment				
Opening balance, 1 January 2011	-31.6	-101.1	-	-132.7
Business combinations	-	-12.5	-	-12.5
Amortization for the year	-3.5	-9.0	-	-12.5
Impairment for the year	-	-	-8.3	-8.3
Exchange rate differences for the year	-	0.9	-	0.9
Closing balance 31 Dec. 2011	-35.1	-121.6	-8.3	-165.1
Opening balance, 1 January 2012	-35.1	-121.6	-8.3	-165.1
Disposals and scrappings	-	35.1	-	35.1
Disposals of operations	-	0.4	-	0.4
Amortization for the year	-	-8.5	-	-8.5
Reclassifications	-	-1.5	-	-1.5
Exchange rate differences for the year	-	2.8	0.3	3.1
Closing balance 31 Dec. 2012	-35.1	-93.3	-8.0	-136.5
Carrying amounts				
As of 1 January 2011	3.5	22.1	3,159.4	3,185.0
As of 31 December 2011	0.0	17.5	3,154.9	3,172.5
As of 1 January 2012	-	17.5	3,154.9	3,172.5
As of 31 December 2012	-	19.6	2,908.8	2,928.5
Impairments for the year are included in the following items in the income statement for 2012 (SEKm):			Cost of goods sold	-8.5
Impairments for the year are included in the following items in the income statement for 2011 (SEKm):			Cost of goods sold	-12.5

All intangible assets, except goodwill, are amortized. For information on amortization, see the accounting principles detailed in Note 1.

Impairment testing for cash generating units containing goodwill

Group, SEKm	2012	2011
Goodwill amounts by cash generating unit:		
Inwido Sweden	991.3	991.3
Inwido Nordic	1,718.8	1,772.7
Inwido Europe	82.1	81.4
Supply*	116.6	309.5
Total	2,908.8	3,154.9
Value in use by cash generating unit:		
Inwido Sweden	1,506.3	2,255.5
Inwido Nordic	2,635.7	2,895.3
Inwido Europe	271.7	287.1
Supply*	299.2	595.8
Total	4,712.9	6,033.7

* The impairment testing of Supply in 2011 also included the unit Home Improvement, which was divested in 2012.

Key variables Assessment method

Market growth	Expected market growth is based on a transition from the current competitive situation to the expected long-term growth trend. The forecast includes the strategy to increase the proportion of sales generated within the consumer segment, increased demand for energy-efficient products and the expected demographic trend. The forecast agrees with previous experience and external sources of information.
Purchasing of goods and services	The forecast for purchasing costs is based on expected inflation, changes in choice of material, volume advantages and other synergies within the Group. The forecast agrees with previous experience and forecasts.
Personnel costs and efficiency	Forecast personnel costs are based on expected wage increases, planned efficiency measures and other synergies within the Group. The forecast agrees with previous experience and forecasts.

In impairment testing, the recoverable amount consists of the assessed value in use of the cash generating units. The pre-tax discount rate is 8.5 percent (8.5). This amount is based on cash flow calculations, of which the first five years are based on the five-year business forecast approved by company management. The cash flows calculated for periods after the first five years are based on 3 percent (3) annual growth. The key assumptions in the five year business forecast are detailed in the table below.

The recoverable amount for the Group exceeds the carrying amount of the tested assets of the cash-generating units by SEK 1,174 million (2,215). This represents a margin whereby reasonable possible changes in key assumptions would not entail the recoverable amount for the unit being lower than its carrying amount. The values applied in the calculation of value in use are as follows:

Variable	Assumed value 2012	Assumed value 2011
Market expansion (long-term growth)	3.0%	3.0%
Pre-tax discount rate (WACC)	8.5%	8.5%

Parent Company, SEKm	Acquired intangible assets Other intangible assets	
	2012	2011
Accumulated cost		
Opening balance	-	-
Other investments	1.8	-
Closing balance	1.8	-
Accumulated amortization and impairment		
Opening balance	-	-
Amortization for the year	-	-
Closing balance	-	-
Carrying amounts	1.8	-

Note 13 Tangible fixed assets

Group, SEKm	Land and	Machinery and equipment	Construction in progress	Total
Cost				
Opening balance 1 January 2011	441.1	1,418.8	10.0	1,869.8
Acquired through business combinations	-	8.4	-	8.4
Other acquisitions	2.8	48.5	24.8	76.1
Re-classification	1.1	23.8	-25.0	-0.1
Disposals	-0.4	-45.1	-0.1	-45.6
Exchange-rate differences	-8.7	-15.7	-0.4	-24.8
Closing balance 31 December 2011	435.8	1,438.7	9.3	1,883.7
Opening balance 1 January 2012	435.8	1,438.7	9.3	1,883.7
Other acquisitions	14.2	50.0	11.5	75.7
Re-classification	1.5	4.0	-8.1	-2.6
Disposals	-1.5	-39.2	-	-40.7
Disposals of business	-	-8.1	-	-8.1
Exchange-rate differences	-1.2	-13.1	-	-14.3
Closing balance 31 December 2012	448.8	1,432.3	12.7	1,893.7
Depreciation and impairment				
Opening balance 1 January 2011	-184.5	-998.1	-	-1,182.6
Amortization for the year	-13.6	-94.2	-	-107.8
Impairment for the year	-7.7	-7.4	-1.6	-16.7
Re-classification	0.2	-	-	0.2
Disposals	0.2	43.0	-	43.3
Exchange-rate differences	3.4	10.4	-	13.8
Closing balance 31 December 2011	-202.0	-1,046.2	-1.6	-1,249.8
Opening balance 1 January 2012	-202.0	-1,046.2	-1.6	-1,249.8
Amortization for the year	-12.7	-84.2	-	-96.9
Impairment for the year	-6.0	-1.4	-	-7.4
Re-classification	-	0.6	1.5	2.1
Disposals	1.2	38.9	-	40.1
Disposals of operations	-	7.3	-	7.3
Exchange-rate differences	0.6	9.7	0.1	10.4
Closing balance 31 December 2012	-218.9	-1,075.3	0.0	-1,294.2
Carrying amounts				
As of 1 January 2011	256.6	420.7	10.0	687.3
As of 31 December 2011	233.8	392.4	7.8	633.9
As of 1 January 2012	233.8	392.4	9.3	635.5
As of 31 December 2012	229.9	357.0	12.7	599.6
Including government subsidies in the amount of:	-	-	0.0	0.0

Group, SEKm	2012	2011	Equipment		
Depreciation is included in the following items in the income statement:			Parent Company, SEKm	2012	2011
Cost of goods sold	-96.9	-107.8	Accumulated cost		
Total	-96.9	-107.8	Opening balance	1.8	1.6
Impairment is included in the following items in the income statement:			Acquisitions	0.0	0.2
Cost of goods sold	-7.4	-7.4	Closing balance	1.8	1.8
Selling expenses	-	-1.9	Accumulated amortization		
Administrative expenses	-	-7.4	Opening balance	-1.4	-1.3
Total	-7.4	-16.7	Depreciation for the year	-0.1	-0.1
			Closing balance, 31 December 2011	-1.5	-1.4
			Carrying amounts	0.3	0.4

The restructuring and closure of operations in Sweden necessitated impairment of tangible fixed assets.

Financial leasing (leased production equipment)

The Group leases production equipment through several different financial leasing agreements. The variable fees consist of non-fixed interest rates linked to local reference rates in Denmark, Norway and Poland. As the leasing agreements expire, the Group has the option of buying the equipment at favourable prices. There are options to extend the leasing agreements at lower than current prices. The leased assets act as collateral for the leasing liabilities.

Group, SEKm	2012	2011		
Book value	21.5	29.3		
Minimum lease fees paid during the year	6.0	11.0		
Group, SEKm	2012		2011	
Future payment obligations for non-cancellable leasing contracts:		Calculated current value		Calculated current value
Within 1 year	6.7	6.4	10.8	10.5
2-5 years	14.6	13.0	18.4	16.3
Later than 5 years	0.2	0.2	-	-
	21.5	19.6	29.3	26.8

Note 14 Participations in associated companies

Group, SEKm	2012	2011
Carrying amount at start of year	5.0	4.1
Acquisitions of associated companies	1.0	-
Participations in profit of associated companies	1.0	2.1
Share in taxes of associated companies	-0.2	-0.3
Dividend	-1.5	-1.0
Translation difference	0.0	0.1
Carrying amount at end of year	5.3	5.0

Specified below are the consolidated values for the ownership proportion of income, profit/loss, assets and liabilities.

Associated companies, SEKm

2012	Country	Revenue	Earnings	Assets	Liabilities	Equity	Ownership share in %	Participation in profit/loss after tax	Value if listed	Carrying amount
Parent Company's:										
Abell AB	Sweden	2.1	0.8	0.9	0.7	0.2	30.0	0.0	-	1.0
Subsidiaries':										
UAB Panorama Nordic Ltd	Lithuania	15.5	2.6	7.9	1.4	6.5	40.0	0.8	-	4.3
								0.8		5.3
2011										
Subsidiaries':										
UAB Panorama Nordic Ltd	Lithuania	20.7	5.4	10.2	1.5	8.6	40.0	1.9	-	5.0
								1.9		5.0

Note 15 Receivables from Group companies

Parent Company, SEKm	2012	2011
Accumulated cost		
Opening balance	630.4	151.5
Additional receivables	455.5	534.1
Settled receivables	-547.9	-29.5
Impairment of receivables	-	-25.7
Closing balance, 31 December	538.0	630.4

Note 16 Financial investments

Group, SEKm	2012	2011
Financial investments that are non-current assets		
Financial assets that are measured at fair value in profit/loss		
– Derivatives	-	0.1
Financial assets available for sale		
– Unlisted shares and participations	2.8	3.1
Changes in loans and accounts receivable	31.8	33.6
	34.6	36.8
Investments that are current assets		
Financial assets that are measured at fair value in profit/loss		
– Derivatives	-	0.3
Loans and accounts receivable	690.1	1,027.3
	690.1	1,027.6
Shares and participations		
Opening balance	3.1	3.2
Acquisitions	-	0.2
Translation difference	0.0	0.0
Transferred assets	-0.3	-0.3
Closing balance	2.8	3.1

Note 17 Inventories

Group, SEKm	2012	2011
Raw materials and consumables	180.3	211.8
Products in progress	45.2	44.2
Finished goods and goods for resale	190.5	217.6
	416.0	473.5

Operating expenses include impairment of inventories in the amount of SEK 11.6 million (12.4)

Note 18 Cash and equivalents

Group, SEKm	2012	2011
Cash and equivalents include the following sub-components:		
Cash and bank balances	98.7	282.7
Total according to statement of financial position and statement of cash flows	98.7	282.7

Note 19 Shareholders' equity

As per 31 December 2012, registered share capital amounted to 231,870,112 shares (231,870,112) at a par value of SEK 1 per share.

Holders of ordinary shares are entitled to dividends determined in due course and to one vote per share at Annual General Meetings. All shares carry equal entitlement to a share in the company's remaining net assets.

Other capital contributions

Pertains to capital contributions from shareholders. This includes premiums paid in connection with share issues.

Reserves

Translation reserve

The translation reserve encompasses all exchange rate differences arising from the translation of the financial statements of foreign operations prepared in a currency other than that in which the Group's financial statements are presented. The Parent Company and the Group present their financial statements in SEK.

Profit brought forward including profit for the year

Included in profit brought forward and profit for the year are the profits earned by the Parent Company and its subsidiaries, associated companies and joint ventures. This equity item includes earlier provisions to the reserve fund, excluding transferred share premium reserves.

Dividend

No dividend was paid in 2012. No dividend is proposed for payment in 2013.

Capital management

According to Board policy, the Group's financial objective is to maintain a favourable capital structure and financial stability, enabling it to retain the trust of creditors and the market, while also providing the basis for continued business development. Capital is defined as total shareholders' equity, not including non-redeemable preferential shares and minority interests, as well as the rate of dividends to shareholders.

The Board's ambition is to maintain a balance between the high return that increased borrowing permits and the advantages and security offered by a sound capital structure.

During the year, no changes have taken place in the Group's capital management. The Group has an agreement with its bank regarding capital requirements, or covenants. The company and the Group meet the current covenant terms.

Note 20 Interest-bearing liabilities

The following presents details of the company's agreement terms for interest-bearing liabilities, without taking the company's interest rate swaps into account. For further details of the company's exposure to interest rate risks and currency risks, please see Note 2.

Group, SEKm	2012	2011
Non-current liabilities		
Liabilities to credit institutions	1,013.6	1,315.1
Financial lease liabilities	14.8	18.4
Total	1,028.4	1,333.5

Current liabilities		
Overdraft facilities	122.2	99.9
Current liabilities to credit institutions	95.2	232.7
Current portion of financial lease liabilities	6.7	10.9
Total	224.1	343.5

Liabilities maturing later than five years after the balance sheet date		
Bank loans	10.9	16.0
Financial leasing	0.2	0.0

Terms and repayment periods

Group, SEKm	Currency	Nominal interest, %	Matures	2012		2011	
				Nominal carrying amount	Book value	Nominal carrying amount	Book value
Credit institute	SEK	3.3-3.9	2 Oct. 2014	262.4	262.4	402.7	402.7
Credit institute	EUR	1.5-3.3	2 Oct. 2014	239.3	239.3	319.6	319.6
Credit institute	NOK	4.1	18 July 2017	4.6	4.6	5.5	5.5
Credit institute	DKK	3.5-4.0	2 Oct. 2014 - 30 Sept. 2026	483.7	483.7	725.5	725.5
Credit institute	PLN	5.6	2 Oct. 2014	52.3	52.3	50.1	50.1
Credit institute	GBP	2.5-3.0	2 Oct. 2014	43.5	43.5	44.4	44.4
Credit institute	RUB	2.8	2 Oct. 2014	22.6	22.6	0.0	0.0
Financial lease liabilities	DKK, NOK	1.5-5.8		21.6	21.6	29.3	29.3
Overdraft facilities utilized	SEK, EUR, DKK, PLN, GBP	2.25-4.2	2 Oct. 2014	122.2	122.2	99.9	99.9
Interest-bearing liabilities				1,252.2	1,252.2	1,677.0	1,677.0

Note 21 Liabilities to credit institutions

Parent Company, SEKm	2012	2011
Non-current liabilities		
Bank loans	113.3	130.2
Current liabilities		
Overdraft facilities	9.2	-
Current portion of bank loans	-	47.3
Liabilities maturing later than five years after the balance sheet date	-	-

Group, 2011, SEKm

Carrying amount at start of period 1 January 2011			
	18.7	8.3	27.0
Provisions made during the period	6.5	55.6	62.1
Amounts utilized	-3.0	-31.4	-34.4
Re-classification	0.2	-1.6	-1.4
Acquired provisions	2.3	-	2.3
Translation difference	-	-0.1	-0.1
Carrying amount at end of period 31 December 2011	24.7	30.8	55.5
of which amount expected to be paid within 12 months	24.7	30.8	55.5

Note 22 Provisions

Group, 2012, SEKm	Guarantee reserve	Restructuring measures	Total
Carrying amount at start of period 1 January 2012	24.7	30.8	55.5
Provisions made during the period	6.0	12.6	18.6
Amounts utilized	-0.9	-42.2	-43.0
Re-classification	-0.1	0.9	0.8
Acquired provisions	0.0	-	0.0
Translation difference	-0.2	-0.4	-0.6
Carrying amount at end of period 31 December 2012	29.6	1.7	31.3
of which amount expected to be paid within 12 months	29.6	1.7	31.3

Guarantees

Provisions for guarantees and refunds are mainly attributable to sales of windows and doors during the 2011 and 2012 financial years. The provision was made on the basis of calculations involving historical expense data for guarantees and refunds.

Restructuring

Of the restructuring measures adopted within Inwido, SEK 38.1 million has impacted the profit/loss for the year negatively. Of these restructuring expenses of SEK 38.1 million, provisions of SEK 1.7 million remained at 31 December 2012. These provisions were made to cover the expected expenses for the closures of factories in Sweden. It is expected that most of the measures will have been completed during the second quarter of 2013 at the latest.

Note 23 Accrued expenses and deferred income

Group, SEKm	2012	2011
Accrued liabilities for wages and vacation compensation	165.1	178.8
Accrued social security contributions	45.4	46.5
Customer bonuses	89.9	105.4
Accrued interest expenses	1.1	1.3
Other	31.2	35.7
Total	332.8	367.6

Parent Company, SEKm	2012	2011
Accrued liabilities for wages and vacation compensation	5.4	3.7
Accrued social security contributions	2.2	2.3
Accrued interest expenses	0.1	-
Other	2.4	4.9
Total	10.1	10.9

Note 24 Operational leasing**Leasing agreements where the group is the lessee**

Group, SEKm	2012	2011
Non-cancellable leasing payments amounts to:		
Within 1 year	34.1	37.1
2-5 years	110.9	82.2
Later than 5 years	84.3	137.9
Total	229.3	257.2
Fees expensed for operational lease agreements amount to		
Minimum lease fees	17.2	29.3
Variable fees	20.0	9.7
Total lease expenses	37.2	39.0

The Group leases certain machinery and equipment for production and IT-related investments. Leasing agreements are normally valid for five to ten years with an extension option. No agreements include extension requirements. As the leasing agreements expire, the Group has the option of buying the equipment at current market prices. The leasing agreements include index clauses. The Group leases a number of warehouse and production units in accordance with operational lease agreements. The variable fees for these have been set in accordance with index clauses.

Note 25 Pledged assets, contingent liabilities and contingent assets

SEKm, Pledged assets	Group		Parent Company	
	2012	2011	2012	2011
In the form of assets pledged for the company's own liabilities and provisions				
Property mortgages	316.5	367.4	-	-
Chattel mortgages	1,231.5	1,313.6	-	-
Assets with ownership reservation	23.3	28.8	-	-
Shares	118.9	489.2	1,890.7	1,787.9
Receivables	25.4	77.2	-	-
Endowment insurance	6.0	5.1	5.9	5.1
Pledged receivables	-	1.4	-	-
Other	85.6	123.8	-	-
	1,807.2	2,406.4	1,896.6	1,793.0
Other pledged assets and collateral	-	-	-	-
Total pledged assets	1,807.2	2,406.4	1,896.6	1,793.0
Contingent liabilities				
Guarantee obligations for the benefit of subsidiaries	-	-	1,090.6	1,435.4
Guarantee obligations for the benefit of joint ventures	-	-	-	-
Guarantee obligations for the benefit of associated companies	-	-	-	-
Guarantee obligations, other	-	-	-	-
Contingent liability, Nutek	-	-	-	-
Shares pledged for the benefit of subsidiaries	-	-	-	-
Factoring	16.0	0.7	-	-
Total contingent liabilities	16.0	0.7	1,090.6	1,435.4

Note 26 Related parties

Relations with related parties

The Group has an affiliate relationship with its parent company, Ratos AB and its subsidiaries. The Parent Company has an affiliate relationship with its parent company, Ratos AB, and with subsidiaries of the Parent Company and of Ratos AB, see Note 27.

Summary of transactions with affiliates

	Years	Sales of goods/services to related parties	Interest income	Receivables from related parties at 31 December	Interest expenses	Liabilities to closely related parties at 31 December
Group affiliates, SEKm						
Parent Company	2012	-	1.6	76.3	-	-
	2011	-	1.2	187.0	-	-
Group companies	2012	-	-	-	-	168.6
	2011	-	-	-	-	304.2

Transactions with closely related parties are priced on market terms. Terms for receivables and liabilities to the Parent Company and Group companies are STIBOR 12-month plus a 1 percent margin. Repayment by 31 December 2013.

Parent Company affiliates, SEKm

Parent Company	2012	-	1.6	76.3	-	-
	2011	-	1.2	187.0	-	-
Subsidiaries	2012	55.8	14.2	538.0	1.8	525.6
	2011	52.6	10.7	630.4	2.6	596.6
Group companies	2012	-	-	-	-	168.6
	2011	-	-	-	-	304.2

Transactions with key individuals in senior positions

Members of the company's Board of Directors control 0.3 percent of votes in the company. No loans have been provided to Board members. For details of remunerations to key individuals in senior positions, see Note 7. Total remunerations are included under "personnel expenses" (see Note 7):

SEKm	2012	2011
Board members	0.9	1.0

Note 27 Group companies

Holdings in subsidiaries, direct and indirect ownership	Subsidiary's domicile/country	Owners %	
		2012	2011
INWIDO DENMARK A/S	Denmark	100	95
- CLEAN FACTORY A/S	Denmark	100	100
- DANSK VINDUES INDUSTRI A/S	Denmark	100	100
- FROVIN VINDUER OG DØRE A/S	Denmark	70	70
- INWIDO PRODUKTION A/S	Denmark	100	100
- INWIDO PRODUKTION SYD A/S	Denmark	100	100
- KPK DØRE OG VINDUER A/S	Denmark	100	100
- PRO TEC WINDOWS UK LTD	United Kingdom	100	100
- PRO TEC VINDUER A/S	Denmark	100	100
- UAB INWIDO SUPPORT	Lithuania	100	100
INWIDO IRELAND LTD.	Ireland	100	100
- CARLSON CONTRACTS LTD.	Ireland	100	100
- CARLSON & CO LTD.	Ireland	100	100
INWIDO FINLAND OY	Finland	100	100
- ESKOPUU OY	Finland	100	100
- PIHLAVAN IKKUNAT OY	Finland	100	100
- TIIVITUOTE OY	Finland	100	100
INWIDO NORGE AS	Norway	100	100
- DIPLOMAT NORGE AS	Norway	100	100
- DIPLOMAT PROSJEKT AS	Norway	100	100
- FREKHAUG VINDUET AS	Norway	100	100
- LYSSAND TREINDUSTRI AS	Norway	100	100
INWIDO POLAND SA	Poland	100	100
- SOKOLKA SA	Poland	98	98
OJSC INWIDO	Russia	100	100
INWIDO SUPPLY AB	Sweden	100	100
- ABC SNICKERIER I HINDÅS AB	Sweden	100	100

Holdings in subsidiaries, direct and indirect ownership	Subsidiary's domicile/country	Owners %	
		2012	2011
- A-LACKERING AB	Sweden	100	100
- ALAKIERNIA SP.ZO.O	Poland	100	100
- INWIDO PRODUKTION DÖRRAR AB	Sweden	100	100
- IP GLASS SP.ZO.O	Poland	100	100
- STEELFORM AB	Sweden	100	100
INWIDO SVERIGE AB	Sweden	100	100
- OUTLINE I SVERIGE AB	Sweden	100	100
- ELITFÖNSTER AB	Sweden	100	100
- ERA FÖNSTER AB	Sweden	100	100
- ETRIFÖNSTER AB	Sweden	100	100
- INWIDO EUROPE AB	Sweden	100	100
- HAJOM SKJUTDÖRRAR AB	Sweden	100	100
- HÅNGERDÖRREN AB	Sweden	100	100
- INWIDO PRODUKTION AB	Sweden	100	100
- LENHOVDA FÖNSTER AB	Sweden	100	100
- NORSJÖKOMponenter AB	Sweden	100	100
- TEMAFÖNSTER AB	Sweden	100	100
- SNICKAR-PER AB	Sweden	100	100
- HEMMAFÖNSTER SVERIGE AB	Sweden	100	100
INWIDO UK LTD	United Kingdom	100	100
- ALLAN BROTHERS LTD.	United Kingdom	100	100

Parent Company, SEKm	2012	2011
Accumulated cost		
At beginning of the year	1,787.9	1,778.2
Purchases and issues	313.8	46.6
Disposals	-232.5	-
Impairment	-3.5	-36.9
Intra-Group changes	25.0	-
Closing balance, 31 December	1,890.7	1,787.9

Subsidiaries (directly owned)

SEKm	Corporate identity number	Subsidiary's domicile /country	2012	2011	Number of shares	Holding in %
Inwido Sverige AB	556583-4693	Vetlanda	881.3	881.3	400,000	100
Inwido Finland OY	1882624-9	Finland	223.2	223.2	532,130	100
Inwido Norway	988381063	Norway	51.6	51.6	1,700,000	100
Inwido Denmark A/S	28 84 36 15	Denmark	528.6	370.1	75,000,000	100
Inwido Poland SA	0000082682	Poland	51.0	51.0	12,200,000	100
Inwido UK Ltd	1110137	United Kingdom	21.4	21.4	560,000	100
Inwido Supply AB	556625-4412	Sävsjö	100.6	100.6	20,000	100
Inwido Home Improvement AB	556274-1572	Uppvidinge	-	80.7	89,500	100
Inwido Ireland Ltd	465489	Ireland	25.0	-	2	100
OAo Inwido Russia	1037821039057	Russia	8.0	8.0	4,600	100
			1,890.7	1,787.9		

Note 28 Share related benefits

The Group has a programme for synthetic share options extending until 31 December 2019. All programmes extend until 31 December 2019 but can be redeemed early in the event that operations are transferred or publicly listed. Since market-based remuneration is paid to obtain stock options, the Group's stock option scheme is not deemed to meet the criteria for share-related remuneration in accordance with IFRS 2. The programmes are therefore reported in accordance with the regulations for financial instruments.

Date of allocation/personnel category	Number of instruments	Vesting terms	Contract duration
Parent Company			
Allocation of share options to shareholders and senior executives on 18 December 2009	6,890,000	Market value December 2009 SEK 1.10 each based on share value. SEK 8.77 each Strike 31 December 2019 SEK 18.54 each.	10 years

Date of allocation/personnel category	Number of instruments	Vesting terms	Contract duration
Parent Company			
Allocation of synthetic shares to shareholders and senior executives on 12 March 2010	160,110	Market value December 2009 based on share value. SEK 8.77 each.	10 years
Allocation of share options to shareholders and senior executives on 30 November 2011	1,398,033	Market value March 2011, SEK 2.63 each based on share value. SEK 12.11 each Strike 31 December 2019 SEK 18.54 each.	8.5 years
Allocation of share options to shareholders and senior executives on 1 December 2012	471,000	Market value December SEK 1.88 each based on share value. SEK 10.67 each Strike 31 December 2019 SEK 18.54 each.	7 years
Subsidiaries			
Allocation of share options to shareholders and senior executives on 15 February 2010	900,000	Market value December 2009, SEK 1.10 each based on share value. SEK 8.77 each Strike 31 December 2019 SEK 18.54 each.	10 years
Total number of share options, Group			
Total number of options in the Group settled in cash	9,659,033		
Total number of synthetic shares in the Group settled in cash	160,110		

Number of share options and weighted average strike prices

	2012		2011	
	Weighted average strike price SEK	Number of options	Weighted average strike price SEK	Number of options
Parent Company				
Outstanding at the start of the period	2.32	9,546,033	2.88	8,365,000
Options issued	1.88	471,000	2.63	1,044,100
Options issued	-	-	2.18	591,933
Redeemed during the period	1.88	-1,258,000	2.37	-455,000
Matured during the period	-	-	-	-
Outstanding at the end of the period	1.02	8,759,033	2.32	9,546,033
Redeemable at the end of the period		8,759,033		9,546,033
Subsidiaries				
Outstanding at the start of the period	2.88	900,000	2.88	900,000
Options issued	-	-	-	-
Outstanding at the end of the period	1.02	900,000	2.88	900,000
Redeemable at the end of the period		900,000		900,000

Number and weighted average strike prices of synthetic shares

	2012		2011	
	Weighted average strike price SEK	Number of options	Weighted average strike price SEK	Number of options
Parent Company				
Outstanding at the start of the period	12.09	311,832	12.11	463,602
Options issued	-	-	-	-
Redeemed during the period	11.95	-121,722	12.11	-151,770
Redeemed during the period	12.09	-30,000	-	-
Outstanding at the end of the period	9.93	160,110	12.09	311,832
Redeemable at the end of the period		160,110		311,832
Group, SEKm				
Net financial income/expense as a consequence of share-related benefits		13.2		5.4

Parent Company	2012	2011
Total carrying amount regarding liabilities for options settled in cash	8.9	22.1
Total carrying amount regarding liabilities for synthetic shares settled in cash	1.6	3.8
Subsidiaries		
Total carrying amount regarding liabilities for options settled in cash	0.9	2.1
Total carrying amount regarding liabilities for options settled in cash	11.4	28.0

Note 29 Significant events after the end of the period.

In the first quarter of 2013, Inwido Denmark A/S acquired shares in the part-owned company Frovin Vinduer og Døre A/S corresponding to 30 percent of the total number of shares. Inwido Denmark A/S subsequently holds 100 percent of the shares in Frovin Vinduer og Døre A/S.

Note 30 Key estimates and assessments

Company management has discussed with the Audit Committee the development, selection and details of the Group's key accounting principles and estimates, as well as the application of these principles and assessments.

Impairment testing of goodwill

In the calculation of cash generating units' recoverable value for the assessment of possible goodwill impairment,

several assumptions regarding future conditions and estimates of parameters have been made. These are accounted for in Note 12. However, it is management's view that considerable changes in conditions would be necessary for these assumptions in 2012 and estimations to have a significant impact on goodwill.

Note 31 Details of the Parent Company

Inwido AB is a company registered in Sweden with its domicile in Malmö. The address of the head office is Engelbrektskatan 15, SE-211 33 Malmö.

The consolidated accounts for 2012 comprise the Parent Company and its subsidiaries, together called the Group.

Inwido AB is owned to 96.7 percent (96.5) by Ratos AB, with corporate identity number 556008-3585 and its domicile in Stockholm. The remainder is held by senior executives within the Group. Ratos AB prepares a set of consolidated accounts which includes Inwido AB.

MALMÖ, 30 MARCH 2013

Anders C Karlsson
Chairman of the Board

Anders Wassberg
Board member

Benny Ernstson
Board member

Leif Johansson
Board member

Per Frankling
Board member

Henrik Lundh
Board member

Eva S Halén
Board member

Tony Johansson
Board member

Robert Wernersson
Board member

Håkan Jeppsson
President and CEO

My audit report was submitted on 30 March 2013.

Eva Melzig Henriksson
Authorized Public Accountant

The consolidated statement of comprehensive income and statement of financial position and the Parent Company's income statement and balance sheet are subject to the approval of the Annual General Meeting on 30 March 2013.

Auditor's report

To the annual meeting of the shareholders of Inwido AB, corp. id. 556633-3828

Report on the annual accounts and consolidated accounts

I have audited the annual accounts and consolidated accounts of Inwido AB for the year 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 40 - 79.

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

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

Auditor's responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and

present fairly, in all material respects, the financial position of the group as of 31 December 2012 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.

I therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

Report on other legal and regulatory requirements

In addition to my audit of the annual accounts and consolidated accounts, I have also audited the proposed appropriations of the company's profit/loss and the administration of the Board of Directors and the Managing Director of Inwido AB for the year 2012.

Responsibilities of the Board of Directors and the Managing Director

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

Auditor's responsibility

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

As basis for my opinion on the Board of Directors' proposed appropriations of the company's profit/loss, I examined whether the proposal is in accordance with the Companies Act.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Opinions

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

MALMÖ, 30 MARCH 2013

Eva Melzig Henriksson
Authorized Public Accountant



Five year summary

	2012	2011	2010	2009	2008
Income measures					
Net sales, SEKm	4,607	5,050	5,149	5,026	5,639
Gross profit, SEKm	1,019	1,130	1,170	1,045	1,027
Operating profit (EBITDA), SEKm	400	541	625	508	470
Operating profit (EBITA), SEKm	288	407	446	348	323
Operating profit (EBITA), excl. items affecting comparability, SEKm	358	476	527	389	430
Operating profit (EBIT), SEKm	288	395	439	341	316
Profit before tax, SEKm	246	315	328	125	67
Profit after tax, SEKm	172	208	207	52	104
Margin measures					
Gross margin, %	22.1	22.4	22.7	20.8	18.2
Operating margin (EBITDA), %	8.7	10.7	12.1	10.1	8.3
Operating margin (EBITA), %	6.2	8.1	8.7	6.9	5.7
Operating margin (EBITA), excluding items affecting comparability, %	7.8	9.4	10.2	7.7	7.6
Operating margin (EBIT), %	6.2	7.8	8.5	6.8	5.6
Cash flow					
Cash flow from operating activities, SEKm	248	547	383	510	348
Gross investments in tangible fixed assets, SEKm	76	76	60	72	124
Gross investments in intangible fixed assets, SEKm	12	5	8	13	8
Capital structure					
Net debt, SEKm	1,131	1,371	1,501	1,992	3,352
Net debt/equity ratio, multiple	0.5	0.6	0.6	0.8	2.2
Interest coverage ratio, multiple	4.2	4.1	3.2	1.5	1.2
Shareholders' equity, SEKm	2,367	2,227	2,340	2,416	1,550
Total assets, SEKm	4,783	5,476	5,754	6,231	6,421
Equity/assets ratio, %	49	41	41	39	24
Capital employed, SEKm	3,620	3,904	4,382	5,061	5,295
Operating capital, SEKm	3,498	3,599	3,841	4,409	4,902
Return measures					
Return on shareholders' equity, %	7.4	9.2	9.2	3.2	6.4
Return on capital employed, %	8.6	10.1	10.1	6.9	7.1
Return on operating capital, %	8.1	10.6	10.7	7.3	6.9
Employees					
Average number of employees	3,287	3,523	3,759	3,604	4,115

Definitions of key figures

Income measures

Gross profit	Net sales less costs of goods sold.
Operating profit (EBITDA)	Operating profit before depreciation and impairment (Earnings Before Interest, Tax, Depreciation and Amortization).
Operating profit (EBITA)	Operating profit after depreciation and impairment but before deduction for impairment of goodwill as well as amortization and impairment of other intangible assets that arose in conjunction with company acquisitions (Earnings Before Interest, Tax and Amortization).
Operating profit (EBIT)	Profit before net financial items and tax.

Margin measures

Gross margin	Gross profit as a percentage of net sales for the period.
Operating margin (EBITDA)	Operating profit (EBITDA) as a percentage of net sales for the period.
Operating margin (EBITA)	Operating profit (EBITA) as a percentage of net sales for the period.
Operating margin (EBIT)	Operating profit (EBIT) as a percentage of net sales for the period.

Capital structure

Net debt	Interest-bearing liabilities and interest-bearing provisions less interest-bearing assets, including cash and equivalents.
Net debt/equity ratio	Net debt in relation to shareholders' equity.
Interest coverage ratio	Profit after net financial items plus financial expenses in relation to financial expenses.
Equity/assets ratio	Shareholders' equity including non-controlling interests as a percentage of total assets.
Capital employed	Total assets less non-interest-bearing provisions and liabilities.
Operating capital	Total assets less cash and equivalents, other interest-bearing assets and non-interest-bearing provisions and liabilities.

Return measures

Return on shareholders' equity	Profit after tax for the period attributable to the Parent Company's shareholders as a percentage of average shareholders' equity, excluding non-controlling interests.
Return on capital employed	Profit after net financial items plus financial expenses as a percentage of average capital employed.
Return on operating capital	Operating profit (EBIT) as a percentage of average operating capital.

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