



– world-class solutions in sustainable energy



Annual Report 2011

NIBE

NIBE Industrier is an international heating technology company. Operations are organised around three business areas – NIBE Energy Systems, NIBE Element and NIBE Stoves.

The NIBE Group has more than 8,000 employees in Europe, North America and Asia.

Each business area has its own operational management with responsibility for results. Issues that concern the Group as a whole, such as strategies, financing, corporate acquisitions, financial control and HR policy, are coordinated and regulated through the parent, which is a listed company.





NIBE Energy Systems p. 18



NIBE Element p. 26



NIBE Stoves p. 32

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Calendar

10 May 2012

First quarter report,
January – March 2012
Annual General Meeting

15 August 2012

Second quarter report,
January – June 2012

15 November 2012

Third quarter report,
January – September 2011

Financial information

The complete annual report and call to the AGM are sent to all shareholders unless they have informed the company that they do not wish to receive any written information.

The annual report is also published on our website www.nibe.com.

Annual General Meeting

The Annual General Meeting of shareholders will be held at NIBE in Markaryd in Sweden on Thursday 10 May 2012 at 17.00 (5pm).

NIBE operations in 2011

NIBE Energy Systems

NIBE Energy Systems is a market leader for heat pumps in Europe and one of Europe's major manufacturers of water heaters and other energy-efficient products for heating and cooling both private homes and larger premises.

For more details about NIBE Energy Systems' operations, please see pages 18 – 25.



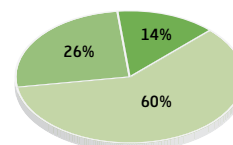
NIBE Element

NIBE Element is one of the leading international manufacturers of components and systems for electric heating applications and for resistors.

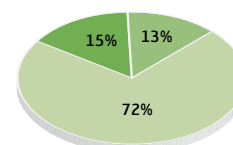
For more details about NIBE Element's operations, please see pages 26 – 31.



Business area contributions to Group sales



Business area contributions to Group operating profit



NIBE Stoves

NIBE Stoves is the European market leader in wood-burning stoves. The market comprises new and existing private homes and holiday homes.

For more details about NIBE Stoves' operations, please see pages 32 – 37.



- NIBE Energy Systems
- NIBE Element
- NIBE Stoves

Net sales	Operating profit	Operating margin	Profit after financial items	Profit margin
SEK 8,139.8 m	SEK 991.3 m	12.2%	SEK 941.2 m	11.6%

The year in figures		2011	2010	Change
Net sales	SEK m	8,139.8	6,511.5	25 %
Growth	%	25.0	13.2	89 %
Operating profit	SEK m	991.3	796.1	25 %
Profit after net financial items	SEK m	941.2	745.1	26 %
Investments	SEK m	3,815.2	405.9	840 %
of which in existing plant & machinery	SEK m	333.4	166.2	101 %
Gross margin	%	15.6	15.5	0 %
Operating margin	%	12.2	12.2	0 %
Profit margin	%	11.6	11.4	1 %
Capital employed	SEK m	9,337.5	3,615.5	158 %
Equity	SEK m	4,487.2	2,482.7	81 %
Return on capital employed	%	16.0	22.2	- 28 %
Return on equity	%	19.9	23.4	- 15 %
Return on total assets	%	12.3	16.4	- 25 %
Assets turnover	times	0.96	1.31	- 26 %
Equity/assets ratio	%	38.2	48.2	- 21 %
Proportion of risk-bearing capital	%	43.2	50.9	- 15 %
Operating cash flow	SEK m	786.7	620.8	27 %
Net debt/EBITDA	times	3.0	0.7	325%
Interest cover	times	10.7	11.8	- 9 %
Interest-bearing liabilities/Equity	%	108.1	45.6	137 %
Average number of employees		6,895	5,945	16 %

Please refer to page 56 for definitions.

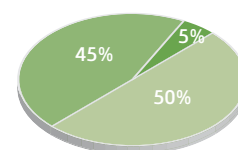
Acquisition of

- operations in Thermtec Ltd, UK
- Element Division of Electrolux Professional AG, Switzerland
- remaining 25% stake in CJSC EVAN, Russia
- 98.7% stake in the Schulthess Group AG, Switzerland
- Element Division of Emerson Electric Co, USA
- 10% stake in Enertech Global LLC, USA

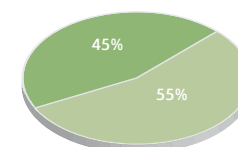
Dividend

The Board of Directors proposes that the Annual General Meeting approve a dividend of SEK 2.00 per share for the financial year 2011, corresponding to a total payout of SEK 220.5 million. If this proposal is accepted, it is anticipated that the dividend will be despatched from Euroclear Sweden AB on Monday, 21 May 2012.

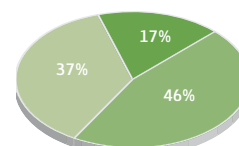
Sales by geographical region



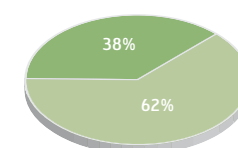
Group



NIBE Energy Systems



NIBE Element



NIBE Stoves



2011

A strong 2011 sees strategic moves to strengthen our international position



*Gerteric Lindquist,
Managing Director and CEO*

During 2011 the NIBE Group grew its sales by a total of 25.0%, with organic growth totalling 4.6%. In comparison, overall growth in 2010 was 13.2% and organic growth was 7.3%.

Over the year as a whole demand remained stable or showed a modest rise in Northern and Central Europe, North America and Asia, while remaining weak in Southern Europe.

In the fourth quarter, however, overall demand in our product areas was somewhat lower than in the corresponding period in 2010. The reason for this would appear to be widespread caution arising from the uncertainties within the economic system, combined with an unusually mild autumn and early winter across Europe.

In view of the current situation in the world around us, it is gratifying to be able to report that all three of our business areas have continued to consolidate their positions in the market. Much of this success can be attributed to our resolute, long-term focus on developing high-quality, high-performance products and to the integrity and objectivity of our marketing.

The customary process of stock-building for NIBE Energy Systems and NIBE Stoves during the first six months was well matched to this year's needs and, together with a temporary increase in the production workforce during the second half of 2011, enabled us to maintain good levels of delivery reliability throughout our peak sales period.

Operating profit was 24.5% up on the figure for 2010, thanks chiefly to higher sales volumes, improved productivity and a continued firm grip on costs. It has, however, been a roller-coaster ride for material costs: after a troublesome start to the year with steep increases, material prices fell slightly in the third quarter, only to begin climbing once again as the fourth quarter drew to a close. When translated at Group level, exchange rate trends have had a negative impact on the figures for both sales and earnings. In addition, profits for the year have also been charged with acquisition expenses of SEK 61.8 million.

Profit after net financial items rose by 26.3% compared with the figure for 2010 – primarily as a result of exchange gains of SEK 16.3 million on the repayment of bank loans in foreign currencies.

Scope for expansion

Investments in existing operations totalled SEK 333.4 million. This is somewhat higher than depreciation according to plan for the year, which amounted to SEK 274.5 million. While the investment rate in 2009 and 2010 was well below depreciation according to plan, we anticipate that the rate of investment for the current year will be on a par with depreciation according to plan.

This points to consistently satisfactory levels of quality and productivity at our production facilities and paves the way for further expansion.

Stronger international position

To date, 2011 has been the most intensive year in NIBE's history in terms of acquisitions. Through these acquisitions we have continued to pursue our strategic objective of gradually strengthening our position in the international arena. The companies acquired will add close to SEK 3 billion a year to the Group's net sales and contribute good and stable levels of profitability.

NIBE Energy Systems has been strengthened by one major acquisition and two smaller partial ones. The takeover of the Schulthess Group AG, a heating technology company listed on the Swiss stock exchange, was finalised in late July. Schulthess is one of Europe's leading suppliers of heat pumps sold under the Alpha-InnoTec and Novelan brands. The Schulthess Group also manufactures high quality, energy-efficient products for cooling, ventilation and solar energy, as well as washing machines and tumble dryers under the KKT Kraus, Genvex and Schulthess labels. The Group has annual sales of approximately SEK 2,250 million, a profit margin averaging well in excess of 10% and a workforce of just over 1,000. This acquisition advances our positions in the market and broadens our product base.

Elsewhere, thanks to two partial takeovers, the business area's operations in Russia conducted through CJSC EVAN have been wholly owned by NIBE since April 2011, and a bridge-head has been established into the North American heat-pump market as a result of a 10 percent stake in the US heat pump manufacturer, Enertech Global LLC, with an option to acquire the remaining shares in the company. Enertech's annual sales total just over SEK 200

million and the company has an operating margin of slightly over 5 percent.

NIBE Element has acquired three lines of business with aggregate sales of approximately SEK 580 million a year. Early in 2011 the business operations of the UK company Thermtec Ltd were acquired and integrated into NIBE Element's existing operations in the UK. Thermtec sales total approximately SEK 20 million a year and the company's operating margin averages around 6 percent. In March NIBE acquired the Element Division of Electrolux Professional AG of Switzerland, with annual sales of approximately SEK 75 million and an operating margin averaging around 10 percent.

In mid-September NIBE acquired Emerson Heating Products, the element manufacturing division of Emerson Electric Co. in the USA. The division has annual sales of approximately SEK 485 million and around 1,100 employees in the USA, Mexico and China. This acquisition expands the NIBE Element product portfolio to include new climate control technology and adds extensive manufacturing and sales operations in North America and China.

All three acquisitions will make a positive contribution to the business area's profitability while also reinforcing our market positions and technology base. In this context it is pleasing to report that NIBE Element has now established a firm foothold in the North American market.

Poised for new acquisitions

Our financial position remains robust, which means that we are well placed to make new acquisitions.

From the time that NIBE shares were first listed on the stock market, the Group has traditionally financed all acquisitions of small and medium-sized companies through a combination of bank loans and its own financial assets. In early 2011, however, financing for the takeover of the Schulthess Group, by far our largest acquisition to date, was for the first time raised in part by using NIBE shares to cover 40 percent of the purchase cost.

There are two distinct advantages to the strategy of financing acquisitions through a combination of cash and the company's own shares: it strengthens the acquiring company's balance sheet by increasing equity, while also helping to reinforce commitment among the owners of the acquired company by giving them a financial interest in their new parent.

A passion for business built on an entrepreneurial spirit

We never tire of explaining the importance of maintaining companies intact in the locations and environments where they were originally established. More often than not, this provides optimal conditions for companies to continue to grow, while also developing the communities in which they have their home. However, this requires a combination of responsible, long-term ownership, positive encouragement from all levels in the local community and genuine entrepreneurial passion.

That NIBE has grown as much as it has done and, in doing so, has survived several major downturns in national and global economies, owes much to the entrepreneurial spirit that flourishes in the company, with a passion for business and the satisfaction and sense of responsibility that ownership involves. And this entrepreneurial spirit is where our future lies – continuing to encourage curiosity, creativity and commitment as well as motivating employees to take a greater share of ownership in the NIBE Group.

We are convinced that the traditional values we hold dear here in the southern Swedish province of Småland – a long-term outlook, common sense, simple solutions, honesty and perseverance – will never go out of fashion. Instead they form the basis of a corporate culture that will make us strong and resilient regardless of the state of the economy or wherever in the world we choose to operate.

Creating sustainable value

While sustainability and sustainable value creation are relatively new terms, the concepts they represent have always been part of the way we work at NIBE. Careful use and husbanding of nature's resources has always come naturally to us. Combined with our business idea of developing energy-efficient products, this makes sustainability and sustainable value creation cornerstones of our approach to business.

We report our sustainability performance in accordance with the international standard, Global Reporting Initiative (GRI). We already meet the criteria for GRI level C, but in the longer term our sights are firmly set on achieving level A status. As part of this commitment we launched a major information campaign in 2011 to reach every single one of the Group's employees. This includes two brochures de-

scribing our business principles and our values that have been printed in 14 languages to make sure that every NIBE employee can participate in our sustainability work, regardless of where in the world they are.

15 years as a listed company

Over the years our financial objectives have frequently been dismissed as far too ambitious in the long term.

That makes it all the more satisfying to summarise our achievements during our first 15 years as a listed company: average annual sales growth of 18.7 percent compared to the target of 20 percent; average operating margin well in excess of the target of 10 percent; average return on equity in excess of the target of 20 percent; and an average equity/assets ratio well above the 30 percent target.

The same applies today as it did 15 years ago: neither the market for our products, nor the potential for acquisitions set any real limits for the company's profitable growth. Instead, our future success is predicated on our ability to liberate ourselves from 'thinking small' and to recognise the opportunities that are always there and which true entrepreneurial thinking can always transform into success.

Cautiously optimistic about 2012

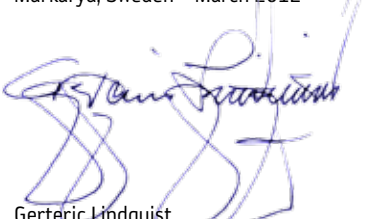
Our corporate philosophy and our product programme with their focus on sustainability and saving energy are well suited to the times in which we are living.

In terms of markets, most of our exposure is towards countries with strong economies.

Our financial position remains robust, which means that we are well placed to make new acquisitions.

Although the financial markets remain in turmoil, our own strengths, high oil prices and hints of a recovery in optimism in various parts of the world encourage us to be cautiously optimistic about the prospects for 2012.

Markaryd, Sweden – March 2012



Gerteric Lindquist
Managing Director/CEO

Important events during the year

First quarter



Acquisition of Electrolux Element Division in Switzerland

This is one of the leaders in the Swiss industrial sector. The company offers a broad selection of products for heating, measurement and control.

Contura

NIBE Stoves becomes Contura

Since 2011 all of the company's Swedish wood-stove products have been marketed under the Contura brand, which has long been the strongest and best known of our brands.



ISH Fair 2011

NIBE Energy Systems and NIBE Stoves were both represented at the major international ISH Fair in Frankfurt. Fair visitors showed great interest in the new products launched here.

Second quarter



Heat pumps? Yes, please

Installing NIBE heat pumps led to a significant reduction in heating costs and thus enabled residents in the Stockholm suburb of Täby to set up their own housing cooperative.



Contura 800

A totally new wood-stove family that is at home in most settings. Contura 800 combines compact size and a heat output that is more than sufficient for smaller spaces with a lower price.



Acquisition of Schulthess

The acquisition of the Schulthess Group, listed on the Swiss stock market, has left its mark on much of the year. An initial 31.1% stake was bought in April, followed by a further 67.6% in July. The remaining 1.3% will be purchased by compulsory redemption in 2012.

Third quarter



Acquisition of Element Division of Emerson, USA

The product portfolio comprises mainly electric heating elements and heating systems for use in domestic appliances, together with heating and climate control products.



ISO 14001 Certification

NIBE Element has been complying with ISO 14001 guidelines for a long time. Since August 2011, all of the business area's Swedish units have been ISO 14001 certified.



Capital Markets Day

In September we welcomed analysts and investors to our Capital Markets Day in Markaryd for a presentation of NIBE operations and future ambitions, plus visits to our modern, highly efficient production facilities for heat pumps and wood stoves.

Fourth quarter



Royal visit

In October King Carl XVI Gustav headed a delegation of some 25 visitors to NIBE in Markaryd as part of the Royal Swedish Academy of Engineering Science's 'Royal Technology Trip' to investigate models of Swedish innovation.



Heat pumps in USA

NIBE established a bridgehead on the North American heat pump market through the acquisition of a 10% stake in the US company, EnerTech Global LLC, whose product range comprises mostly ground-source heat pumps. NIBE has an option to acquire the remaining shares in EnerTech.



Our values

Towards the end of the year, in a Group-wide initiative, all managers and co-workers learned more about the company's values and business principles. In November it was the turn of our Russian co-workers.

International expansion with Scandinavia as our base

Vision

Our vision is to create world-class solutions in sustainable energy.

Mission statement

Our mission is to offer the market high-quality, innovative energy-efficient products and system solutions through our three business areas: NIBE Element, NIBE Energy Systems and NIBE Stoves. This work builds on the NIBE Group's wide-ranging expertise in product development, manufacturing and marketing.

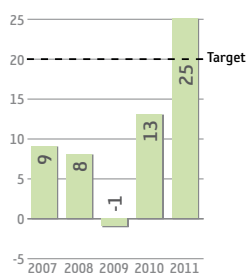
Objectives

NIBE Industrier's overriding objective is to combine strong, sustainable growth with healthy profitability, so creating value for shareholders, providing an interesting and stimulating workplace for employees, and attracting satisfied customers who value the peace of mind that products from the NIBE Group provide. In addition, NIBE's role in society must be characterised by openness and responsibility.

The Group's four main financial targets

Growth 20%

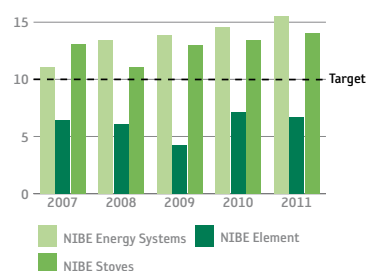
To achieve average year-on-year growth of 20%, half of which is to be organic and half acquired.



Annual growth over the past five years averages 10.4%.

Operating margin 10%

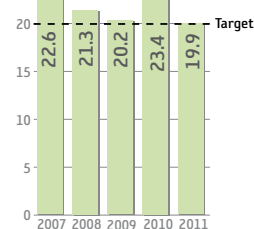
To report average annual operating profit for each of the three business areas equivalent to at least 10% of sales over a business cycle.



Average operating margin over the past five years: NIBE Energy Systems 13.9%, NIBE Element 6.1% and NIBE Stoves 13.0%.

Return on equity 20%

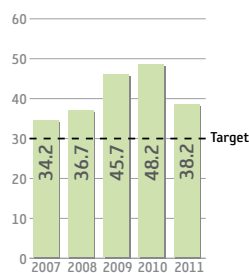
To achieve an average annual return on equity over a business cycle of at least 20% after standard deductions for tax.



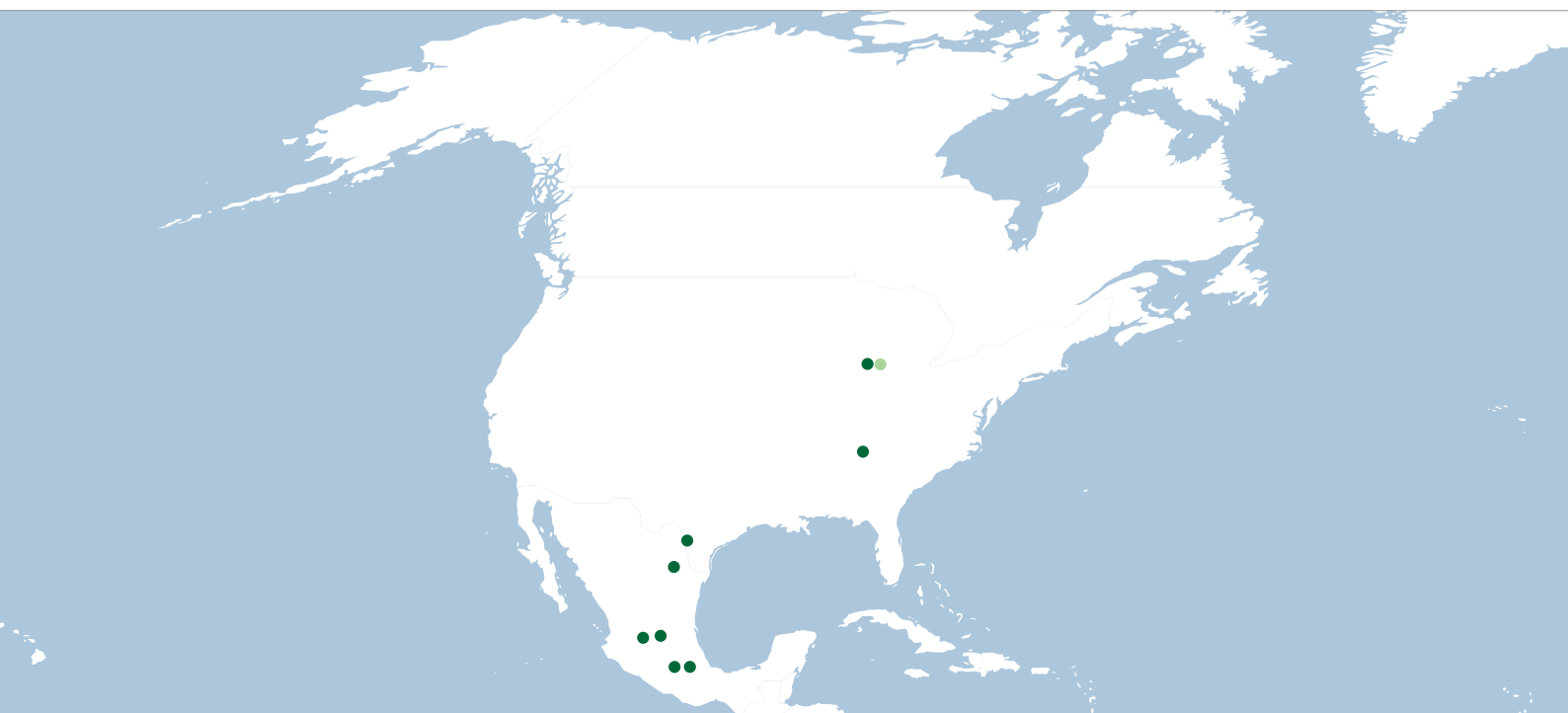
Return on equity over the past five years averages 21.3%.

Equity/assets ratio 30%

To ensure that the equity/assets ratio does not fall below 30%.



Equity/assets ratio over the past five years averages 40.2%.



We have divided the strategy for attaining our vision and our objectives into six different areas to make clear the attitude that is required and the methods to be used.

Competitiveness

will be improved through:

- the continuous development of technically sophisticated, energy-efficient products in close cooperation with the market and customers
- manufacturing high-quality products specially developed to reduce environmental impact
- continuous rationalisation of production through mechanisation, automation and the optimisation of working time through flexible wage systems
- standardisation, modularisation and the coordination of components
- economies of scale on both the purchasing and production sides
- modern designs that reflect the quality and performance of our products
- professional, objective marketing with an international appeal
- high quality.

A holistic approach to environmental issues

will play a key role in everything from product development activities, manufacturing and choice of materials to transport, product functionality and the potential for recycling at the end of a product's useful life.

Profitability

will be maintained through:

- faster growth than competitors
- optimising costs, optimising tied-up capital and continually strengthening competitiveness
- high levels of value added
- reducing the use of resources and increasing recycling
- brand-building
- activity in a number of different markets and segments, so reducing sensitivity to fluctuations in demand
- internal and external benchmarking
- the integration of newly acquired units in line with the three-phase model: analysis–improvement–growth.

Co-worker commitment

will be further strengthened by:

- training and developing individual employees and the organisation as a whole
- motivating key employees, within the company and recruiting new ones
- initiatives that give co-workers a stake in the NIBE Group.

Growth

will be maintained through:

- increasing our share of the market in priority markets
- focusing on new markets and segments, preferably with the help of unique products and new technologies
- making strategic acquisitions in selected markets, preferably of companies with strong brands, products that complement the existing NIBE range, and new technologies.

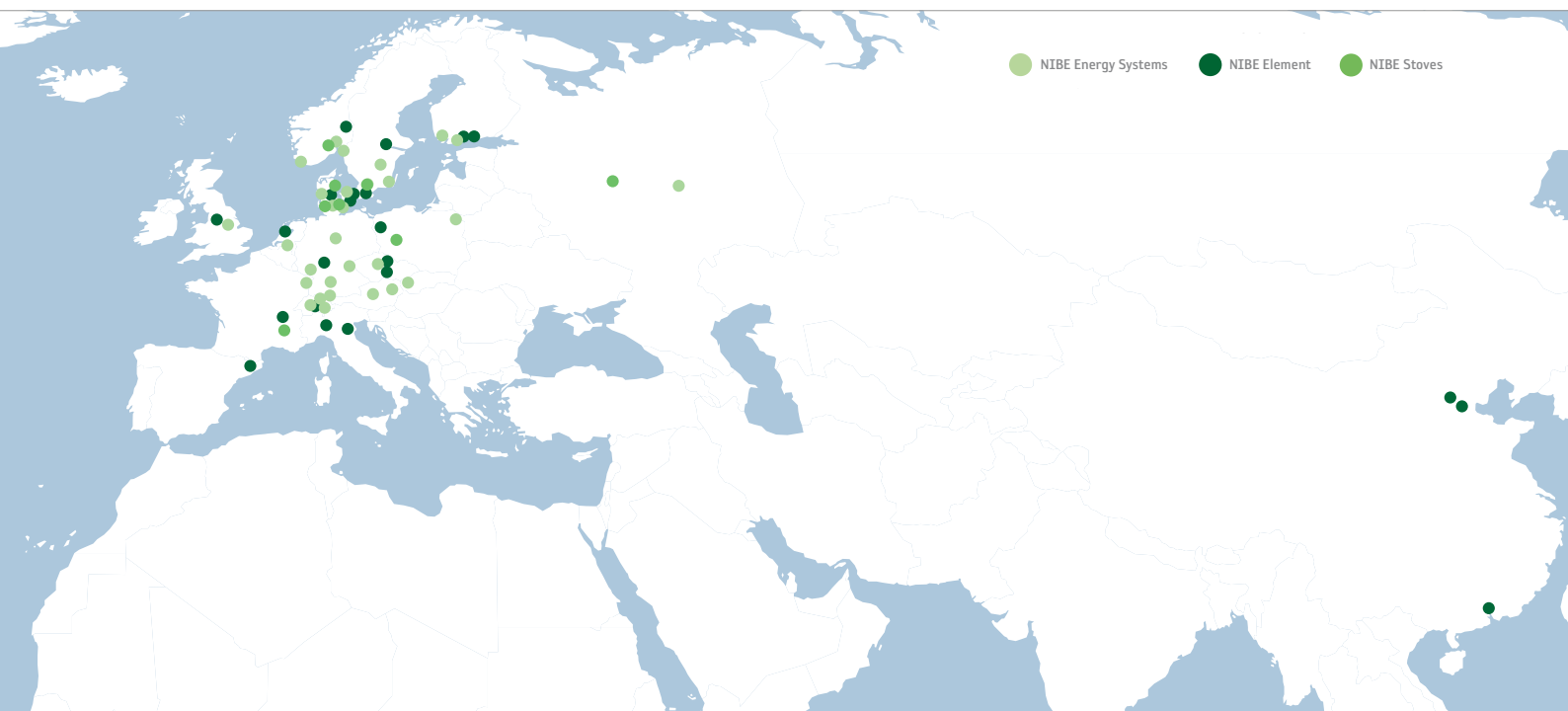
Customer satisfaction and peace of mind

is our constant goal:

- a broad range of products that ensures that each and every customer benefits from the best possible solutions
- the best service and customer support
- high quality
- competitive prices.

Sincerity and an ethical attitude

will characterise the company and all its employees both in terms of internal relations, and in dealings with shareholders, customers, suppliers, authorities and society in general.



Organic growth plus acquisitions – sustainable growth at reasonable levels of risk

NIBE launched its growth strategy, with its target of average year-on-year sales growth of 20%, in the midst of the previous major financial crisis in the early 1990s. Back then, the Group generated annual sales of around SEK 300 million.

The background to this strategy was the insight that continuous growth is crucial for good profitability. At that time there was also much talk in Europe that companies with sales of less than SEK 600 million would find it hard to survive after the advent of the EU's internal market. Given our determination to remain independent, this seemed another good reason to equip ourselves for good, sustainable growth and so achieve sufficient critical mass of our own.

Organic growth

Half of our targeted average year-on-year growth (in other words, 10%) is to be organic.

Admittedly, we did not arrive at this figure as a result of any exact scientific theory: it was more an acknowledgement that organic growth of less than 5% is quite simply insufficient for good, sustainable profitability. Since the underlying annual growth in demand in our three business areas is assumed to be linked to GDP growth, this target means that we can never rest on our laurels, but must strive constantly to increase our share of existing markets and establish bridgeheads in new markets. Although the target may seem ambitious (and no one knows better than us just how ambitious it is!), it is not unattainable. This is demonstrated by the fact that over the past ten years NIBE has actually generated average year-on-year organic sales growth of 11%. This is attributable to a combination of aggressive product development, continuous improvements in productivity and systematic marketing measures.

Acquisitions

We have concluded that, in the mature market in which NIBE operates, organic growth alone cannot reasonably be expected to meet our overall year-on-year growth target of 20% over an indefinite period of time. We have therefore decided to complement organic growth with average year-on-year growth through acquisitions of 10%. This level ensures that the additional workload is manageable and the degree of risk is reasonable.

The Group has acquired 44 companies over the past 15 years, representing average annual growth through acquisitions of 8%.

Acquisition criteria

NIBE is constantly analysing the opportunities for takeovers, and talks are almost always under way with potential acquisition candidates. The decisive factor behind any acquisition is that it must add new technology, new geographical markets and/or additional market share in existing markets.

The basic criteria are that the company concerned must have strong brands and competent managers with a real entrepreneurial spirit, and that it must offer further growth potential within the framework of NIBE's strategies. If these criteria are met, we can then be flexible about what phase the company is in purely in terms of profitability.

Our goal is for each acquisition to contribute positively to the Group's net profit, ideally within the first year and most definitely within the second.

Acquisition model

- In the analysis phase we perform a detailed yet rapid analysis of the company. This is possible because our three sectors are so clearly defined and we have a veritable arsenal of key figures with which to make comparisons. We often also have access to several years' financial documentation.
- In the implementation phase there is always complete transparency about our intentions with the acquisition. We practise what we preach – there is never any hidden agenda. The fact that we are very clear and open about our management philosophy and strategies (for example, in our annual report) generally facilitates this process.
- In the integration phase we aim to retain not only brands, but also skilled employees at every level. We look for synergies primarily when it comes to purchasing, but usually there is potential to make productivity improvements in the production process, as well.

Generally speaking, our ambition is to create a decentralised organisation where new additions to the Group continue to enjoy considerable autonomy. We want integration into the NIBE Group to be about exploiting the obvious benefits of belonging to a much larger cluster of companies, and adopting the NIBE Group's goals and strategies.

Timeline for acquisitions and establishments

Since the early 1990s NIBE has made around 50 acquisitions and new establishments. Five acquisitions were made in 2011.

1949	Nils Bernerup establishes Backer Elektro-Värme in Sösdala	2002	Jøtul ASA (22%) REBA	2009	Sol- & Energiteknik SE AB CJSC EVAN (24%) Bencon
1952	Nils Bernerup creates NIBE-Verken in Markaryd through the acquisition of Ebe-Verken	2003	Danotherm Electric A/S (80%) Backer Facsa Energietechnik B.V. (new establishment) METRO THERM A/S Finohm Sinus-Bobe Termos	2010	NIBE Kamini LLC (new establishment) Lotus Heating Systems A/S ABK AS Lund & Sørensen A/S
1989	NIBE Industrier is formed when a number of employees take over Backer Elektro-Värme AB and NIBE-Verken AB	2004	NETEK Shel Calesco Foil Inc. (new establishment) Kaukora OY Jøtul ASA (Disposal of 22% stake)	2011	Thermtec Element Division of Electrolux Professional AG CJSC Evan (25%) Schulthess Group AG (98.7%) Element Division of Emerson Electric Co Eneritech Global LLC (10%)
1994	Backer OBR sp z.o.o. (32%) Backer Oy (new establishment) Contura	2005	Northstar AS K M Jensen		
1995	Vølund Loval OY	2006	Varde Ovne A/S Danotherm Electric A/S (20%) Naturenergi IWABO AB NIBE Energy Systems Ltd (new establishment) NIBE Foyers France S.A.S. (new establishment) DZ Drazice strojírna s.r.o. Heatrod Elements		
1996	Pyrox TMV-Pannan	2007	Lübcke Rail A/S		
1997	NIBE is floated on the stock market NIBE Polska (new establishment) Backer OBR (68%) EPD	2008	KNV Umweltgerechte Energietechnik GmbH CJSC EVAN (51%) TermaTech A/S NIBE Wärmetechnik AG (new establishment) Alpe		
1998	Br Håkansson Värme AB Lodam Energi JEVI A/S Calesco Foil AB				
1999	Haato Varaajat				
2000	Cronspisen AB Biawar sp z.o.o. Backer F.E.R Coates Backer CZ s.r.o. Eltop Praha				
2001	Roslagsspisen Norells Sweden AB Svend A. Nielsen A/S Heise Systemtechnik GmbH				

Our ideas fuel the company's continued growth

Our management philosophy builds on eight principles that provide the impetus for continued profitable growth. When recruiting employees or acquiring companies, creating awareness of our management philosophy is crucially important to establish an understanding of the principles that underpin the entrepreneurial spirit that prevails at NIBE.

Good profitability

- is the most fundamental and important factor behind long-term success and sustained growth
- is and always has been a tradition at NIBE
- is a precondition for freedom of action and independence
- creates job satisfaction and job security for employees, and attracts ambitious new talents
- is predicated on the effective and efficient use of energy and materials, and a holistic view as regards the environment and corporate social responsibility.

High productivity

- is crucial for good competitiveness
- NIBE bases its productivity philosophy on the belief that everything can always be improved and that, if you can't measure it, you can't improve it
- flexible wage systems based on accurate methods time measurements (MTM) encourage optimisation of working time and promote high productivity
- MTM data provide a sound basis for accurate costings and calculations, reliable investment data and opportunities to follow up business activities.

Aggressive product development

- is crucial to sustaining good organic growth and establishing a foothold in new markets
- quickly translates customer demands into the best solution in every market situation
- provides the basis for good production economy
- must focus on leading the way in energy-efficient, environmentally adapted products that help mitigate climate impact and promote sustainable development.

Quality in everything

– focus on the customer

- all our customers must be able to rely on the company, its products and employees
- NIBE must be perceived as a reliable, constructive partner
- we lead by example in terms of quality
- we will have certified quality and environmental management systems in place in our production facilities
- we are available to help our customers when needed and deal with them in a professional manner
- our environmentally adapted products must help customers to reduce their costs and their environmental impact
- NIBE's successes must also benefit the customer in the form of value-for-money products.
- every NIBE customer must always be a satisfied customer.

Market-oriented expansion

- continuous growth is essential for the company's development
- a combination of good organic growth and prudent acquisitions is the best possible way to constantly breathe new life into the organisation
- expansion into new markets must be carefully considered and consistently implemented.

Focus on three core businesses

- creates clarity, internally and externally
- spreads exposure to risk
- enables us to constantly increase our in-depth expertise, giving us a real analytical advantage, particularly when it comes to acquisitions
- paves the way for us to capitalise on the considerable potential for international expansion in all three core business areas.

Committed employees

- uncomplicated organisational structures and straightforward operational management create commitment among employees
- shared values and a clear code of conduct provide good guidance in day-to-day activities
- high expectations in terms of honesty, openness and clear communication create clarity
- managers and team leaders must set a good example
- all employees are to be given the opportunity to develop in their work
- initiative combined with modesty and common sense are ideal qualities on which co-workers can build a career at NIBE.

A long-term approach

- responsibility, resilience and continuity will always triumph in the long run
- changes are only implemented after careful consideration and testing
- our ambition to create long-term relationships, internally as well as with customers and suppliers, provides the platform for truly sustainable business activities
- continuity of ownership guarantees independence and enables us to focus fully on running and developing the business.

Sustainable development is part of our corporate culture

Our values are an important part of our management philosophy and our corporate culture is deeply rooted in our long and proud tradition of responsible entrepreneurship. Our Code of Conduct, together with our Group policies, constitutes the framework for our business activities and applies to all company employees and directors, regardless of where in the world they may be working.

Sound business ethics

– guidance on matters such as honesty, decency, a zero tolerance approach to corruption, avoiding conflicts of interest, respecting competition law and striving to provide transparency.

Product quality and product safety

– the underlying principle is to pay due regard to all factors which have a bearing on the quality, safety and environmental adaptation of our products.

Good working conditions

– the underlying principle is to maintain a high standard in the working environment at all of the Group's manufacturing plants and to contribute to the personal and professional development of employees.

Reduced environmental impact

– applying a holistic view of environmental work in everything from product development activities, manufacturing and choice of materials to transport, product functionality and the potential for recycling at the end of a product's useful life.

Respect for human rights

– the underlying principle here is that we show respect for our employees and their human rights.

Demands on suppliers

– underlining the need to work with suppliers who are prepared to comply with our Code of Conduct, quality criteria and business principles.

Social commitment

– the underlying principle is, wherever possible, to become involved in the local community in the cities and regions where we have a presence.

Transparency

– the underlying principle is to ensure that all our communication is open and honest and to observe the appropriate laws, rules and norms.



NIBE – always there to help in today's homes

NIBE is always there to help today's busy consumers, regardless of nationality, age, gender, location or circumstances, with products that create warmth, comfort and well-being round the clock.



Relax. You deserve it!

A wood-stove from NIBE Stoves is a real pleasure that warms hearts as well as homes. Wood-stoves that use fuel from renewable energy sources save you money while you help to save the environment.



A pleasant indoor climate

A geothermal heat pump from NIBE Energy Systems is easy to use. It's also an energy-efficient solution for domestic heating that is kind to family finances while taking good care of the environment for future generations.



The floor is the best place to play

Water-borne underfloor heating and heat pumps from NIBE Energy Systems make floors warm enough for children to play on and scamper around barefoot indoors all year round.



Kitchens – the heart of the home

We spend a great deal of time in the kitchen and many of the appliances in today's kitchens, from toasters and coffee makers to ovens and dishwashers, incorporate components produced by NIBE Element.



The outlook is fine

NIBE makes it a little easier to leave home on a cold winter's day – with engine pre-heaters in the car and frost-free mirrors that use foil elements from NIBE Element.



Hot water – always on tap

With children in the family, you need always need plenty of hot water – and there's no better way to heat it than with water heaters from NIBE Energy Systems.



A pleasant indoor climate all year round makes everyday life at home more enjoyable. Relax with the family in front of a wood-stove from NIBE Stoves after a Sunday walk. The pleasant indoor climate is the result of a combination of NIBE Energy Systems' water-borne heating systems and the cosy glow of a wood-stove.

NIBE – world-class solutions in sustainable energy

NIBE Energy Systems

We have created a leading European supplier of sustainable energy solutions

NIBE Energy Systems is a market leader for heat pumps in Europe and one of Europe's major manufacturers of water heaters and other energy-efficient products for heating and cooling both private homes and larger premises. The mission of NIBE Energy Systems is to supply homes and buildings with products that provide domestic hot water and ensure a comfortable indoor climate. Over the years the range has developed from fairly basic heating products to hi-tech solutions for heating, cooling, ventilation and heat recovery.



In 2011 NIBE heat pumps were marketed as the simplest to operate, an idea expressed here by a little boy who has raised the heat to retain that summer feeling indoors as the autumn chills outside begin to bite.

NIBE Energy Systems has a wide range of energy-efficient products that enable end-users in single-family and multi-family properties to choose a solution that best suits their needs with regard to indoor climate comfort and hot water. Our unique expertise, the breadth of the range and our ability to offer, for example, water-heaters with a choice of three types of corrosion protection – stainless steel, copper or enamel – exemplifies our resolve to satisfy the personal requirements of each and every customer.

The range comprises eight product areas:

- heat pumps
- domestic boilers
- ventilation products
- district-heating products
- solar panels
- domestic water heaters
- cooling equipment
- washing machines and tumble dryers.

Strategy

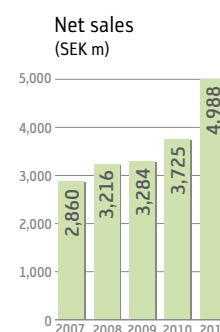
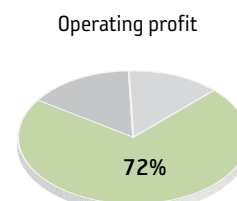
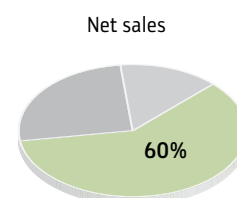
NIBE Energy Systems' strategy is to continue to consolidate its position as market leader in Europe and to develop its position in the North American market. The number of 'domestic' markets will gradually be increased by acquisitions, the establishment of subsidiaries, or the use of other established sales channels.

Objective

NIBE Energy Systems' objective is growth of at least 20% per annum, half of it organic, and an operating profit of at least 10% of sales over a complete business cycle.

Net sales 2011	SEK 4,987.7 m
Growth	+ 33.9 %
Operating profit	SEK 770.8 m
Operating margin	15.5 %
Average number of employees	2,469

Contribution to Group



Net sales rose by 33.9% in 2011

The year in brief

In 2011 NIBE Energy Systems took two important steps forward in the form of a major acquisition in Europe and new inroads into the North American market.

The acquisition towards the end of July of the Schulthess Group AG, a Swiss heating technology company listed on the Swiss stock exchange, is the largest so far undertaken by NIBE, and the inclusion of the two companies Alpha-InnoTec and Genvex strengthens our position in Europe as a market leader in the heat-pump segment. Sales and earnings in the period August to December met expectations and the integration had a positive effect on business throughout the autumn. Work on optimising synergies is proceeding according to the plan presented in conjunction with the takeover.

Agreement was reached early in November on the acquisition of an initial 10% stake in the US heat-pump manufacturer Enertech Global LLC, with an option to acquire the remaining shares. This partial takeover is the first strategic step towards increasing our presence in the North American market and experiences of collaboration to date have been highly positive.

The overall market for heat pumps in Sweden contracted in 2011, most noticeably in the fourth quarter, but the fact that we have increased our share to a record level ensured that the development of our own sales remained acceptable. The market for ground-source and geothermal heat pumps remains stable, with an increase in demand for products for large properties. While demand for air/water heat pumps continues to plummet in Sweden, it is

the opposite story the further south in Europe one goes. Reductions in domestic new builds in Sweden resulted in a downturn in demand for exhaust-air heat pumps, which are installed in around four out of five new homes.

There was little in the way of any major change in the European heating market in 2011. With several countries struggling with weak economies and low levels of new builds, demand remains stubbornly low. Traditional heating solutions are still being installed in a large proportion of new builds, but knowledge about heat pump technology and the benefits it offers is steadily growing among consumers. Evidence of this can be found in the fact that the European heat-pump market continues to expand, despite the continent's troubled economies and some reductions in state subsidies. Sales have developed positively in Germany, and the market has now stabilised in France after a sharp decline in 2009 and 2010. Thanks to an improved market presence and a strong, all-round product offer, we have increased sales in more or less all the countries where we are active.

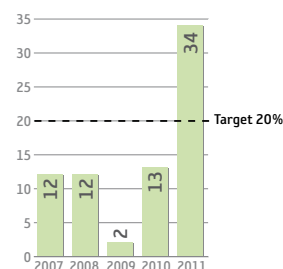
The market for water heaters is developing steadily both here in Sweden and in the rest of Europe, whereas demand for district-heating products, conventional domestic boilers and pellet-fuelled products remains weak.

Our product development work has continued with the same high intensity and we can now offer optimal all-round solutions to meet virtually every need for indoor climate comfort and hot water, for properties both large and small.



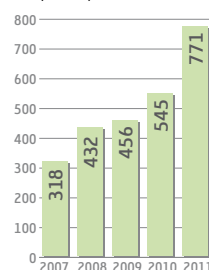
Highly efficient air/water heat pumps from Alpha-InnoTec, a German manufacturer that forms part of the Schulthess Group, combine an attractive contemporary design with outstanding energy-saving performance.

Objective fulfilment
Growth (%)



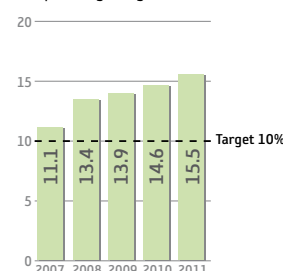
Growth over the past five years averages 14.3%

Operating profit
(SEK m)



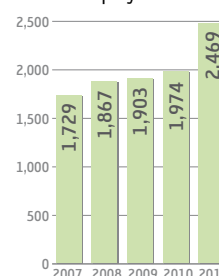
Operating profit rose by 41.5% in 2011

Objective fulfilment
Operating margin (%)



Operating margin over the past five years averages 13.9%

Average number of employees



Outlook for 2012

Accelerated by major acquisitions in 2011, our international expansion is making an ever greater impact on operations as we systematically market ourselves as a reliable supplier of complete, high-performance solutions.

Integrating the activities of the Schulthess Group is one of the main items on our business agenda for 2012 and 2013. Product development, manufacturing and other aspects of our organisation must be optimised with the aim of creating an even broader and more robust platform for the ongoing process of internationalisation in which we are involved. Work on maximising synergies is driven by our ambition to achieve a total annual effect on earnings of just over SEK 80 million by the end of 2013.

We believe that there are good, long-term prospects for growth in the international market for ground-source/geothermal heat pumps and air/water heat pumps. We are also seeing increased international interest in exhaust-air heat pumps and other products that use energy from renewable sources.

In addition to heating during the winter months, there is an urgent and growing need for cooling during the summer months, especially in Southern Europe. We are well placed to meet this demand now that we have also expanded our product offer in the cooling applications segment through the German company, KKT Kraus, which joined NIBE as part of the acquisition of the Schulthess Group.

Although recent years have seen government grants for energy-saving conversions reduced or withdrawn in many markets, support of some kind is often still available and it is highly probable that there will be further financial incentives for similar initiatives in the future. There has also been a marked increase in interest from politicians outside Europe, for example in the USA, in promoting the use of environmentally sound heating solutions. Our acquisition of a stake in the US company Enertech Global LLC, which marks our first inroad into the important North American market, would therefore appear to be very well timed.

Never before have we had such a strong and comprehensive range of products. We have stepped up our investments in product development and this is now beginning to translate into increasingly frequent product launches. Meanwhile, the acquisition of the Schulthess Group provides us with sophisticated new development platforms in a number of key product areas. We have now integrated our unique concept for the simple installation, straightforward control and general, all-round user-friendliness of heat pumps into most of our product families. In 2012 this successful initiative will be complemented by new and even more advanced functions that will, for example, enable users to operate their heat pumps remotely and to log and follow up key performance indicators.

We believe that both the Nordic and other European markets for electric water-heaters and district-heating products will remain stable, while the market for conventional oil-fired domestic boilers will decline. Slowly but surely, the market for hot water heat pumps is also growing, and here, too, we have seen our prospects improve thanks to the know-how in the Genvex organisation that we acquired together with the Schulthess Group.

While recent years have seen ailing economies and reductions in state grants lead to stagnation in the market for solar energy systems, we are confident that the situation will start to improve as soon as the economy begins to pick up. We are convinced that this is a segment in which we can strengthen our market presence throughout Europe.

Assuming that the widespread recovery in the global economy is not brought to a sudden halt, our general impression is that there are good opportunities for our continued expansion, particularly in markets outside Sweden.

Industry trends

As the highly strategic acquisition of the Schulthess Group demonstrates, NIBE Energy Systems is actively involved in the process of structural rationalisation that is taking place in the European heating, ventilation and sanitation industry, an industry consisting of a large number of players of varying sizes. Our proven expertise in heat-pump technology, together with our extensive experience in manufacturing electric water-heaters and other heating products, are two key factors in this process that speak loudly in our favour.

Product design and distribution channels differ from country to country, but most markets show a clear trend towards more energy-efficient, environmentally adapted solutions. At the same time, requirements for ventilation and heat recovery in newly built properties are becoming more stringent, and there is a clear need in most markets to reduce energy consumption. The process of harmonising standards and regulations throughout the EU is now under way, but much remains to be done in a situation where local norms and conventions still frequently dictate

the technical specifications for the products that can be sold.

In most markets the authorities are imposing measures designed to reduce the total amount of energy required to heat people's homes and other properties. To accelerate the pace of change, temporary subsidies are frequently introduced for some preferred heating option. Regrettably, however, such measures tend to lead to wild fluctuations in demand for different heating alternatives: all too often, consumer choice is governed by the short-term availability of subsidies rather than by more objective, long-term assessments of the inherent features and properties of the product itself.

With continuously spiralling prices for electricity, gas and oil, the heating industry in Sweden and many other European markets has quite rightly turned the main focus of its attention to energy efficiency and environmental adaptation.

Interest in energy-efficient heating solutions for large properties is growing both in Sweden and elsewhere. This has clear potential for the industry, but also requires considerable exper-

tise in areas such as systems management and technical dimensioning. The acquisition of the Schulthess Group has boosted our competitiveness in this area, as we can now offer a product range that includes solutions for both heating and cooling most types of property.

Increased competition and, in its wake, increased pressure on prices in a number of product segments have led many companies to transfer manufacturing to low-cost regions. However, thanks to its modernised, highly rational production facilities in both high-cost and low-cost countries, NIBE Energy Systems is well placed to assert itself in tomorrow's market for heating solutions.



The NIBE F1245 heat pump is at home in most modern domestic surroundings and can save homeowners up to 80% of the cost of heating and hot water.

Market

Foreign markets

In our opinion the sales potential for our products in the European market is enormous. Interest in energy-efficient heat pumps is steadily increasing and, as these still constitute only a small proportion of the heating market as a whole, the outlook for future sales appears to be extremely good.

It is estimated that some five million items of heating equipment per year need to be replaced in single-family and two-family homes in the EU, Switzerland and Norway. In addition, during a normal year around one million new heating units are installed in new builds in the same countries.

We are already the market leader for heat pumps in the Nordic region, Germany, Switzerland, Austria, the Netherlands, Poland, the UK and the Czech Republic, with a significant presence in a number of other European markets. Now, as we expand into new markets, our ambition is to gradually increase our market share in the segments we have chosen to prioritise.

Within the heating market as a whole we remain a medium-sized player across much of Europe, as we do not deal in the gas- or oil-fired heating products that are still predominant in many continental countries. We are growing our business all the time, but the competition

is intensifying. Steep rises in energy prices have prompted several large international companies to show an interest in energy-efficient heating solutions, and several are investing in new production facilities to meet increased demand for alternative heating solutions.

After expanding rapidly between 2006 and 2008 the French market for heat pumps nosedived as state grants for heat-pump installations were slashed, oil prices fell and economic growth stalled. By 2011, however, the market had stabilised and, although now at a much lower level, in terms of units sold it remains one of the largest in Europe.

In 2009 and 2010 demand for heat pumps also slowed in Germany, chiefly as a consequence of changes to the system of grants and subsidies and a fall in the number of new, single-family homes under construction. This trend was reversed in 2011 when the German market again began to show signs of growth. The German domestic heating market is still dominated by gas-fired boilers, which, while providing a cheaper solution in the short-term, clearly fail to meet future demands for using energy from renewable sources.

In many of the other foreign markets where we are active, sales levels remain stable and in-

terest in heat pumps is growing. While this is good news for our expansion plans in Europe, recent falls in the numbers of new homes being built across most of the continent will inevitably have a temporary impact on growth.

The water-heater market, which on the whole is relatively immune to the business cycle, has remained stable, but sales of our district-heating products, which are directed mainly at the markets in Denmark, Sweden, the UK, Germany and the Netherlands, are still relatively sluggish.

The international market for cooling equipment is expanding to meet tough, new energy-efficiency requirements in commercial and industrial premises. There is also a thriving exchange market, where old products are replaced by more modern, more efficient equipment, or solutions that take care of both heating and cooling.

The European market for domestic washing machines and tumble dryers is subject to keen competition from a large number of well established brands. On the other hand, developments in the consumer market for premium products and in the market for commercial products, the two segments in which Schulthess is active, are relatively stable.

The main Alpha-InnoTec plant in Kasendorf, Germany, provides a modern technological and marketing platform for our future expansion.



Sweden

The Swedish market continues to be NIBE Energy Systems' operational base, albeit delivering a gradually decreasing share of total sales.

The RMI sector (Renovation, Maintenance, Improvement) has benefited significantly from increased consumer interest in investing in and renovating homes, and today it accounts for by far the lion's share of sales. This is a trend that has been underpinned by the popularity of the tax allowance for invoiced work carried out on RMI projects. Consumers' eagerness to reduce their heating bills while improving indoor comfort provides the perfect scenario for a heat-pump installation. The electric water-heater market, which is also predominantly RMI-oriented, has also remained stable.

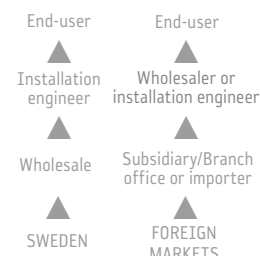
Around 8,000 new private homes were built in Sweden in 2011, which is roughly the same number as in 2010. Although this is a relatively low level by both historical and international standards, it is expected that the introduction of a new mortgage ceiling will result in even fewer new builds in 2012. The vast majority of new, single-family homes are fitted with a heating system based on exhaust-air heat pumps that recover energy from spent air evacuated from the building. New building regulations in-

troduced in 2011 necessitated certain adjustments to this type of product, but we are already able to offer unique product innovations adapted for use in new homes under construction.

The second major alternative for new builds is district heating. However, as district-heating plants are rare outside urban areas, this form of heating tends to be favoured mainly by the owners of large, new properties.

Parallel with the heat-pump market for single-family homes, the continuously expanding market for multi-occupancy dwellings and other premises has huge potential for us both in Sweden and abroad. For this reason we are adapting our product range and our organisation to tap into this important segment.

Distribution



opportunities

- + A very large European and North American market
- + Strong brands
- + Broad range of products
- + Two of Europe's most modern heat-pump plants
- + Two of Europe's most advanced R&D centres for heat pumps
- + Political decisions on energy and the environment
- + Increased interest in renewable energy
- + Access to rational production in countries with lower labour costs
- + Expansion through acquisitions

threats

- New laws, government decisions, energy taxes, etc. with a short-term perspective
- Increased competition
- New technologies outside our current areas of expertise
- Acceptance of low-price ranges
- New distribution channels
- Global economic downturn
- Reductions in new builds





Products

Our ambition is to make products that are environmentally sound and that are perceived as combining unsurpassed technical performance, a high degree of innovation and high quality with a modern design and a competitive price. In order to live up to this, we maintain a sharp focus on development, production and marketing, while working tirelessly to increase efficiency in all areas.

During the year a number of new products were launched in most of our product areas. This also set the pattern for 2012, reinforcing market perceptions of NIBE Energy Systems as a leading European name in its field.

Work is also under way on a large number of products that can be used as components in existing and new product configurations. These are increasingly in demand as end-users seek a single supplier who can provide an optimised solution that combines energy efficiency with the best possible indoor climate.

In 2011 NIBE developed a more powerful family of heat pumps for commercial properties. The NIBE F1345 will be launched in spring 2012.

Production

NIBE Energy Systems has twelve production plants in various European countries.

All of these factories maintain a continuous focus on the potential to rationalise production and modernise their processes by investing in automation and production equipment.

The plants in Markaryd (Sweden) and Kasendorf (Germany), which are the business area's two largest, have seen major investments over recent years. Extensive strategic investments have also been made at plants in Norway, Denmark and Finland.

Ongoing investment in our Polish, Czech and Russian units in the form of new machin-

ery and premises is aimed at rationalising the manufacture of products for their respective domestic markets and also at segments in other markets that are subject to fierce price competition.

A review of manufacturing methods is undertaken each year within the NIBE Group in order to optimise production processes. The strategy of building up a number of manufacturing units, each highly skilled in its own specialist area, has already had positive effects in terms of production control, productivity and, not least, quality.



Cooling capacity

KKT's industrial cooling equipment is factory-tested and ready for installation. Plant and solutions are adapted to meet each individual customer's requirements.



Recovering energy from outdoor air

Alpha-InnoTec's air/water heat pumps generate both heat and cost-efficient cooling for domestic homes and larger premises alike.



Harnessing the power of the sun

Alpha-InnoTec solar panels on the roof or facade of the building use sunlight to heat domestic hot water.



Ventilation and heat recovery systems

Genvex offers a number of energy-efficient ventilation and heat-pump solutions for installation in new and existing properties.

Development process

To meet the international market's ever greater expectations of improved energy efficiency and environmentally sound, cost-effective solutions for heating and indoor comfort, NIBE Energy Systems is investing more than ever in product development. As part of our ambition to develop all-round solutions that meet every imaginable customer need with regard to hot water and a pleasant indoor climate, we are convinced that our future product range must be characterised by:

- improved efficiency and reduced energy consumption
- maximised use of renewable energy
- improved control options (remote communication/control)
- convertibility (heating in winter/cooling in summer)
- recyclability/environmental adaptation
- continual improvements in design
- better all-round economy.

Continual improvements are essential to achieve the goals we have set ourselves for the integration of innovative solutions into high-quality, eco-friendly, easy-to-use products with an appealing design.

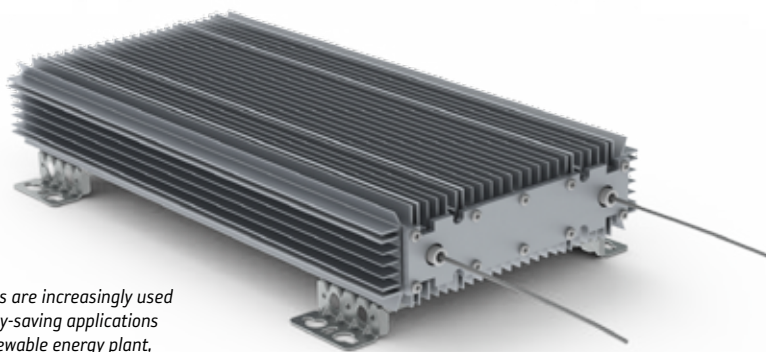
Market requirements vary and the ambition is to meet different wishes with a basic concept that nevertheless offers the potential for market adaptations. Our two specialist R&D centres for heat pumps in Markaryd (Sweden), and Kasendorf (Germany) are considered to be world-class.

Continually reinforcing our team with highly trained engineers who possess the necessary key skills is essential for success in this respect. Despite the economic downturn of the past few years we have continued to expand our R&D resources, further consolidating our reputation for technically competitive solutions for the European heating market.

NIBE Element

We are now one of the world's leading producers of heating elements

NIBE Element is one of the leading international manufacturers of components and systems for electric heating applications and for resistors. NIBE Element's mission is to supply components and systems for electric heating to both manufacturers and users of heating products. The market consists of two main groups: OEM (Original Equipment Manufacturing), where, for example, an element is used as a component in the customer's product, and Industry, where the element is used in the customer's own manufacturing process.



Resistors are increasingly used in energy-saving applications and renewable energy plant, such as wind turbines.

NIBE Element's product range comprises mainly components and systems for electric heating applications and electric resistors.

The range includes nine distinct types of element technology that can, in principle, be used both for heating elements and for resistors across a broad spectrum of applications:

- tubular elements
- aluminium elements
- foil elements
- thick film elements
- PTC elements
- high-power elements
- open spirals
- heating cables
- ceramic elements

Strategy

NIBE Element's goal is to rank among the world's leading manufacturers. To do this, it will make appropriate acquisitions to increase the number of domestic markets in which it operates. In these domestic markets it will maintain a local presence and sell a complete range: here, the product programme will be extended to include an increased proportion of so-called "system products" that are used as components in other products, including products for measuring and controlling. Elsewhere the main focus will be on medium to large-scale serial production. Unique special products will be marketed worldwide.

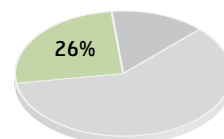
Objective

NIBE Element's objective is growth of at least 20% per annum, half of it organic, and an operating profit of at least 10% of sales over a complete business cycle.

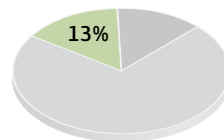
Net sales 2011	SEK 2,124.1 m
Growth	+ 20.7 %
Operating profit	SEK 141.3 m
Operating margin	6.7 %
Average number of employees	3,691

Contribution to Group

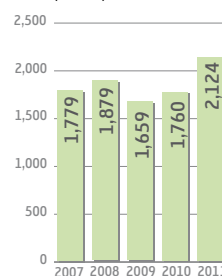
Net sales



Operating profit



Net sales
(SEK m)



Net sales rose by 20.7% in 2011

The year in brief

Two strategically important acquisitions were made in 2011.

Following the acquisition in September of Emerson Heating Products, the element division of Emerson Electric Co. in the USA, NIBE Element has now shouldered the mantle as one of the leading names in the North American heating element market. Integration is fully under way and work in the company's units in China and Mexico is being realigned in accordance with NIBE Element's existing operations in these countries.

In the first quarter NIBE acquired the element manufacturing operations of Electrolux Professional AG, one of Switzerland's leading names in electric heating elements. Operations there are being successfully run by the previous management team.

Also early in the year, the smaller UK heating element company, Thermtec Ltd, was acquired and has since been integrated into NIBE Element's UK operations.

Sales in most market segments developed positively in 2011, although as the year drew to a close, there was a drop in demand from certain product areas within the consumer sector.

Trends were positive in investment-related market segments, such as those linked to the offshore industry and to rail infrastructure projects, the latter following decisions in a number of countries to increase investments in this area.

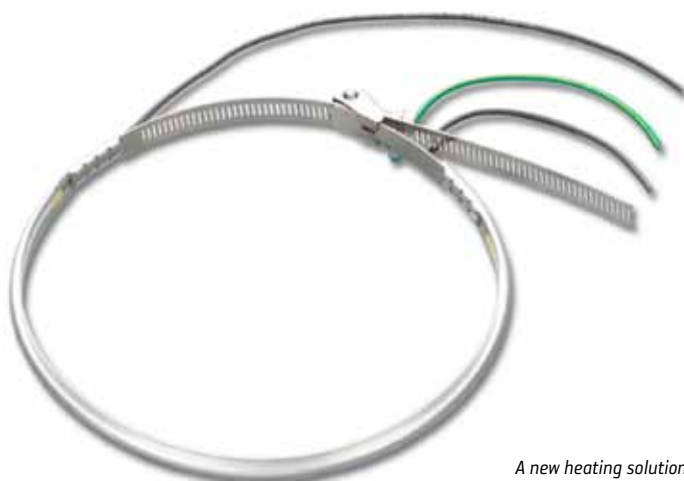
Sales in the resistors product area, where many customers are active in the energy-saving and renewable energy segments, also developed well throughout the year. We launched a number of new products for this market, and these have been extremely well received.

Generally speaking, the markets in Northern and Central Europe developed well, while those in Southern Europe and the UK remained sluggish. Trends in the North American and Asian markets remained positive throughout the year.

We continue to expand our portfolio of products that, in addition to the heating elements themselves, incorporate functions for measuring and control. A number of current R&D projects are focusing on broadening our offer of products like these that have an enhanced system content.

Raw material prices varied over the year, and volatility in exchange rates also continued to cause turbulence in some markets and confused the competitive situation in certain segments.

The relatively large variations in demand between different market segments have necessitated continuous vigilance in adapting capacity in our production plants around the world. Parallel with this, a number of organisational changes have also been implemented. The costs for these changes, totalling SEK 10 million, have been charged to the fourth-quarter accounts.



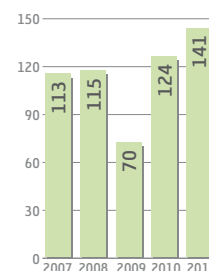
A new heating solution for compressors used in, for example, heat pumps. The heater extends the life of the compressor by avoiding starts when the oil in the crankcase is cold.

Objective fulfilment
Growth (%)



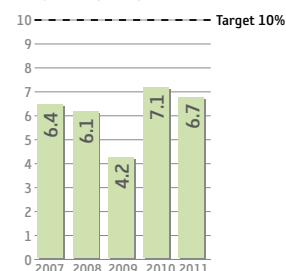
Growth over the past five years averages 6.7%

Operating profit
(SEK m)



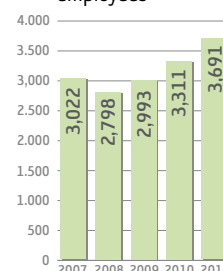
Operating profit rose by 13.7% in 2011

Objective fulfilment
Operating margin (%)



Operating margin over the past five years averages 6.1%

Average number of employees



Outlook for 2012

We expect that overall demand will remain more or less stable throughout the year. While it is reasonable to assume that there will be a dip in demand in Southern Europe, the bulk of our operations are aimed at the Northern European, Asian and North American markets, where demand is expected to grow during the year.

The acquisition of Emerson Heating Products has transformed NIBE Element into a considerably bigger and more global player, while also rendering the business area less vulnerable to developments in any one specific geographical area.

High-volume sales to the consumer-oriented sector tend to reflect the general state of

the economy, but it is considerably more difficult to predict how sales in investment-related segments will develop in 2012. These segments are dependent not only on the health of the economy, but also on energy price trends. Given today's high energy prices, the current robust levels of investment seem set to continue.

To a great degree, the year ahead will be defined by the integration of the acquisitions made in 2011, in particular that of Emerson Heating Products. Emerson's activities in China will be integrated into NIBE Element's existing operations in Shenzhen to create a competitive unit with approximately 700 employees. The US unit will be integrated into NIBE Element's

other operations in the USA and Mexico.

This will help to make NIBE Element one of the market leaders in its field in North America and, with some 1,200 employees in the USA and Mexico, the business area's units there will constitute a major part of our global business operations.

Product development and marketing activities will continue to focus on products with increased system content for commercial and investment-related sectors.

We believe that our strategy of combining intensive product development and rational production with a local presence will stand us in good stead to win new market share.



The windpower sector is a growing market for NIBE Element, both for heating solutions and resistors. NIBE Wind Components is responsible for coordinating activities in this product area.

Industry trends

For several years now the industry has been buffeted by fierce competition in those segments where elements are used in consumer products.

As far as products for commercial users are concerned, the situation has been more stable and profitability has been satisfactory. The widespread trend towards expanding product programmes and increasing the content of deliveries means that many companies are now supplying systems that are more complete than they used to be. Consequently, growth in these segments has been relatively good across the industry, although even these segments have not been totally immune to the effects of the faltering economy over the course of the past year.

The market for resistors has developed well in recent years, thanks mainly to demand for products designed to improve energy efficiency and to utilise alternative sources of energy, such as windpower.

The relentless trend towards larger corporate groupings continues. Historically ours has been an industry of small and medium-sized family businesses with a strong local presence. In recent years, however, instead of passing from one generation to another, these firms have often been sold as it has become increasingly difficult to maintain profitability in the current competitive climate. This trend is underpinned by major customers' ambitions to limit purchases to as few suppliers as possible.

Several competitors have followed our lead in establishing production units in low-cost countries in Eastern Europe, Mexico and China, but recent years have also seen increased competition in Western Europe, particularly from Asian manufacturers, who are systematically expanding exports of their own products.

We believe that our strategy of offering industry and the commercial segment locally manufactured products, while our units in low-cost countries manufacture mostly for the volume segment, is well suited to current trends and further reinforces our position and our future potential.

Market

The market for components and systems for electric heating tends to keep pace with industrial development and growth in GDP. As a result, our order books reflected healthy demand early in 2011, but showed signs of a slow-down towards the end of the year.

Many markets are showing considerable interest in alternative energy production and more efficient energy use, which continues to fuel growth in these segments. However, as sales in these segments are now even more dependent than before on various government grants and energy-saving incentives, it is difficult to accurately forecast demand from year to year.

Our goal remains to gradually increase the number of 'domestic' markets by establishing local operations capable of manufacturing small series and providing local technical support. Often these companies also develop their own products, specially adapted to local needs and conditions.

In certain of our major markets, such as Germany and France, we have chosen not to set up our own manufacturing operations, but to establish a presence in the form of a sales and technical support office instead, as this makes better financial sense.

We also have a sales and technical support office in Beijing that almost exclusively serves the Chinese engineering and energy industries, such as the nation's expansive windpower sector.

The process of structural change differs from industry to industry, and in certain segments the pace has accelerated in recent years. It has become common for manufacturers in particularly price-sensitive segments – such as small household appliances and, to some degree, larger ones too – to establish production facilities in China or purchase 'off-the-shelf' products designed, developed and produced by Chinese manufacturers. This has put increased pressure on prices and volumes in Europe. In the washing machine and electric oven seg-

ments, however, the situation is less clear-cut. The trend is towards specialisation in production plants in Western Europe while simultaneously expanding capacity in Eastern Europe.

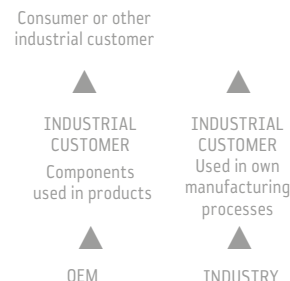
It seems likely that changes in exchange rates and cost levels over recent years will have an impact on the allocation of certain customers' production to different regions of the world. There is already a clear trend towards transferring production from China to Mexico. Payroll costs are now roughly the same in the two countries, and when taking into consideration other factors such as logistics costs and the risk of plagiarism and counterfeiting, Mexico is already emerging as a better choice in the eyes of many US customers. The rising cost of production in China may also herald a change in the market situation in Asia over the next few years.

Recent developments mean that products for electric domestic heating, which have traditionally been manufactured in Western Europe, are now increasingly being made in low-cost countries in Eastern Europe and in China. We believe that our units in Poland, the Czech Republic, Mexico and China leave us well placed to meet these trends. However, this segment is expected to contract as conversions to heating solutions based on renewable energy gradually gain ground.

When it comes to equipment for commercial use, the trend is different once again. Production continues in existing units, but there is increased interest in buying complete systems from subcontractors. We are meeting this trend with a broader range of products and increased resources for developing and manufacturing complete systems.

With the market for elements and resistors for the offshore and process industries expected to grow over the coming years, we are expanding our capacity in this segment and increasing the breadth of our range to meet the anticipated increase in demand.

Distribution



opportunities

- + Industry restructuring and expansion through acquisitions
- + Purchasing and production synergies
- + Energy technology is a globally expanding market
- + Position on the various domestic markets provides opportunities to market a broader range of products
- + Strong brands
- + Rational, flexible production
- + Access to rational production in countries with lower labour costs
- + Market position in the absolute front rank of manufacturers in Europe, North America and Asia
- + Intensive product development

threats

- New technologies
- Increased competition
- Development in price of raw materials
- Cost trends in our production countries
- Increased acceptance for low-price range
- Disproportionate product liability in the event of quality defects
- Sharp downturn in demand from the engineering industry as a whole
- Changes in exchange rates
- Payment problems among certain customers



NIBE Element develops and supplies advanced resistors and heating systems for the offshore industry worldwide.

Products

Tubular elements, which remain the most widely used technology, are found in numerous applications from mass-produced washing machines to one-off process heaters for the offshore industry. The basic technology has long remained unchanged, but the products themselves have been perfected over the years in terms of the materials used, performance, quality and manufacturing technology.

Foil elements, which consist of an etched metallic foil or wound wire laminated with a layer of insulation, are a rapidly expanding product group. Major applications include wing mirrors for cars, medical equipment, underfloor heating and protection for electronic equipment against damp and moisture.

One of the strategies behind our acquisitions is to complement the basic range with specialist products to make NIBE Element a 'one-stop' supplier of a broad spectrum of systems and components for electric heating, including high-energy elements (primarily used in the plastics industry) and ceramic elements for the surface-treatment industry.

Thanks to the acquisition of Emerson Heat-

ing Products, we have broadened our product portfolio in a number of areas, most particularly in open spiral technology that is used for air-conditioning units, compressor heaters and instantaneous heaters for domestic appliances.

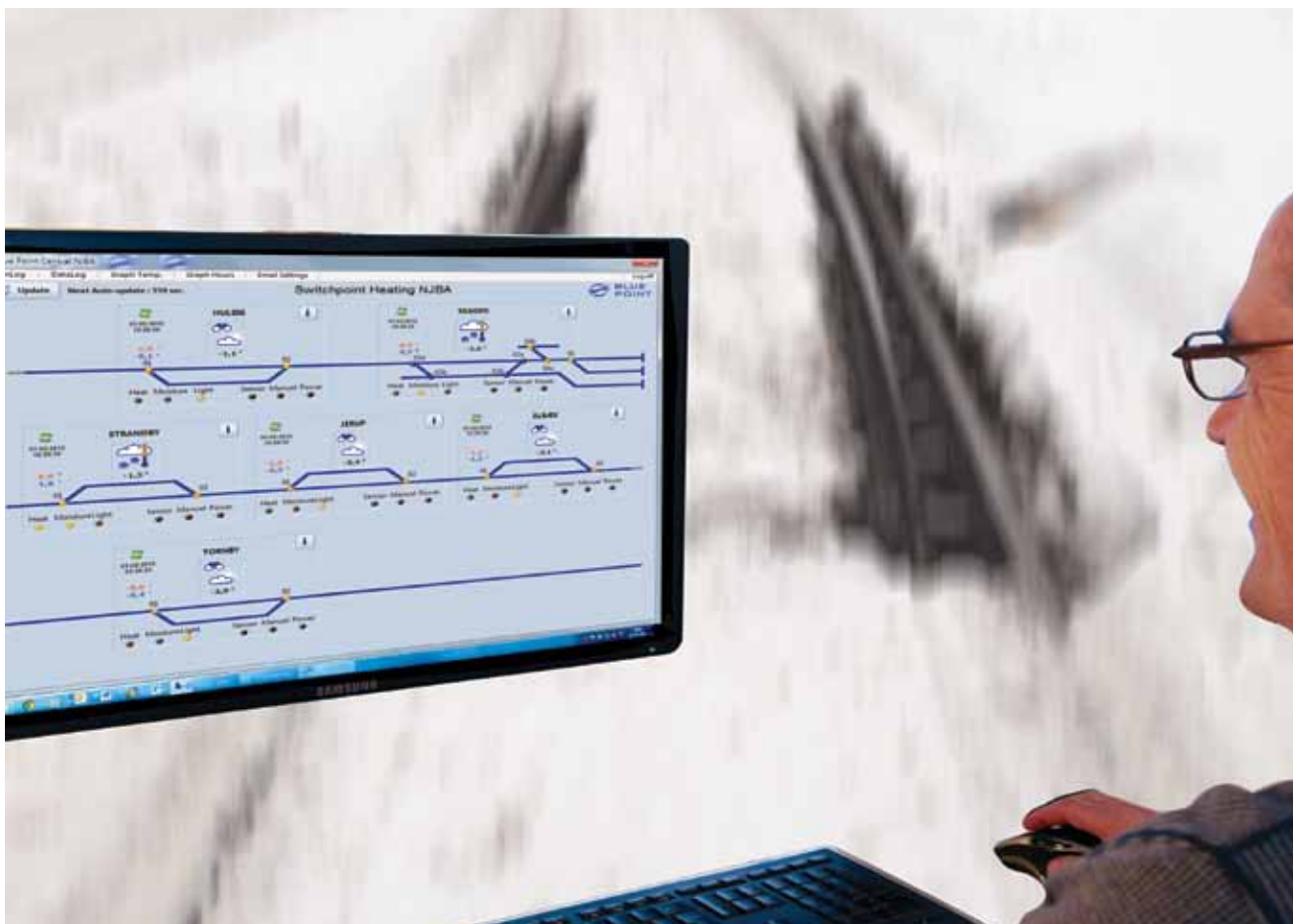
As the product range becomes more diverse, the marketing and service concept is also being developed to pave the way towards establishing NIBE Element as the leading supplier of electric heating components for industrial customers in each of the business area's domestic markets.

In some instances, technologies within the Group can be used for applications other than electric heating. One example is the resistors used for power electronics in lifts/elevators, rail equipment, windpower turbines, etc. In 2011 new resistors were launched for the power electronics field and expectations are high that these will be able to exploit an attractive new niche in the market in the years to come.

Another area with good potential is vacuum-soldering technology. This has already successfully established itself as an integral part of the production process for the plate heat-exchang-

ers used in various water-heating applications and is now also being used to manufacture elements for medical technology applications. Foil element technology, too, is developing in new directions, including use in a variety of aerials and antennae.

NIBE Element develops and supplies energy-efficient control systems and components for heating railway switch points. NIBE Railway Components is responsible for coordinating activities in this product area.





Backer EHP is a leading manufacturer of heating elements for the North American market. Most of the production takes place in Mexico.

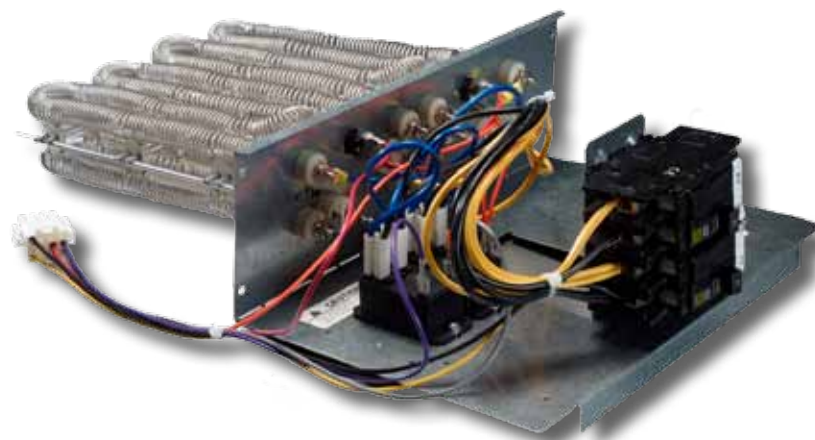
Production

NIBE Element has some 30 manufacturing units in Europe, Mexico and China. The main reason for spreading production between so many countries and factories is that our ability to supply small and medium-sized series with short lead times is one of our key competitive strengths. However, the various units are also gradually becoming more specialised when it comes to large series and unique products.

Many of our production units already use our standardised business system, which facilitates coordination and integration within the Group, and the reach of the system is continually being extended to include new production units.

Measures to increase efficiency and raise quality levels are continually being introduced to improve competitiveness. In China, for example, we have started work on restructuring our local operations in order to expand capacity and boost productivity.

A number of projects undertaken in recent years have sought to reduce working capital and the cost of logistics. One result of this has been a substantial increase in the proportion of directly invoiced sales from our low-cost units, leading to improvements in customer service and reductions in costs.



The acquisition of Emerson Heating Products introduced new technology into the NIBE Element business area. One example is heating systems for air conditioning units for the North American market.

Development process

The development process at NIBE Element can be divided into four stages.

Product development focuses on new types of elements or embedded functions, such as control and regulation. R&D work also aims to improve the properties of heating elements as regards temperature ranges, insulation, etc. In 2011, for example, new products were developed to heat electric and electronic control cabinets.

Product adaptation is usually conducted in close collaboration with customers to arrive at a solution that suits their specific needs, or, if required, to assume responsibility for the entire system, as with the introduction in 2011 of complete new system solutions for heating car seats.

Process development is carried out with the aim of optimising production as regards the choice of materials, the quality and the technical performance of a product. In 2011 we launched an advanced new welding technique, which has led to improvements in both productivity and quality.

Production engineering development seeks to develop methods and machinery that will rationalise the manufacturing process and reduce environmental impact. In 2011, for example, a number of production stages were automated.

NIBE Stoves

We have a very strong market position in Europe

NIBE Stoves is the European market leader in wood-burning stoves. The business area's mission is to supply the market with attractively designed, value-for-money solid-fuel stoves and chimney systems developed and manufactured with genuine concern for the natural environment.



Rondo from Nordpeis is a new, round wood-burning stove in light, waxed concrete with integral blocks of heat-retaining stone. Much like a traditional tiled stove, Rondo stores heat effectively and spreads it evenly to keep the room pleasantly warm over a long period of time.

The NIBE Stoves product range is based on products with a Scandinavian design that have been adapted to the needs and expectations of targeted foreign markets in terms of both styling and technology.

The range comprises seven product groups:

- wood-burning stoves, with metal exteriors or surrounds in soapstone, tiles, etc.
- masonry stoves
- cast-iron stoves
- tiled stoves
- wood-burning inserts
- chimney systems
- wood-stove accessories.

Strategy

NIBE Stoves' strategy is to supply a wide and complete range of wood-burning products in order to confirm and consolidate its position as the market leader in Sweden. Expansion abroad will be supported by the continuous development of products tailored to new markets, combined with moves into new markets through acquisitions, the establishment of new subsidiaries or the use of existing sales channels.

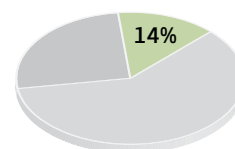
Objective

The business area's objective is growth of at least 20% per annum, half of it organic, and an operating profit of at least 10% of sales over a complete business cycle

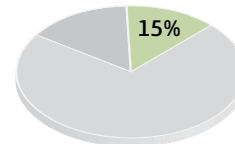
Net sales 2011	SEK 1,153.0 m
Growth	+ 0.8%
Operating profit	SEK 161.4 m
Operating margin	14.0%
Average number of employees	729

Contribution to Group

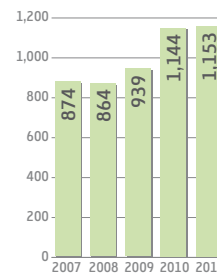
Net sales



Operating profit



Net sales
(SEK m)



Net sales rose by 0.8% in 2011.

The year in brief

The year in brief

The European market for wood-stoves did not emerge unscathed from the economic uncertainties of the past year, but the results varied quite considerably from country to country. Thanks to our strong position throughout the region, however, NIBE Stoves captured new market share in 2011. This owes much to our consistent approach to marketing via direct distribution to an extensive network of dealers and a strong product portfolio characterised by modern design, high levels of performance and a steady stream of new models.

The Swedish wood-stove market contracted after the historically relatively high level of demand we saw in 2010. Demand in the fourth quarter of 2011 was weak, due in part to the economic situation and the unusually mild weather.

In Norway overall demand was good, with only a slight dip towards the end of a year that had otherwise seen brisk sales of wood-stove products. This downturn is, however, expected to be temporary and the consequence of the mild weather and low electricity prices rather than an indicator of the economic situation. In Denmark demand showed signs of recovery in 2011 after declining over recent years.

The market in Germany picked up as the na-

tion's economy improved, with relatively high energy prices helping to boost demand. In France, however, the wood-stove market continued to contract as the economy dipped and state subsidies for energy-saving initiatives were slashed.

A large number of new freestanding wood-stoves were launched in 2011 and these met with great success. Many of them were smaller models with a lower heat output and a lower price-tag that make them more attractive to a larger target group. This is a product type that is increasingly in demand from consumers in many of our major markets.

After previously marketing a number of brands, we have now consolidated all our Swedish products under the Contura label, which is our largest brand in terms of sales. This change has been very well received by the market and represents an important step towards developing a strong brand that will serve as a springboard for our continued international expansion.

Our production plants, which include some of the most efficient in the industry, have kept busy throughout the year and we have been able to maintain high levels of delivery reliability for both new and existing products.



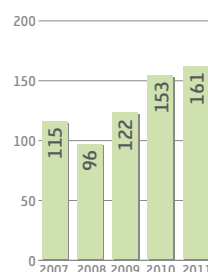
Contura i4 is a brand new wood-burning insert for open fireplaces, developed in the first instance for the UK market.

Objective fulfilment Growth (%)



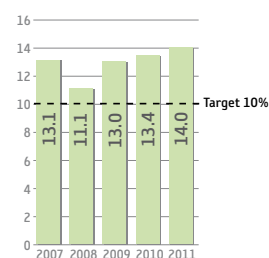
Growth over the past five years averages 4.4%

Operating profit (SEK m)



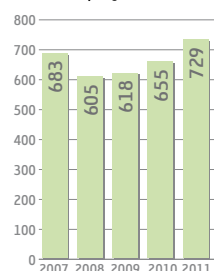
Operating profit rose by 5.6% in 2011

Objective fulfilment Operating margin (%)



Operating margin over the past five years averages 13.0%

Average number of employees



Outlook for 2012

The focal point of our sales efforts is currently Scandinavia and Germany. These markets have remained more or less stable despite the recent economic turmoil all around them and continue to generate relatively good demand for wood-stove products. Our position in these markets is very strong and has been achieved by a combination of frequent product launches, a consistent approach to marketing, reliable deliveries and competitive pricing. In addition, the acquisitions made over recent years have been effectively and efficiently integrated into our operations to further consolidate our dominant market position in these regions.

Using our strengths here as a platform on which to build, we are well equipped to establish our successful concept elsewhere in Europe. The overall European market for our products is still very large, and with the opportunities available through appropriate market-

ing measures in both new and existing markets, it offers great potential for growth by developing products for new segments.

In a European market that remains fragmented, with an overabundance of players and brands in most product categories and the likelihood of ever keener competition in the years ahead, there would seem to be plenty of opportunity for the business area to grow through acquisitions.

There is a fundamental understanding of the need to reduce reliance on fossil fuels by investing in energy-efficient products that use energy from renewable sources, but demand for our range is also affected by short-term trends in the weather and energy prices. Owning a wood-stove is always a good long-term investment from a financial point of view, as well as providing a safe and reliable source of heat in all circumstances.

The rate at which new products are being developed and launched remains high and this, too, strengthens our standing as the European market leader in wood-stove technology.

Our highly efficient production facilities play a pivotal role in our long-term strategy of offering high quality products at competitive prices. Manufacturing has only minimal environmental impact and is designed to be sustainable in the long term, two factors that will be increasingly important competitive advantages in the future.

Despite the global economic uncertainties, there is plenty of evidence that demand for wood-stove products in Europe will remain relatively brisk in the years ahead, albeit with significant regional variations. Reasonable levels of demand will enable us to continue to maintain a good level of profitability in our operations.



Market

Sweden

The market for wood-burning stoves tends to follow the business cycle, with sales of capital items rising during times of prosperity. Consequently the economic turbulence of recent years has had a significant effect on demand in this market segment. But there are also other factors that impact on sales. These include not only energy prices and government energy policies, but also the weather, particularly during the autumn and winter. Most sales are made to home-owners and families with weekend cottages, but the proportion of sales related to new builds is rising steadily as more and more house-buyers opt for a wood-burning stove as a supplementary source of heat in their new home.

Thanks to the all-round breadth of its product range and its well established brands, NIBE Stoves is the undisputed market leader in Sweden. Our aim is to defend and strengthen this position through aggressive marketing and a steady stream of attractive new products.

Foreign markets

The market abroad reflects the general state of the economy. In the Nordic countries, where a relatively large proportion of properties are heated by electricity, the price of electricity plays a key role in steering demand. Elsewhere in Europe, sales are affected to a much greater degree by gas and oil prices. In recent years burgeoning interest in renewable energy has become an important factor driving demand for wood-stove products across the continent.

Demand also varies from country to country in terms of product design, materials and technology. The Swedish market is dominated by lightweight stoves in steel plate with a sober design. Finnish consumers tend to favour heavier, heat-retaining stoves finished in stone or tiles, while the Norwegians have traditionally shown a preference for cast-iron models or cast-iron inserts with a masonry surround. In recent years, however, there has been a marked shift in taste in Norway: today metal-bodied stoves in less obtrusive designs account for an ever increasing share of sales.

Germans and Danes share basically similar tastes for lightweight, sheet metal stoves with sleek contemporary styling. Further south, in France and Italy for example, larger-bodied stoves with a stone or concrete surround predominate. Similar designs are also common in Eastern Europe and Russia. Pellet-fired stoves, which currently account for only a small portion of the total European market for solid-fuel stoves are a very large and consequently strategically important product segment in Italy.

Such marked differences in taste generally result from a specific style having been established in a market by one or more domestic manufacturers. In recent years, however, more and more markets have begun to show a much greater willingness to accept products with a more international appeal, including those from foreign manufacturers.

opportunities

- + Sales potential in new product segments
- + Very large export market
- + Strong, in-house product development
- + Strong brands
- + Broad range of products
- + Increased interest in renewable energy
- + New political decisions relating to energy and the environment
- + Rational production
- + Expansion through acquisitions

threats

- New government energy policies with a short-term perspective
- Local authority curbs on wood-burning products
- Low-price competition
- General economic climate

Industry trends

Over the past 15 years the Swedish market has been totally restructured with a large number of small manufacturers making way for a handful of big names. NIBE Stoves has been a driving force behind this development, acquiring many of the market's best-known brands and setting a trend among competitors to copy this strategy by building up a broad portfolio of product styles to cater for all tastes.

Among our Scandinavian neighbours, however, the situation differs from country to country. In Norway, which has only a few domestic stove manufacturers, there has recently been a marked shift in demand from the total dominance of traditional cast-iron stoves to stoves of a more sober design. Finland has sev-

eral fairly large companies, mostly specialising in heavy, warm-body stoves, while Denmark has numerous small or medium-sized manufacturers of stoves in steel plate, many of them with a long tradition of supplying the German market. There are also a number of manufacturers of varying size in Central Europe, for whom wood-burning stoves are just one of many different types of product in their range. It seems likely, therefore, that the process of structural change in Europe will continue over the next few years.

The trend in most markets is away from big, bulky, heat-accumulating products towards relatively inexpensive, lightweight stoves. Some of the more successful models are plagiarised,

produced in low-cost countries and sold at low prices, usually by Europe's big DIY multiples.

This suggests that long-term planning, financial stability, a company's environmental credentials and its ability to show due concern for its dealers and end-customers will all grow in significance over the years to come.



Contura 800 is our newest wood-burning stove and the most compact we have produced to date.

Distribution



Products

Our brands and trademarks, which convey certain signals about product quality to our customers, will become increasingly important. Today NIBE Stoves owns several well-known and highly respected brands and has a clear strategy for strengthening, integrating and developing these in the future.

We develop and sell our own products under the Contura, Premodul, Nordpeis, Varde Ovne, Lotus Heating Systems and TermaTech labels. As all our brands are so strong, particularly in their domestic markets, all have been protected as trademarks.

If customers do not already have a chimney in their home, NIBE offers complete modu-

lar chimney systems specially designed for use with the stoves we sell. Our own stainless steel Premodul chimney system is easily assembled and offers very good value for money.

The acquisition of TermaTech has further broadened the product range with accessories for all types of wood-stove products.

Products throughout Europe are becoming increasingly similar in terms of function and design. We believe that the current trend for lightweight fire-boxes with clean lines and large expanses of glass will gain ground in all of our sales markets – as evidenced by the sales successes of our newest stoves, which have been built to this formula.

Production

Most NIBE Stoves products – lightweight, wood-burning stoves in steel plate – are manufactured in the production plant in Markaryd that opened in the summer of 2008.

Production in the new plant builds on the concept we have successfully used for many years, but with a much greater degree of automation. This means greater productivity and even higher quality in the end-product. New, state-of-the-art production equipment has been installed and the indoor areas are heated by a combination of ground-source heat pumps and heat recovered from the spent air. This has led to significant reductions, not only in emissions but also in energy consumption per unit produced. In the future, the ability to manufacture high-quality products that have only minimal impact on the environment will become an increasingly important competitive advantage.

Europe's most modern and efficient manufacturing facility for steel-bodied wood-stoves further strengthens NIBE Stoves' potential to lead the way in restructuring the European wood-stove industry.

Through Nordpeis, NIBE Stoves has its own unit in Poland for manufacturing concrete surrounds, heat-retaining tiled stove modules and fire-box linings, and for processing a variety of stone materials. As these are products that involve a relatively large proportion of manual labour, methods and machinery are being continually reviewed, modernised and rationalised to improve efficiency. This unit supplies components for our own brands and other manufacturers on an OEM basis.



The Contura 590 is manufactured in Markaryd, but the heat-retaining stones are supplied by our production unit in Poland.



The manufacture of Thermotte, which is used to line fire-boxes, is a precision job that requires skill and a practised, professional hand.

Development process

NIBE Stoves has a long tradition of product development. Substantial resources are allocated to developing and refining combustion technology, primarily to minimise the impact of our products on the environment and to improve their efficiency. As proof of this, a large number of products already comply with the very strictest criteria that are soon to be introduced in several European countries. In many areas where there are local restrictions on heating with wood, wood-stoves must meet these requirements in order for installations to be approved.

As part of the process of consolidating our reputation as a forerunner in product development, we also market a number of products that carry the Nordic Swan mark. These products meet even more stringent environmental criteria than the basic regulations prescribe. Our products have also consistently shown the highest rate of heating efficiency in comparison with competing products in a number of officially conducted performance tests.

Product design accounts for much of our development work, as fashions in wood-burning stoves tend to reflect home furnishing trends. To this end, our development department works in close collaboration with external industrial designers in Sweden and abroad. As our success owes much to the visual appeal of our products, we endeavour always to protect the design of new models by registering them with the relevant authorities.

To maintain an attractive and profitable range in the short and the long term, development projects focus on both existing and totally new fire-boxes and models. We have a clear strategy governing what we believe a successful range of models should look like, and the sales performance of all our models is continually assessed with an eye to profitability.

The general trend is to develop and launch new models with increasing rapidity. Thanks to our rational product development process, where much of the work is carried out in a 3D CAD environment supported by prototype testing in our state-of-the-art laboratory, we have been able to reduce development times significantly.

Sustainable development creates added value

Here at NIBE we work to create added value for our stakeholders – but without compromising on our commitment to quality, sustainable development and corporate social responsibility. The values we embrace are based on international conventions and guidelines, but more importantly, they are also deeply rooted in NIBE's long and proud tradition of responsible entrepreneurship.

Guidelines and reporting

In 2011 we undertook a comprehensive update of the Group's work on sustainable development. The system for reporting sustainability data was extended and we now report in accordance with the level C guidelines issued by the Global Reporting Initiative (GRI). Full reporting data are available on our corporate website www.nibe.com.

The review resulted in a new Code of Conduct and new policies in a number of key areas. The guidelines were collated under 'Our Values', which – together with 'Our Business Principles' – forms an integral part of 'Sustainable Value Creation'.

'Our Business Principles' and 'Our Values' have now been made available in 14 languages to reach all of our employees. In addition, senior management staff in all of the Group's companies invested much time and effort in 2011 in informing all employees about the content of these documents and their implication for our day-to-day work.

Our corporate values

By following the guidelines in a number of key areas as laid down in our corporate values, we can

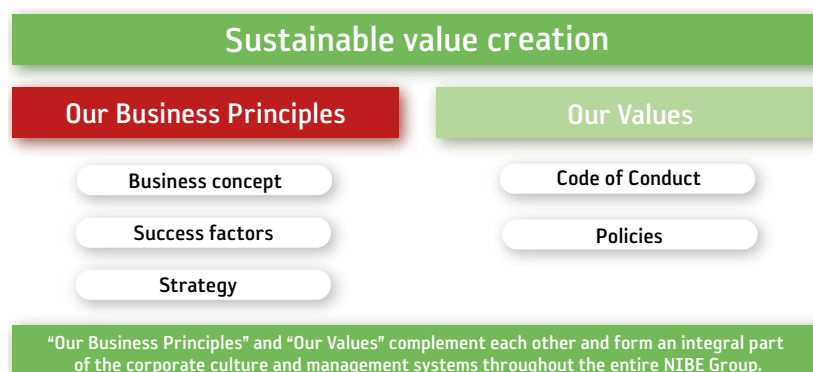
- contribute to the sustainable development of society, including quality of life aspects such as good health and social welfare
- meet the expectations of our stakeholders
- comply with relevant laws and appropriate international codes of conduct
- integrate the concept of corporate social responsibility into the work of the entire concern and apply it in our dealings with co-workers, customers, suppliers and other stakeholders.

Code of Conduct

The NIBE Group's Code of Conduct, together with the rules for corporate governance and Group policies, constitutes the framework for our business activities. The code applies to all company employees and directors, regardless of where in the world they may work, and defines our expectations with regard to respect for human rights, acceptable working conditions, reduced environmental impact, good business ethics, high levels of product quality and product safety, requirements on suppliers, and social commitment. Honesty and transparency in all our communications underpin all these principles.

Policies

We have produced a number of policies on issues such as the environment, health and safety, quality and communication. These form the basis for the local business management systems implemented in the various Group companies. Work on quality and the environment is carried out within the framework of the certified quality and environmental management systems, ISO 9001 and ISO 14001.





Stakeholder dialogue

Our activities impact in different ways on different types of stakeholder. One important part of our sustainability work is to be receptive to the wishes and opinions of others and to make our information as clear and transparent as possible. At Group level we communicate with the capital markets, and mass media. At individual company level, we communicate with employees, customers, suppliers, local authorities and the company's near neighbours. We have identified the stakeholder groups below as particularly important in terms of our environmental and social responsibility.

Customers

Sustainability has become increasingly important in the supplier chain, especially for companies like ours, which has some of its production facilities in developing countries. In 2011, for example, our customers have made demands relating to phasing out certain chemical substances, declarations that our products meet the criteria laid down in specified environmental legislation, the introduction of environmental management systems, and evidence of our social responsibility work. It has become relatively common for customers to follow up such demands through questionnaires, site visits and audits. Approximately one third of our production plants were subject to this kind of follow-up in 2011.

Authorities

Our production plants that require environmental permits are in regular contact with the relevant supervisory bodies. The authorities carried out seven inspections at our plants in 2011 but found nothing of consequence to report. The majority of the Group's facilities are also subject to regular inspection by the ap-

propriate work environment authorities. Nine such inspections were made in 2011: by and large, the verdict was positive, although in one or two cases the inspectors ordered improvements to be made with regard to safety and risk analyses.

Employees

The main emphasis of communication with employees during the year was to provide additional information about 'Our Values' and to discuss how to turn words into actions. Our ambition has been to reach every employee with this information, and all units now have access to the material in their own language.

Shareholders and investors

We expanded the scope of our communication about sustainability issues during the year, partly to make things easier for market analysts, fund managers and other stakeholders, since many investors now include sustainability issues in their analysis of a company's overall performance. NIBE has been audited in several such contexts and in 2011 we also reported our performance to the Sustainable Value Creation Initiative. The results showed improvements in some areas compared with previous years, but pointed to shortcomings in others, such as following up the sustainability performance of our suppliers and providing more information about social responsibility.

Suppliers

Based on our own quality and environmental management systems, we make requirements of our suppliers in terms of their environmental, social and quality-related performance. These issues form part of our supplier assessments and are followed up through question-

naires, site inspections and audits. In 2011, roughly one in four of our companies carried out some form of follow-up on suppliers' sustainability work.

Society

We maintain close contacts with local schools and universities, non-profit organisations and other institutions in the communities where we have factories and offices. In many instances we provide financial or other support. In 2011 almost 1,000 pupils and students visited our plants, and around a dozen of our units are involved in more extensive social responsibility activities, such as providing opportunities for undergraduate degree projects, practical work experience and vocational education.

Global Reporting Initiative (GRI)

GRI, a set of normative international guidelines for reporting sustainability performance, is used by more than 1,800 organisations worldwide.

The purpose of GRI is to create consistency and comparability in sustainability reporting in order to make it easier to assess and compare companies' performance in the areas of social, environmental and economic responsibility.

More steps in the right direction for NIBE's environmental work

Environmental work is one of the cornerstones of our long-term commitment to sustainable development. Offering products that reduce dependency on fossil fuels and lower greenhouse gas emissions is a key part of our business concept. We are also committed to working systematically to minimise the environmental impact of the Group's purchases of raw materials and components, and of our own production processes and goods transport.

Our environmental work

The Group has production facilities in 16 countries and is thus affected by many environmental, safety and health factors. Our production methods include metalworking, welding, casting, enamelling, painting and assembly, all of which impact on the environment in their own way. Key environmental aspects for NIBE to consider are, above all:

- Energy use and the use of other natural resources
- Use of chemicals
- Emissions of climate-change gases and of other atmospheric pollutants
- Generation of various types of waste
- Environmental impact of suppliers' activities
- Transportation of raw materials and finished products
- Environmental impact of our subcontractors
- Use of our products (which, by and large, can be described as a positive impact on the environment).

We continually assess risks in various environmental areas. These assessments concern issues such as the consequences of new environmental legislation, new customer requirements, climate change, soil pollution and the presence of hazardous materials in buildings and installations. No additional requirements regarding environmental legislation were identified for 2011.

Oil leaked into the surrounding land from a production plant in Denmark, but the area has now been remediated after the spill. Soil pollution had been detected earlier at four other plants and investigations are ongoing. In all known cases, the pollution was caused by previous business owners and we are thus not responsible for the original spills.

Asbestos is present in roofing materials and in a few equipment installations at a handful of production plants but, as the risk of exposure is deemed low, no clean-up work is planned in the

near future. A low concentration of polychlorinated biphenyls (PCBs) is present in a transformer at one plant. No special action needs to be taken, however, apart from marking the equipment with warning signs.

One of the production plants may be at risk of flooding as a result of climate change and is therefore protected by a special concrete wall.

Environmental legislation

Environmental legislation affects NIBE in many different ways, both in terms of conditions for production operations and the environmental characteristics of our products.

We regularly analyse developments in such legislation to comply with current requirements and to prepare for future changes in legislation. The EU's chemicals legislation REACH and the Ecodesign Directive, which aims to improve energy efficiency in Europe, are of particular interest.

Our plants in Sweden require a permit or a notification to operate under the Swedish Environmental Code, and reports are regularly submitted to the supervisory authorities. Most units in other countries have an environmental licence that covers all or part of their activities. All plants that are obliged to do so hold a valid permit, and we expect no major changes in the near future. The results of internal and external checks in 2011 to assess compliance with environmental legislation were generally favourable. At one plant in Poland, however, there were breaches of licence conditions that included noise and emissions of volatile organic compounds (VOCs) into the atmosphere.

Environmental certification

Key to our environmental ambitions is obtaining ISO 14001 certification for our production plants. Work on this is in progress at several sites, and we aim to have most of our operations certified. A further six units were certified in 2011, bringing our total of ISO 14001-certified plants to nine. A handful more companies



are currently looking at certification within the next 6 to 18 months. We have access to a number of internal environmental auditors, who between them performed more than 30 environmental audits during the year.

Environmental performance

We continually follow up NIBE's environmental performance in several areas. Below is an overview of the significant parameters and comments on changes made since previous years. Readers with a special interest in these matters can find detailed information about these and other environmental aspects in our Sustainability Report for 2011 at www.nibe.com.

Energy consumption – In 2011 our energy consumption totalled 111 GWh (2010: 114 GWh). About 60% was indirect energy (i.e. electricity purchased on the open market and district heating) and the rest was direct energy (fossil fuels). Heat pumps have been installed at seven of our plants, and four units use solar energy, hydropower and windpower. More than half of the Group's operations are planning, or already working on, energy-saving projects.

Water – In 2011, water consumption amounted to about 205,000 m³ (188,000 m³). The increased water consumption was a consequence of increased production volumes. Emissions of wastewater consist mainly of organic matter and nutrients from sanitary facilities and the cleaning of premises.

Emissions to the atmosphere – Emissions of carbon dioxide, which is a greenhouse gas, were approximately 29,000 tonnes in 2011 (27,700 tonnes), of which more than 75% (60%) were indirect emissions from electricity purchased on the open market. Production volumes were higher than in previous years, leading to a slight increase in carbon dioxide emissions. Emissions of volatile organic compounds (VOCs) were unchanged at approximately 24 tonnes (24 tonnes). One complaint was received in 2011 about emissions of particulate matter from one of the plants.

Waste – In 2011 waste totalled roughly 13,100 tonnes (9,570 tonnes), of which hazardous waste comprised about 1,600 tonnes (783 tonnes). The recycling of solid waste accounted for 63% (70%) of total waste. Most of the recycled material consisted of metals. The increase in waste is explained by higher production volumes and more reliable reporting procedures.

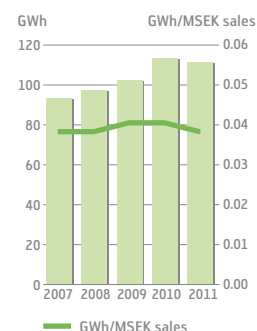
Environment and economy

Environmental projects that aim to reduce the use of resources are under way at many of the Group's sites. In 2011 NIBE invested approximately SEK 22 million (2010: SEK 16 million) in new measures relating to the environment and the work environment. The largest investments were in measures for a safer work environment, greater energy efficiency and air emission abatement equipment. Other environmental and work environment costs totalled approximately SEK 16 million (SEK 14 million), of which around SEK 5.4 million comprised waste management fees. Administration costs for environmental and work environment measures were about SEK 4.9 million in 2011. Total energy costs at the production plants reached roughly SEK 79 million (SEK 75 million). The corresponding cost for water and sewerage was SEK 3.2 million (SEK 3.4 million).

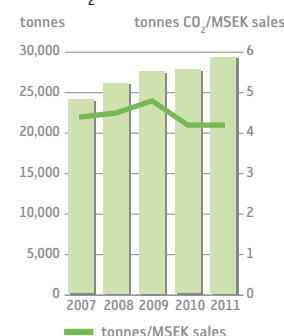
Our environmental efforts generated savings – particularly in the form of lower energy consumption as a result of heat-pump installations. Savings of SEK 1.7 million (SEK 2 million) were reported during the year, but this figure is not an accurate reflection of reality, as several units have yet to establish systems for reporting savings.



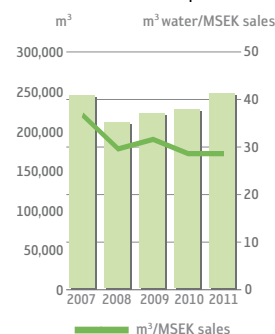
Energy consumption



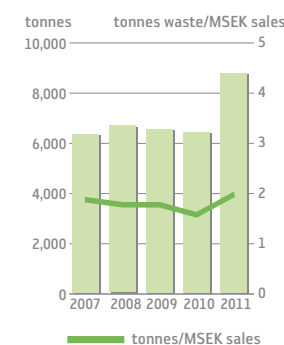
CO₂ emissions



Water consumption



Waste



Our products contribute to a better environment

The NIBE range includes many products that contribute to a better environment and our heat pumps, wood-stoves and elements have an important part to play in a society where issues relating to energy use and the climate are increasing in importance all the time. Thanks to our dedicated research and development work we are able to continually improve the performance and energy efficiency of our products.

We have launched a new generation of ground-source/geothermal heat pumps and a new generation of exhaust-air heat pumps that comply with new Swedish construction standards. These products were developed to further improve energy efficiency and thereby reduce heating costs.

Activities are under way in the form of a number of projects to combine ground-source and geothermal heating technology with solar power to reduce heating costs for consumers even further. Our range also features a number of products that use solar power directly to heat water for houses and holiday homes.

NIBE Energy Systems is involved in numerous geothermal heating projects for commercial, farming and industrial properties.

There is growing interest in combining heating and free cooling, and many commercial

enterprises are installing our integrated geothermal heating and free cooling systems.

NIBE Energy Systems has devised a spreadsheet for detailed simulations of energy consumption and energy costs based on data provided by the business area's customers. This makes it easier to dimension heat pumps, giving customers heating systems optimised to their needs that are as economical as it is currently possible to be.

NIBE Stoves has invested in ecolabelling, so some of its wood-burning stoves are marked with the Nordic Ecolabel. The environmental performance of these products is even better than what is required by general regulations and the products themselves are manufactured in an environmentally sound way. The energy efficiency of wood-burning stoves has shown an impressive improvement over the years.

As a subcontractor, NIBE Element often works closely with customers to develop an end-product that lasts longer and uses less energy. One current example is NIBE's involvement in developing a kiln for pyrolysis of old tyres. Recycling through pyrolysis is less environmentally hazardous than other methods; the residual product has a high content of carbon and oil – both of which can be separated and then reused.

Resistors produced by NIBE Element are used in many applications related to renewable energy and the improvement of energy efficiency. A new type of resistor is a key component in the new generation of wind turbines, where it is used to stabilise the turbines' operation. Other resistors are used in frequency converters that control the speed of electric motors and thus enhance their energy efficiency.

Switching to renewable energy

Sweden is leading the transition to renewable energy, and heat pumps are an important part of this process. The changeover has been quite remarkable, and in 2008 there were more heat pumps combined with a water-borne system in Sweden than in any other country. This has led to significant environmental gains, clearly illustrated by the fact that since the 1990s, Sweden's consumption of oil and electricity for heating has fallen by 70 percent and 20 percent respectively.

The EU has decided that, by 2020, 20 percent of Europe's energy supply is to come from renewable sources and the efficiency of energy consumption is to improve by 20 percent, so many countries are now looking at Sweden's achievements.

The success of Swedish heat pumps is well known in Europe; Sweden leads the field and is widely considered to possess the greatest technical experience – in the continent's cold-est climate.





Improving the energy-efficiency of wood-stoves

Wood is often burned for heating homes and for cooking all over the world. Burning wood and other biofuels is a climate-smart heating method and it also provides a reliable back-up source of heating when primary energy supplies are cut off.

Burning wood is carbon neutral, so it does not add to the greenhouse effect. To use the planet's resources even more sparingly, it is important to select a new, efficient wood-burning

stove, replacing older models that have a lower rate of heating efficiency.

People realised long ago that burning wood on an open fire is very inefficient and requires large amounts of fuel. When tiled stoves were introduced more than 200 years ago, they greatly improved the efficiency of burning wood by utilising much more of the heat in the flue gases than open fireplaces can do.

Today many people install a wood-burning

stove as an extra source of heat and for the atmosphere of cosiness it spreads. Modern wood-burning stoves are very different from their predecessors in terms of energy efficiency and environmental values. This development is reflected in products made by NIBE Stoves, as the pictures and the timeline below show.



1965

Handöl 11
Wood consumption 6 kg/h
Heating efficiency 20%



1980

Handöl 2
Wood consumption 4 kg/h
Heating efficiency 40%



1990

Handöl 9
Wood consumption 3 kg/h
Heating efficiency 65%



2000

Contura 556
Wood consumption 2 kg/h
Heating efficiency 75%



2010

Contura 35T
Wood consumption 1.3 kg/h
Heating efficiency 78%

Our values apply to everyone at NIBE, no matter where in the world they work

NIBE is an international company with operations and production facilities in 19 countries on three continents, so it is hardly surprising that our 8,000 or so employees are rooted in different cultures that do not always share the same values. We have taken account of this in 'Our Values', where respect for individuals and social responsibility are integrated into day-to-day work and put into practice in our dealings with one another as co-workers.

International group

With growing numbers of employees outside Sweden, NIBE is becoming an increasingly international employer. Following major acquisitions during the year, there were approximately 8,000 NIBE Group employees by the end of 2011. The average number of full-time equivalents for the year was 6,895 (2010: 5,945): of these 80% (78%) worked in countries other than Sweden. Although we are now very much an international company, we have succeeded in maintaining strong, competitive production facilities in Sweden and other high-cost countries by investing in measures to boost productivity and enhance efficiency. We have, however, also invested in plants in Eastern Europe, China and Mexico. Manufacturing costs are lower in those regions, so it is there that we produce products subject to the stiffest competition.

However, we also see these regions as attractive growth markets for our other products.

Our values and the factors behind our success are a constant focus of attention and we work hard to communicate these when recruiting, in our information updates for co-workers and whenever new employees join the Group via company acquisitions.

In 2011 all our employees in all countries have been updated in writing and through seminars about 'Our Business Principles' and 'Our Values' in an initiative that has been widely welcomed by employees from all cultural backgrounds.

An attractive employer

It is crucial for NIBE to attract, retain and develop co-workers of the right calibre, and our ambition is to make sure we are perceived

positively as an employer who offers generous opportunities for personal and professional development. We set our sights high and demand a great deal of our employees. In return, they enjoy freedom with accountability, a work ethos characterised by common sense and a straightforward approach to problem-solving, and excellent career opportunities.

These are some of the factors behind our low incidence of sickness absence, low staff turnover – and the constant stream of applications from job seekers. The average NIBE employee is under 40 years of age and stays with the company for more than seven years, and one in ten has some form of university education. Staff turnover for the NIBE Group is below six percent.

Sickness absence

In 2011 sickness absence in the Group averaged 5.0 percent (4.8 percent). The figures for both short-term and long-term absence are relatively low at between 2 and 3 percent.

Working environment

NIBE is a manufacturing company so work environment hazards tend to be related to exposure to noise, dust, hazardous chemicals, heavy lifting, repetitive strain and industrial injuries. We endeavour to provide a good working environment through high technical standards and preventive measures that include risk assessments, measurements, training and safety inspections. There are formal Safety Committees at 90 percent of our production facilities.

Workplace surveys and risk analyses were carried out at 20 units during the year to identify risks such as exposure to dust, noise and solvents.



A young musicians' recorder concert is a tradition at NIBE's annual Christmas gathering. This is the local schools' way of thanking NIBE for sponsoring the purchase of recorders for year-three pupils.



Our corporate values take into account the fact that NIBE has co-workers from many different cultures on three continents.

Several NIBE units are certified according to the OHSAS 18001 occupational health and safety guidelines.

Accidents at work

In 2010 a total of 143 (214) accidents at work resulting in more than one day's absence were reported. The most common causes of injury were accidents involving machines and equipment, heavy lifts and repetitive strain, and injuries as a result of falling or slipping. Six occupational accidents involving contractors were reported during the year. Approximately ten cases of work-related illness were registered in 2011.

Training and education

Many of our products have a high technical content that requires a great degree of awareness of the need for quality in the manufacturing process. For this reason we train co-workers in a variety of technical skills, production techniques and quality control procedures. Training sessions are often led by our own instructors with their unique mix of experience and company-specific expertise – a cost-effective way to spread knowledge and equip co-workers with the skills and attitudes we need to meet the future. In 2011 we offered a total of almost 85,000 hours of training, which corresponds to just over ten hours per employee.

Training in environmental, work environ-

ment and safety issues took place at virtually all the Group's production facilities and averaged around three hours per employee.

Salary levels/collective agreements

The same rules and values apply to all Group units. Rates of pay comply with national legislation, are pitched above the local minimum wages and fully reflect market conditions.

The NIBE Code of Conduct acknowledges every employee's right to be represented by a trade union or other employee representative and to collective bargaining and agreements.

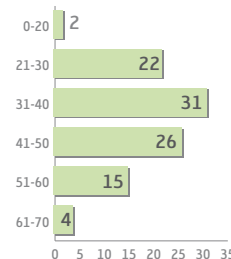
Human rights

We encourage diversity and disassociate ourselves from all forms of discrimination as clearly stated in 'Our Values'. There were no reported cases of discrimination during the year. Work to inform co-workers of our Code of Conduct, which commenced in 2011, will continue in the future. Responsibility for these matters lies with the management of each individual company.

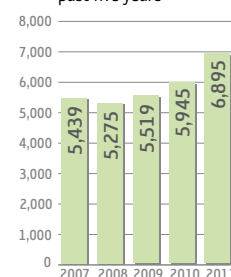
Social commitment

NIBE plays an active part in the communities where we have factories and offices, cooperating with schools and universities, sponsoring sporting and cultural events, especially among young people, and participating in local events and development projects.

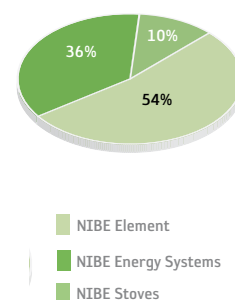
Age structure of the workforce (%)



Average number of employees past five years



Employees – by business area



Key figures	2011	2010	2009
Average no. of employees	6,895	5,945	5,519
– administrative staff	% 31	29	29
– production staff	% 69	71	71
– men	% 67	65	65
– women	% 33	35	35
Average age	years 39	39	39
Average length of employment	years 7.3	7.7	7.8
Workforce turnover	% 5.9	4.6	5.9
Number of graduates	753	636	587
Employees			
– in Sweden	% 20	22	22
– abroad	% 80	78	78
Sickness, short-term	% 2.6	2.1	2.5
Sickness, long-term	% 2.4	2.7	2.9

Quality – a key competitive factor

The quality of our products and services is a key factor behind our competitiveness and a strong argument for choosing NIBE. Our quality policy applies to every aspect of our activities and is a guiding principle in our systematic approach to improvements in everything from development and production to marketing, sales and customer support. It is important that all employees see quality as their own personal responsibility and are committed to producing fault-free products and services.

Customer-oriented approach

Our ability to create value for our customers and to learn from any mistakes we make is founded on the commitment of our managers to create a culture at NIBE that focuses firmly on a process of continual improvement. To ensure customer satisfaction and continuously fine-tune our quality control procedures, we carry out regular customer surveys of selected products or customer segments. These surveys usually confirm that we meet customer demands and expectations, but we are still constantly taking new initiatives to achieve further long-term improvements in areas such as delivery reliability, product performance, product quality and customer support. We believe that quality improvements in every aspect of our operations will be crucial to our ability to continue to grow in an increasingly competitive market. In 2011 just over one third of our units conducted customer surveys. The feedback was mainly positive, with customers expressing complete satisfaction with NIBE's products and services.

Supplier assessments

We work closely with our suppliers to ensure the quality of components and systems, assessing supplier performance in terms of quality and environmental and social responsibility, based on the guidelines that we have laid down. In 2011 we assessed a large number of suppliers in this way, particularly those working with the larger companies in the Group.

Continual improvements

Work on continual improvements is crucial to improving efficiency and delivery reliability and to enhancing quality and customer satisfaction. It is essential to respond quickly to internal quality problems and to customer needs. This work varies from unit to unit, but high priority

is always given to problem-solving and to creating new best-practice methods through skills enhancement initiatives. We set quantifiable quality targets and seek to continually improve by establishing new strategic objectives. In addition, we regularly benchmark our performance against that of our competitors in order to learn from others and make sure we remain a market leader in our specialist fields.

Production environments and manufacturing equipment are continually being developed and improved, and staff receive extensive training in working methods, product functionality and performance.

Existing products are improved and new ones with innovative functions and/or enhanced performance characteristics are developed to secure our future position in the market.

Product liability

Our products are delivered with the relevant information about product functionality, servicing and safety. Where appropriate, we even offer training for our customers to ensure maximum safety as regards the installation and operation of our products. Our products are also required to meet the demands of a number of EU directives and international safety regulations, and we make sure that we do this by confirming our compliance with the relevant standards. No serious breaches of health and safety legislation, product information regulations or product labelling standards were reported by NIBE units in 2011, and no fines or penalties were imposed.

The impact of our products on personal health safety are evaluated throughout the entire lifecycle of the product, from drawing board to destruction. During the past year we have taken a number of steps to improve product performance in these areas.

Market communication

The Group's marketing departments are responsible for making sure that all marketing and communication in the form of advertising, sponsorship and PR is factual and conforms to the laws and regulations governing these areas. NIBE has a clearly defined policy for communicating with various stakeholders that reflects applicable laws, standards and the Group's Code of Conduct. We monitor developments closely to make sure, for example, that we do not sell any products that are prohibited in certain markets. There were no reports in 2011 of incidents where NIBE companies failed to comply with good practice or broke any rules in this area.

Quality assurance

Quality assurance work at most production units complies with international ISO 9001 specifications. Approximately three quarters of our production units are ISO 9001 certified and in most instances quality systems are integrated into the overall business management system.

Process orientation in the management systems lays the foundations for customer-oriented development and improvement work. Product development is quality-assured by preventive measures, with control, verification and validation points from the earliest stages of the development process. The aim is for new products not only to be of high quality and meet legal requirements and criteria for safety, but also to exceed the needs and expectations of users. For this reason, our customers and suppliers are involved throughout the development process.

Quality assurance



NIBE Energy Systems

Stringent quality demands are placed on NIBE Energy Systems' products, especially in the case of hi-tech functions and components. Components are tested repeatedly during manufacture to guarantee the quality of the end-product. We also carry out extensive functional tests prior to despatch to ensure full compliance with all functionality and safety requirements.



NIBE Stoves

For NIBE Stoves, quality means not only design and performance, but also conformity with stringent technical component specifications and an impeccable finish: the outward appearance of these products can be decisive for customer perceptions of quality.



NIBE Element

As a subcontractor and supplier of components to industry, NIBE Element's most important competitive advantage is the consistently high quality of its products. For this reason, all products are factory-tested before despatch. High levels of delivery reliability are also extremely important in this segment.

Working towards zero errors



Product development

Every new product has to pass a number of checkpoints in the development stage, for example in connection with project planning, when developing the product concept and when validating the product and the production process. The composition of the marketing concept is also checked. This proactive approach helps prevent any problems and paves the way for delivering high-quality products with reliable, factual information at the agreed time.

Subcontractors

As a result of working closely with our subcontractors to raise our quality levels even higher, we have produced a Supplier's Manual.

In day-to-day work on continual improvements, much emphasis is laid on problem-solving and using new or improved production methods in accordance with the 'best industrial standard' concept.

Production

We achieve our high quality ambitions by implementing an approach that is designed to eliminate the risk of errors and defects. This includes inspections at various stages of the production process and support systems for production personnel. The intention is to prevent any sub-standard products from ever moving on to the next stage of production.

NIBE shares

NIBE Industrier AB's class B shares were floated on the Stockholm Stock Exchange's OTC list (now the Mid Cap list, NASDAQ OMX Stockholm) on 16 June 1997 following the issue of 1,170,000 new class B shares. The subscription price then was SEK 70 per share. This corresponds to SEK 4.38 per share following the 4:1 splits carried out in June 2003 and June 2006. In 2011 16,119,437 new shares were issued and, parallel with this, the NIBE obtained a secondary listing on the SIX Swiss Exchange.

Share capital

NIBE Industrier AB has a share capital of SEK 68.8 million, divided into 13,160,256 class A shares and 96,879,181 class B shares. The quota value (i.e. share capital divided by shares) is SEK 0.625. Every class A share carries ten votes at the Annual General Meeting and every class B share carries one vote. All shares carry the same entitlement to the company's assets and profits. At the end of 2011 the company had no outstanding convertible loans or options that could risk diluting the share capital.

New share issue

In 2011 a new share issue was made to cover the cost of 40% of the purchase price of the shares in the Schulthess Group AG: 16,119,437 class B shares were issued in part payment for 98.7% of the shares in Schulthess. A further issue of a maximum of 214,800 class B shares will be made in 2012 to be used in part payment for the remaining 1.3% of Schulthess shares yet to be acquired by compulsory redemption.

Secondary listing

Following the share issue in 2011 the NIBE share is now also listed on the SIX Swiss Exchange.

Share performance and turnover

During 2011 the NIBE share fell in value by 1% from SEK 102.75 to SEK 101.75. The Carnegie Small Companies Index fell by 16% during the same period and the OMX Stockholm All-share Index (OMXS) fell by 14%. This means that, at the end of 2011 the market capitalisation of NIBE, based on the latest price paid, amounted to SEK 11,197 million. In 2011 a total of 30,939,711 NIBE shares were traded, which corresponds to a share turnover of 30.7% over the year.

Dividend policy

The aim is, over the long term, to pay a dividend equivalent to 25–30% of Group profit after tax. The Board is proposing a dividend of SEK 2.00 per share for the 2011 financial year, which equates to 31.9% of Group profit after tax.

Ownership

The number of shareholders has risen during the year, primarily as a result of a directed issue of 16,119,437 new class B shares to the previous owners of the Schulthess Group. However, because of Swiss reporting regulations, it is, in principle, impossible to determine the current total number of owners. If Swiss-registered owners are discounted, NIBE had 17,949 shareholders at the end of 2011, compared with 16,865 twelve months previously. The ten largest shareholders held 61.1% of the votes and 46.9% of the capital.

Shareholder value

To increase turnover in NIBE shares and give both current and future owners the opportunity to evaluate the business as fairly as possible, senior management strives ceaselessly to develop and improve financial information relating to the company by taking an active role in meetings with Swedish and foreign analysts, investors and the media. In September 2011 NIBE arranged a Capital Markets Day which was attended by both Swedish and foreign investors.

Changes in share capital

Year		Increase in share capital (SEK)	Quota value (SEK)	Total number of shares	Total share capital (SEK)
1990	New issue ¹⁾	6,950,000	100.00	70,000	7,000,000
1991	Bonus issue	40,000,000	100.00	470,000	47,000,000
1994	Split 10:1 ²⁾	–	10.00	4,700,000	47,000,000
1997	New issue	11,700,000	10.00	5,870,000	58,700,000
2003	Split 4:1 ³⁾	–	2.50	23,480,000	58,700,000
2006	Split 4:1 ⁴⁾	–	0.625	93,920,000	58,700,000
2011	New issue ⁵⁾	10,074,648	0.625	110,039,437	68,774,648

¹⁾ Private placing to existing shareholders at a subscription price of SEK 100 per share.

²⁾ Change in the quota value of each share from SEK 100 to SEK 10.

³⁾ Change in the quota value of each share from SEK 10 to SEK 2.50.

⁴⁾ Change in the quota value of each share from SEK 2.50 to SEK 0.625.

⁵⁾ Directed issue to the former owners of the Schulthess Group at a subscription price of SEK 108.25 per share

The following banks and brokers are among those who have tracked and analysed NIBE shares during the year:

Carnegie Investment Bank AB
Fredrik Villard
tel +46 8-58 86 87 47

Danske Markets Equities
Carl Gustafsson
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Handelsbanken Capital Market
Marcela Kozak
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Pareto Öhman AB
David Jacobsson
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SEB Enskilda Sebastian Lang
tel +46 8-52 22 95 32

Swedbank AB Large Corp. & Inst.
Mats Liss
tel +46 8-58 59 00 65

Major shareholders

(Source: Euroclear Sweden share register 30 Dec 2011)

Shareholders	No. of shares	Share of votes (%)
Current and former board members and senior executives ¹⁾	26,922,945	48.81
Melker Schörling	12,015,360	20.07
SIX SIS AG W8IMY	9,935,632	4.35
Alecta Pensionsförsäkring	7,752,476	3.39
NTC S/A UK Residents	1,498,775	0.66
JPM Chase NA	1,463,172	0.64
Lannebo Småbolag	1,385,000	0.61
SBB CL Omnibus AC OM07	1,245,881	0.55
Didner & Gerge Aktiefond	1,000,000	0.44
Fondita Nordic Micro Cap SR	750,000	0.33
Other holdings (17,920 shareholders)	46,070,196	20.15
Total	110,039,437	100.0

¹⁾ Please refer to page 89 for details of the current Board of Directors.

Shareholder structure

(Source: Euroclear Sweden share register 30 Dec 2011)

Share-holding	Share-holders	Stake (%)	No. of shares	Prop. of shares (%)
1 - 500	11,850	0.80	1,826,886	1.66
501 - 1,000	2,376	0.87	1,991,382	1.81
1,001 - 5,000	2,849	3.03	6,918,256	6.29
5,001 - 10,000	409	1.33	3,027,499	2.75
10,001 - 20,000	204	1.31	2,990,095	2.72
20,001 -	261	92.66	93,285,319	84.77
Total	17,949	100.0	110,039,437	100.0

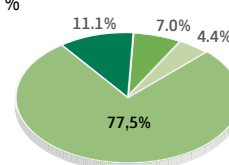


Shareholder categories

(Source: Euroclear Sweden share register 30 Dec 2011)

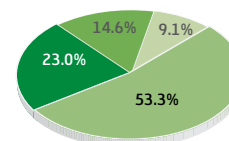
Share of voting rights, %

- Swedish individuals
- Swedish institutions
- Foreign individuals
- Foreign institutions

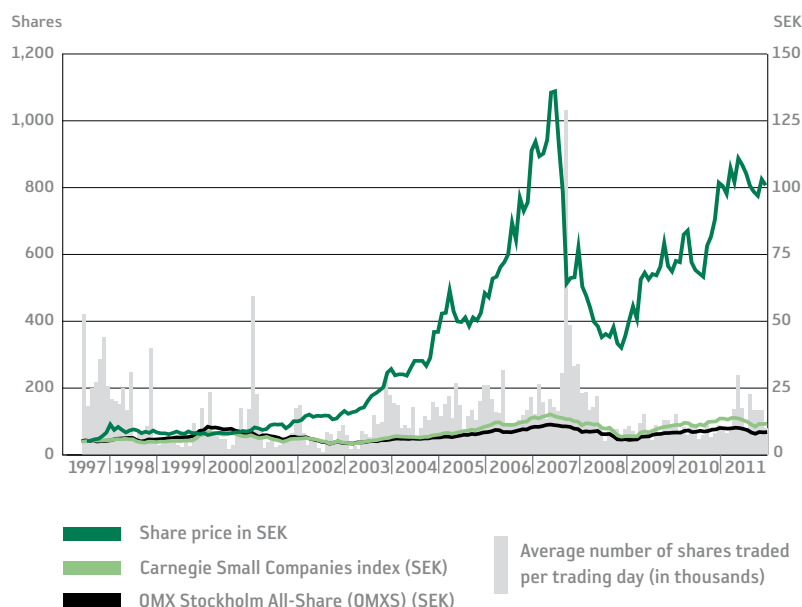


Share of capital, %

- Swedish individuals
- Swedish institutions
- Foreign individuals
- Foreign institutions



NIBE share performance



Share data

		2011	2010	2009	2008	2007
Number of shares		110,039,437	93,920,000	93,920,000	93,920,000	93,920,000
Year-end share price	SEK	101.75	102.75	69.00	44.40	78.00
EPS (after tax)	SEK	6.87	5.84	4.36	3.94	3.35
Equity per share	SEK	40.78	26.34	23.24	20.04	16.48
Proposed dividend	SEK	2.00	1.75	1.30	1.15	1.15
Price/equity		2.50	3.90	2.97	2.22	4.73
Dividend yield	%	1.97	1.70	1.88	2.59	1.47
Total yield	%	0.97	51.45	58.33	- 41.60	- 31.17
Operating cash flow/share	SEK	7.82	6.61	8.00	4.50	- 3.74
Payout ratio	%	31.9	30.0	29.9	29.2	34.3
PE ratio (after tax)		14.8	17.6	15.8	11.3	23.3
Market capitalisation	SEK m	11,197	9,650	6,480	4,170	7,326
EBIT multiple	times	15.2	13.0	12.1	9.6	17.3
EV/sales	times	1.85	1.59	1.33	1.03	1.69
Share turnover	%	30.7	20.1	21.3	29.1	71.1

Definitions

EPS (after full tax)

Earnings after full tax divided by the average number of shares in issue.

Equity per share

Equity divided by total number of shares in issue.

Share price/equity

Share price divided by equity per share, both as at end of period.

Dividend yield

Dividend as percentage of year-end share price.

Total yield

The change in the share price for the year, plus dividend, as a percentage of the share price at the preceding accounting year-end.

Operating cash flow per share

Cash flow after investments – but before acquisitions of companies/operations – divided by the average number of shares in issue.

Payout ratio

Dividend as a percentage of earnings per share.

PE ratio (after full tax)

Year-end share price divided by earnings per share.

Market capitalisation

Year-end share price multiplied by the total number of shares in issue.

EBIT multiple

Market capitalisation plus net debt (interest-bearing liabilities less financial current assets) plus non-controlling interests divided by operating profit.

EV/sales

Market capitalisation plus net debt (interest-bearing liabilities less financial current assets) plus non-controlling interests divided by net sales.

Share turnover

Total number of shares sold during the year as a percentage of average number of shares in issue.

Administration Report

Financial Information

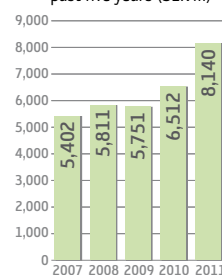
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Income statements – Five-year review

Income statements

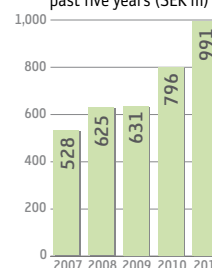
(in millions of SEK)	2011	2010	2009	2008	2007
Net sales	8,139.8	6,511.5	5,751.2	5,810.5	5,402.5
Cost of goods sold	- 5,341.7	- 4,274.0	- 3,928.6	- 4,108.7	- 3,828.2
Gross profit	2,798.1	2,237.5	1,822.6	1,701.8	1,574.3
Selling expenses	- 1,429.3	- 1,159.1	- 992.2	- 917.7	- 838.2
Administrative expenses	- 527.1	- 409.6	- 371.5	- 347.1	- 292.3
Other operating income	149.6	127.3	172.4	188.3	84.2
Operating profit	991.3	796.1	631.3	625.3	528.0
Net financial items	- 50.1	- 51.0	- 70.4	- 108.6	- 83.0
Profit after net financial items	941.2	745.1	560.9	516.7	445.0
Tax	- 249.7	- 192.0	- 148.8	- 140.6	- 130.3
Net profit for the year	691.5	553.1	412.1	376.1	314.7
<i>Non-controlling interest's participation in profit after tax</i>	0.4	4.6	3.0	6.3	-
<i>Includes the following amounts for depreciation according to plan</i>	274.5	215.9	210.2	188.3	163.7

Net sales
past five years (SEK m)



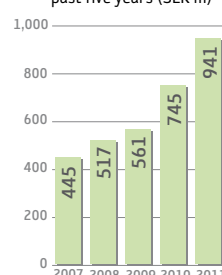
Net sales rose by 25.0% in 2011

Operating profit
past five years (SEK m)



Operating profit rose by 24.5% in 2011

Profit after
financial items
past five years (SEK m)



Profit after financial items rose by 26.3% in 2011

Income statement over the past five years

The sales target has been annual growth of 20%, preferably with half of this total generated organically and half by acquired business. Over the past five years sales have risen from SEK 4,958.0 million to SEK 8,139.8 million through a combination of organic growth and an aggressive acquisition strategy that has seen the NIBE Group take over 14 companies and lines of business.

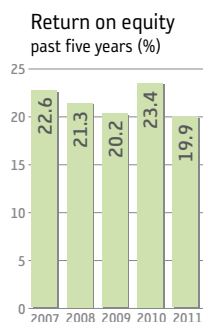
Growth during the period has averaged 10.4%: organic growth has accounted for 3.2% and acquired sales for 7.2%.

The profitability target during the period has been an operating margin of at least 10% in each of the Group's business areas, and a return on equity of at least 20% for the Group as a whole.

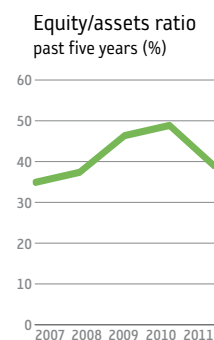
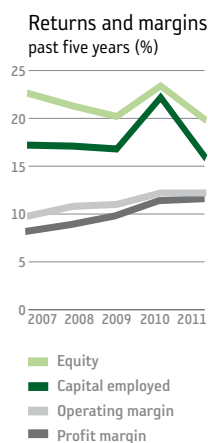
NIBE Element's operating margin during the five-year period has averaged 6.1%: the corresponding figure for NIBE Energy Systems is 13.9%, and for NIBE Stoves 13.0%.

The Group's operating margin over the past five years has averaged 11.3%. Return on equity averaged 21.3% during the same period.

Balance sheets – Five-year review



Return on equity fell by 14.8% in 2011



Balance sheet

(in millions of SEK)

	2011	2010	2009	2008	2007
Intangible assets	5,642.4	1,188.5	1,018.4	944.7	732.2
Tangible assets	1,897.6	1,275.7	1,398.8	1,500.5	1,374.4
Financial assets	135.5	59.0	57.0	63.3	35.7
Total non-current assets	7,675.5	2,523.2	2,474.2	2,508.5	2,142.3
Inventories	1,679.6	1,118.1	1,038.0	1,227.5	1,344.0
Current receivables	1,377.7	1,097.8	932.2	1,059.1	829.3
Investments in securities, etc.	-	-	-	2.3	-
Cash and equivalents	1,007.1	409.5	349.1	349.3	207.9
Total current assets	4,064.4	2,625.4	2,319.3	2,638.2	2,381.2
Total assets	11,739.9	5,148.6	4,793.5	5,146.7	4,523.5
Equity	4,487.2	2,482.7	2,190.0	1,888.7	1,547.7
Non-current liabilities and provisions					
- non-interest-bearing	937.1	397.0	239.1	246.9	210.2
- interest-bearing	4,320.5	952.2	1,360.0	1,971.2	1,866.5
Current liabilities and provisions					
- non-interest-bearing	1,465.3	1,136.1	845.3	859.1	760.3
- interest-bearing	529.8	180.6	159.1	180.8	138.8
Total equity and liabilities	11,739.9	5,148.6	4,793.5	5,146.7	4,523.5

Balance sheet over the past five years

Over the past five years total assets have risen from SEK 3,902.8 million to SEK 11,739.9 million.

Inventories and current receivables (mainly trade receivables) account for approximately 26% of total assets. In principle, both of these items are directly related to sales and, therefore, growth.

Intangible assets consist mainly of goodwill, trademarks/brands and market positions that have arisen on the acquisition of companies and lines of business. Goodwill and brands are tested annually for impairment by calculating the present value of each business area's cash flows. When calculating these cash flows, account is taken of normal working capital requirements and the need for investments, corresponding to the annual rate of amortisation.

Tangible assets consist solely of property, plant and equipment, the value of which has increased by SEK 781.3 million over the most recent five-year period. Of this increase, approximately 37% was added through acquisitions of companies and lines of business, and the remaining 63% through investments in existing businesses, primarily in the Group's facilities in Markaryd, Sweden, where most of the production facilities for NIBE Energy Systems and NIBE Stoves are located.

Non-current, non-interest-bearing liabilities and provisions consist mainly of deferred tax, warranty provisions and provisions for contingent considerations. These have grown from SEK 247.8 million to SEK 937.1 million over the past five years, chiefly as a consequence of deferred tax attributable to intangible assets that have arisen on the acquisition of other companies.

Current and non-current interest-bearing liabilities and provisions consist of pension provisions and loans from banks and other financial institutions, and have risen from SEK 1,457.5 million to SEK 4,850.3 million over the past five years. This increase is attributable to new borrowing to finance the Group's major acquisitions in 2011.

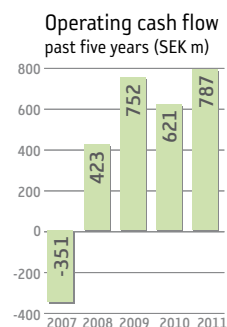
The Group's target is for the equity/assets ratio not to fall below 30%. Over the past five years this key figure has averaged 40.2%.

Current non-interest-bearing liabilities and provisions have grown by SEK 551.3 million during the period, from SEK 914.0 million to SEK 1,465.3 million. Accrued expenses and customary trade payables, which are both directly related to the expansion of the business, account for approximately 77% of this total.

Statements of cash flows – Five-year review

Statements of cash flows

(in millions of SEK)	2011	2010	2009	2008	2007
Cash flow before change in working capital	882.2	825.7	679.4	486.3	439.5
Change in working capital	237.9	- 38.7	217.4	174.0	- 399.4
Cash flow from operating activities	1,120.1	787.0	896.8	660.3	40.1
Investments in current operations	- 333.4	- 166.2	- 145.3	- 237.5	- 390.9
Operating cash flow	786.7	620.8	751.5	422.8	- 350.8
Acquisition of companies	- 3,481.8	- 239.7	- 72.6	- 170.1	- 13.2
Cash flow after investments	- 2,695.1	381.1	678.9	252.7	- 364.0
Financing	3,465.3	- 175.1	- 562.9	- 20.5	451.6
Dividend to shareholders	- 164.4	- 122.1	- 108.0	- 108.0	- 108.0
Cash flow for the year	605.8	83.9	8.0	124.2	- 20.4
Liquid funds at the beginning of the year	409.5	349.1	349.3	207.9	218.3
Exchange difference in liquid funds	- 8.2	- 23.5	- 8.2	17.2	10.0
Liquid funds at year-end	1,007.1	409.5	349.1	349.3	207.9



Cash flow over past five years

Cash flow before changes in working capital

Over the most recent five-year period, cash flow before changes in working capital has shown a positive trend.

Working capital

The Group requires that working capital, measured as current assets minus current liabilities, is within the 20–25% of sales range for all units. Over the past five years, the Group's working capital has averaged approximately 25% of sales.

Investments in existing operations

On average, investments in existing operations over the past five years have exceeded depreciation according to plan by approximately 20%. The biggest single investment for the period was made in 2007 and 2008 in new production facilities for wood-stoves in Markaryd, Sweden.

Operating cash flow

With the exception of 2007, the Group has had positive operating cash flows throughout the most recent five-year period.

Sales expectations for 2007 were substantially higher than the outcome, which meant that the customary stock-building process during the first six months of the year resulted in a stock surplus at the year-end – and a large negative cash flow.

Since then, however, operating cash flow has shown a marked improvement as stocks have returned to a more normal level and the rate of investment has also fallen.

Acquisition of businesses

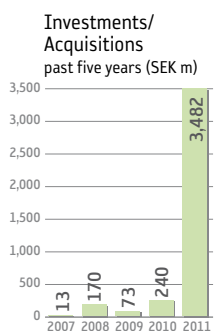
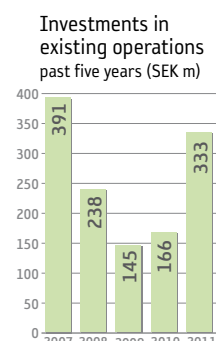
Over the years, NIBE Industrier has pursued an aggressive acquisitions strategy. In the five years up to the end of 2011, 14 takeovers of companies and lines of business have been made, of which seven relate to the NIBE Element business area, five to NIBE Energy Systems and two to NIBE Stoves. 2011 was the Group's most intensive year to date in this respect. The acquisition of the Swiss listed company, the Schulthess Group AG, was the Group's largest ever, and the acquisition of Emerson Heating Products later in the year also represented a major investment for NIBE. The company intends to continue to pursue a policy of strategic acquisitions in the future.

Financing

Some 40% of the cost of the acquisition of the Schulthess Group AG was financed through a directed issue made to the owners of Schulthess. Otherwise, capital requirements over the past five years – both for takeovers, investments in existing operations, and operating capital for organic expansion and share dividends – have been financed exclusively by the company's own internally generated cash flows and by traditional bank loans.

Shareholders' dividends

NIBE Industrier aims to pay share dividends of 25–30% of the net profit for the year after tax. Over the most recent five-year period, share dividends have varied between 29.2% and 31.9% of the year's profit after tax, with the sole exception of a figure of 34.3% for 2007.



Risk Management

	Basis for calculation	Change %	Impact
Net sales (margin constant)	8,139.8 SEK m	+/- 1.0 %	30.9 SEK m
Operating margin (volume constant)	8,139.8 SEK m	+/- 0.1%	8.1 SEK m
Material costs	3,410.5 SEK m	+/- 1.0%	34.1 SEK m
Payroll expenses	1,878.0 SEK m	+/- 1.0 %	18.9 SEK m
Interest-bearing liabilities (interest constant)	4,850.3 SEK m	+/- 10.0%	11.2 SEK m
Interest rate % (interest-bearing liability constant)	2.3 %	+/- 1.0% point	48.5 SEK m

Based on Income Statement 2011

Dependence on customers

All three business areas work with a wide range of customers. None is so dependent on any one customer or group of customers that the loss of that customer/group is likely to seriously impair the profitability of the business area in question.

Dependence on suppliers

Most of the components in the products marketed by the Group's three business areas are manufactured by a number of suppliers in Europe and elsewhere in the world. When selecting suppliers, a thorough review is made of the supplier's ability to meet the Group's requirements.

In our opinion, the Group would not suffer serious harm if any individual supplier were unable to meet our stipulated requirements.

Price risks

Material prices

Many of the materials used to manufacture the Group's products are priced in US dollars and quoted on the London Metal Exchange. To avoid overdependence on specific currencies and markets, purchasing procedures have been globalised. In 2011 purchases of raw materials such as nickel, copper and steel were partially hedged through forward contracts.

Other operating expenses

Other operating expenses follow price trends in the markets in which the Group operates.

Risks relating to disputes over patents and other matters

The Group holds few patents and only for components

which form part of its finished products. However, NIBE does have a number of registered designs and registered trademarks. As far as we are aware, we have not infringed any third-party patents.

Other risks

It is our considered opinion that the Group has adequate cover in respect of traditional insurance risks such as fire, theft, liability and so on. The excess on our policies is between SEK 300,000 and SEK 700,000.

There is always a risk that a series fault in one of the Group's product areas could lead to product recalls, through problems with materials or for other reasons. These risks are minimised by the fact that the majority of Group companies are certified in accordance with ISO 9001. Certification means that there are control procedures for internal processes and manufacturing as well as for the use of components manufactured by other suppliers. Insurance policies have been taken out as additional risk cover for similar events.

Financial risks

Credit risks, currency risks, financing risks and interest-rate risks that can affect the NIBE Group are described in Note 7.

Sensitivity analysis

The Group is exposed to a number of risk factors that affect earnings trends. Several of the risks are outside the Group's control. The table above shows the effect of a variety of changes on the Group's result, based on figures on the balance sheet and in the income statement for 2011.

Key ratios

		2011	Proforma*	2010	2009	2008	2007
Net sales	SEK m	8,139.8		6,511.5	5,751.2	5,810.5	5,402.5
Growth	%	25.0		+ 13.2	- 1.0	+ 7.6	+ 9.0
Operating profit	SEK m	991.3		796.1	631.3	625.3	528.0
Profit after net financial items	SEK m	941.2		745.1	560.9	516.7	445.0
Net investments in fixed assets	SEK m	3,815.2		405.9	217.9	407.6	404.1
Gross margin	%	15.6		15.5	14.6	14.0	12.8
Operating margin	%	12.2		12.2	11.0	10.8	9.8
Profit margin	%	11.6		11.4	9.8	8.9	8.2
Capital employed	SEK m	9,337.5		3,615.5	3,709.0	4,040.7	3,552.9
Equity	SEK m	4,487.2		2,482.7	2,190.0	1,888.7	1,547.7
Return on capital employed	%	16.0	approx. 13	22.2	16.8	17.1	17.2
Return on equity	%	19.9	approx. 17	23.4	20.2	21.3	22.6
Return on total assets	%	12.3		16.4	13.1	13.5	12.8
Asset turnover	times	0.96		1.31	1.16	1.20	1.28
Equity/assets ratio	%	38.2	approx. 39	48.2	45.7	36.7	34.2
Proportion of risk-bearing capital	%	43.2		50.9	48.6	39.7	36.9
Operating cash flow	SEK m	786.7		620.8	751.5	422.8	- 350.8
Net debt/EBITDA	times	3.0	approx. 2.5	0.7	1.4	2.2	2.6
Interest cover	times	10.7	approx. 10.6	11.8	7.3	4.8	5.7
Interest-bearing liabilities/equity	%	108.1		45.6	69.4	113.9	129.6
Average number of employees		6,895		5,945	5,519	5,275	5,439

*Based on a proforma income statement for the most recent 12-month period, which includes units acquired during the period with their respective most recent 12-month income statements and thus gives a fairer presentation of key ratios.

Definitions – key ratios

Growth

Percentage change in net sales compared with previous year.

Gross margin

Operating profit before depreciation as a percentage of net sales.

Operating margin

Operating profit as a percentage of net sales.

Profit margin

Profit after net financial items as a percentage of net sales.

Capital employed

Total assets minus non-interest-bearing liabilities and deferred tax.

Equity

Taxed equity plus untaxed reserves minus tax.

Return on capital employed

Profit after net financial items plus financial expenses as a percentage of average capital employed.

Return on equity

Profit after net financial items minus tax at standard rate 26.3% (2007–2008: 28%) as a percentage of average equity.

Return on total assets

Profit after net financial items plus financial expenses as a percentage of average balance sheet total.

Asset turnover

Net sales divided by the average balance sheet total.

Equity/assets ratio

Assets as a percentage of balance sheet total.

Proportion of risk-bearing capital

Equity, including non-controlling interest's participations and deferred tax liabilities, as a percentage of the balance sheet total.

Operating cash flow

Cash flow after investments but before the acquisition of companies/businesses.

Net debt/EBITDA

Interest-bearing net debt (financial liabilities minus financial assets) divided by earnings before depreciation/amortisation.

Interest cover

Profit after net financial items plus financial expenses divided by financial expenses.

Interest-bearing liabilities/equity

Interest-bearing liabilities as a percentage of equity.

Annual Accounts 2011

Income statement 2011

Net sales

Group net sales rose by SEK 1,628.3 million or 25.0% to SEK 8,139.8 million (2010: SEK 6,511.5 million). NIBE Element's sales rose by 20.7%, with 14.6% deriving from acquired businesses and 6.1% from organic sales. NIBE Energy Systems increased its sales by 33.9%, of which 5.6% was organic and 28.3% was acquired. Sales for NIBE Stoves rose by 0.8%; as acquired growth for NIBE Stoves totalled 1.5%, this means that growth in organic sales for the business area was negative at 0.7%.

Group net sales outside Sweden totalled SEK 6,196.7 million, an increase of SEK 1,607.8 million on the 2010 total of SEK 4,588.9 million. Net sales abroad accounted for 76.1% (70.5%) of total net sales. Net sales in the Swedish market rose by 1.1% to SEK 1,943.1 million (SEK 1,922.6 million).

As acquired sales growth during the year totalled SEK 1,328.0 million, this means that organic sales rose by SEK 300.3 million, equivalent to 4.6% growth. Acquired growth accounted for sales of SEK 257.8 million at NIBE Element, SEK 1,053.3 million at NIBE Energy Systems and SEK 16.9 million at NIBE Stoves.

Operating profit

Group operating profit totalled SEK 991.3 million, an increase of 24.5% on the figure of SEK 796.1 million reported for 2010. The operating margin was unchanged at 12.2%.

NIBE Element's operating profit rose by SEK 16.8 million from SEK 124.5 million in 2010 to SEK 141.3 million in 2011, an increase of 13.6%. The business area's operating margin was 6.7% (7.1%).

NIBE Energy Systems' operating profit rose by SEK 226.1 million from SEK 544.7 million to SEK 770.8 million, an increase of 41.5%. The operating margin was 15.5% (14.6%).

NIBE Stoves' operating profit rose by SEK 8.6 million from SEK 152.8 million to SEK 161.4 million, an increase of 5.6%. The operating margin was 14.0% (13.4%).

Goodwill and brands

The Group's goodwill and Group surpluses in trademarks are tested annually for impairment by calculating the present value of each business area's cash flows. These are calculated on the basis of annual growth of 10% with deductions for increased working capital requirements and investments corresponding to the annual rate of depreciation. Calculations for the year gave no indication of any impairment.

Profit after financial items

Profit after financial items rose by 26.3% to SEK 941.2 million (SEK 745.1 million) to yield a profit margin of SEK 11.6% (11.4%). Financial items generated net expense of SEK 50.1 million for the year, as against a net expense of SEK 51.0 million in 2010.

Tax

The tax expense for the year was SEK 249.7 million (SEK 192.0 million), which gives an effective tax rate of 26.5% (25.8%). There is no single chief reason for this slight increase. The nominal tax rate in Sweden remained unchanged during the year at 26.3%.

Balance sheet 2011

Equity ratio and returns

The Group's equity ratio at the end of the year was 38.2% (48.2%). Equity totalled SEK 4,487.2 million (SEK 2,482.7 million).

The Group's return target is a return on equity of at least 20% in the long term. The return on equity in 2011 was 19.9% (23.4%). The return on capital employed was 16.0% (22.2%). The profitability target for the business areas is an operating margin of at least 10% for each profit centre over a complete business cycle. The operating margin for NIBE Element was 6.7% (7.1%), for NIBE Energy Systems 15.5% (14.6%), and for NIBE Stoves 14.0% (13.4%). The operating margin for the Group as a whole was unchanged at 12.2%.

Cash and cash equivalents

The Group's cash and cash equivalents at the end of the financial year amounted to SEK 1,007.1 million (SEK 409.5 million), to which may be added unutilised overdraft facilities of SEK 652.8 million (SEK 1,254.6 million). During the year, the Group's net overdraft was reduced by SEK 310.5 million. Acquisitions provided SEK 490.7 million, which meant that the previous overdraft facilities could be reduced by a total of SEK 801.2 million.



Annual Accounts 2011

Cash flow 2011

Cash flow from operating activities

Consolidated cash flow for the year after changes in working capital amounted to SEK 1,120.1 million (2010: 787.0 million).

Investments

Investment in Group acquisitions of subsidiary companies/lines of business totalled SEK 5,226.8 million (SEK 239.7 million). As the acquisition of Schulthess was financed in part by a directed share issue to Schulthess shareholders, SEK 3,481.8 million is recognised as cash flow attributable to the acquisition of subsidiaries/lines of business. Other investment totalled SEK 333.4 million (SEK 166.2 million), allocated as follows:

(in millions of SEK)	2011	2010
Machinery and equipment	157.5	101.9
Properties	45.0	5.6
Construction in progress	52.5	28.6
Other fixed assets	78.4	30.1
Total	333.4	166.2

Consequently, cash flow after investment activities was negative at SEK -2,695.1 million (SEK + 381.1 million). Operating cash flow (i.e. after investments, but excluding acquisitions of subsidiary companies/lines of business) was SEK 786.7 million (SEK 620.8 million).

Credits from finance institutions and pension funds

(in millions of SEK)	2011	2010
Loans with floating interest and repayments over 10 years	4,350.1	1,017.0
Utilised portion of overdraft facilities with floating interest rate	377.8	86.5
Provisions for pensions	122.4	29.2
Other provisions	-	0.1
Total interest-bearing liabilities	4,850.3	1,132.8
Unutilised overdraft facilities	652.8	1,254.6
Other unutilised credits	62.6	1,110.0
Total credit available	5,565.7	3,497.4

The Group's total interest-bearing liabilities at the year-end amounted to SEK 4,850.3 million (SEK 1,132.8 million). The average interest expense for the total of interest-bearing liabilities was 2.3% (3.8%). The Group's net liabilities, which consist of interest-bearing liabilities minus cash and bank balances and short-term investments, totalled SEK 3,843.2 million (SEK 723.2 million).

Important events during the year

Early in 2011 the business operations of the UK company Thermtec Ltd were acquired and integrated into NIBE Element's existing operations in the UK. Thermtec sales total approximately SEK 20 million a year and the company's operating margin has averaged around 6%. Business operations were consolidated into the NIBE Element business area with effect from January.

In March NIBE acquired the Element Division of Electrolux Professional AG in Switzerland. These operations, with annual sales of approximately SEK 75 million and an operating margin that has averaged around

10%, were consolidated into the NIBE Element business area at the beginning of March.

In April agreement was reached on the acquisition of a 31.1% stake in the heating technology company Schulthess Group AG, listed on the Swiss stock exchange. A voluntary public tender offer for the remaining shares was subsequently accepted by shareholders representing 67.6% of the share capital, thus enabling NIBE to acquire a total of 98.7% of the shares in the company. After transactions were finalised on 29 July 2011, Schulthess was consolidated into the NIBE Energy Systems business area with effect from August. The remaining 1.3% stake in the company will be purchased by compulsory redemption in April 2012. The total consideration for the acquisition, including expenses for the compulsory redemption of shares, amounted to SEK 4,812 million: 60% of this sum was paid in cash, while the remainder took the form of a directed issue of 16,119,437 new class B shares in NIBE Industrier AB on the acquisition date. The value of these shares has been calculated using a market value of SEK 108.25 per share on the acquisition date. This increases the current number of NIBE shares to a total of 110,039,437. From 10 August the NIBE share has also been listed on the SIX Swiss Exchange.

The Schulthess Group is one of Europe's leading suppliers of heat pumps sold under the Alpha-InnoTec and Novelan brands. The company also manufactures high quality, energy-efficient products for cooling, ventilation and solar energy, as well as washing machines and tumble dryers under the KKT Kraus, Genvex and Schulthess labels. Schulthess has annual sales of approximately SEK 2,250 million, a profit margin averaging well over 10% and a workforce of just over 1,000.

For further details relating to the acquisition, you are kindly referred to our homepage: www.nibe.com.

In April NIBE also acquired the remaining 25% stake in CJSC EVAN of Russia. The company, which forms part of NIBE Energy Systems, was consolidated as a wholly owned subsidiary with effect from April.

In mid-September NIBE acquired Emerson Heating Products, the element manufacturing division of Emerson Electric Co. of the USA. The division has annual sales of approximately SEK 485 million and just over 1,100 employees in the USA, Mexico and China. These operations, consolidated into the NIBE Element business area with effect from 15 September, report an operating margin of slightly more than 10%. The acquisition expands the NIBE Element product portfolio to include new climate control technology and adds extensive manufacturing and sales operations in North America and China.

In early November agreement was reached on the acquisition of an initial 10% stake in the US heat-pump manufacturer Enertech Global LLC, with an option to acquire the remaining shares. Enertech sales total slightly more than SEK 200 million a year with an operating margin of just over 5%.

Remuneration

The Annual General Meeting determines the level of remuneration to the Chairman of the Board and other directors.

The Annual General Meeting also determines the guidelines for the remuneration of the managing director and other senior executives, in accordance with which the Board subsequently determines the remuneration of the managing director. The remuneration of other senior personnel is determined by the managing director in consultation with the Chairman of the Board. Decisions in this regard are reported to the Board of Directors. Certain key individuals in the companies outside Swe-

den that were acquired during the course of the year have incentive programmes which, in certain cases, do not comply with the principles for remuneration laid down in the NIBE Group. For further details of remuneration for the year, please refer to Note 6.

The Board proposes that, with one or two slight amendments, remuneration for 2012 should be determined according to the same principles as those adopted in 2011.

Human resources

It is our ambition to ensure that NIBE is perceived as an attractive employer offering numerous opportunities for development. The company has a strong set of corporate values that the great majority of people perceive as positive. These values are apparent in all our communication, both to existing employees and when recruiting. One key aspect of our corporate values is the concept of freedom with accountability, which means that the subsidiaries in the NIBE Group and the employees in the companies are not managed in detail, but are expected nevertheless to conform to clear ethical and commercial guidelines that were formalised in 2011 in two brochures, each translated into 14 languages so that copies could be distributed to each and every co-worker in the Group.

Environmental issues

NIBE has production plants in Sweden, Norway, Denmark, Finland, Germany, the Netherlands, the UK, Switzerland, Poland, the Czech Republic, Italy, Austria, Spain, Russia, China and Mexico. The use of energy, raw materials and chemicals in these plants, emissions to air and water, and the generation of waste all impact on the environment. On the other hand, many of the Group's products help to conserve the environment through reductions in energy use, increases in the proportion of renewable fuels used and reduced emissions of greenhouse gases.

NIBE works systematically to reduce its environmental impact, minimise environmental risk and improve the efficiency with which it uses resources. Approximately one third of the Group's plants are certified in accordance with ISO 14001 and external environmental audits were conducted during the year at these units. Certified environmental management systems will gradually be introduced throughout the Group. The Group currently reports its environmental performance in accordance with level C of Global Reporting Initiative (GRI) guidelines.

In Sweden our plants require a permit or a notification to operate under the Swedish Environmental Code. None of these manufacturing facilities plans to renew its permit or report any changes to its operation in 2012. Units in other countries require an environmental licence or must show compliance with similar requirements in accordance with relevant national legislation. All plants that are obliged to do so hold a valid permit, and we expect no major changes with regard to this situation in the near future. Around a dozen units will make minor updates to their permits. All of NIBE's net sales are generated by businesses that require environmental permits of notification to operate.

In most instances each unit submits regular reports to the relevant supervisory authorities, who also conduct inspections. No breaches of the environmental code were registered by the Group in Sweden in 2011. One plant in Poland was censured for breaches that included noise and emissions into the atmosphere. Soil pollutants have been reported at four of the Group's sites and investigations into these are ongoing. In all instances, the pollution took place when the businesses concerned were under the control of their former owners and the NIBE Group is therefore not held responsible.

For a more detailed account of the work NIBE does with sustainable development, you are referred to pages 38–47 in this annual report.

Research and development

The NIBE Group carries out market-leading research and development work within each of its three business areas. We believe that this is a crucial factor behind continued organic growth and our ability to establish

a presence in new markets. It also means that we can respond quickly to changes in what our customers want and transform their wishes into the best possible solution in the relevant market context. See also Note 9.

Future prospects

Our corporate philosophy and our product programme with their focus on sustainability and saving energy are well suited to the times in which we are living.

In terms of markets, most of our exposure is towards countries with strong economies.

Our financial position remains extremely robust, which means that we are well placed to make new acquisitions.

Although the financial markets remain in turmoil, our own strengths, high oil prices and hints of a recovery in optimism in various parts of the world encourage us to be cautiously positive about the prospects for 2012.

Ownership

NIBE's share capital is divided into 13,160,256 class A shares and 96,879,181 class B shares. Each A share carries ten votes at the Annual General Meeting and each B share carries one vote. For A shares, which represent approximately 58% of the votes, the company's articles of association prescribe an obligation to give existing shareholders first refusal of any shares offered for sale.

Appropriation of profits

The financial resources at the disposal of the Annual General Meeting are:

Profit brought forward	SEK 378.2 m
Share premium reserve	SEK 1,731.1 m
Fair value reserve	SEK 150.0 m
Net profit for the year	SEK 254.4 m
Total	SEK 2,513.7 m

The Board of Directors proposes issuing a dividend to shareholders of SEK 2.00 per share: in total a maximum of SEK 220.5 million. A total of SEK 2,293.2 million will be carried over in the accounts: SEK 150.0 million of this in the fair value reserve, SEK 1,731.1 million in the share premium reserve and no less than SEK 412.1 million as profit brought forward. In calculating the total maximum dividend, due note has been taken of the fact that on 23 March 2012 the Board exercised the mandate granted to it by the Annual General Meeting to issue a maximum of 214,800 new class B shares. These shares were issued in order to facilitate the compulsory redemption of the outstanding shares in the Schulthess Group AG, as part of a process scheduled to take place before the end of April 2012. The newly issued shares, together with the cash consideration, constitute the purchase price for the compulsory redemption. It is anticipated that the new class B shares will be issued in time to entitle the holders to a dividend as approved by the 2012 Annual General Meeting. The Board's decision to issue these new Class B shares is, however, conditional on the court order relating to the compulsory redemption first gaining legal force. It is anticipated that the dividend will be paid on 21 May 2012.

The Board of Directors considers that the proposed dividend is reasonable with regard to the requirements that the nature, scope and inherent risks of the business operations make on the size of equity and the company's consolidation needs, liquidity and financial position as a whole. This shall be seen against the background of the information provided in the annual report. Before proposing this dividend, the Board has paid due consideration to the investments planned.

Income statements

		Group		Parent	
(in millions of SEK)		2011	2010	2011	2010
Net sales	Note 3	8,139.8	6,511.5	3.1	2.7
Cost of goods sold		- 5,341.7	- 4,274.0	-	-
Gross profit		2,798.1	2,237.5	3.1	2.7
Selling expenses		- 1,429.3	- 1,159.1	-	-
Administrative expenses	Note 5	- 527.1	- 409.6	- 33.9	- 18.5
Other operating income	Note 10	149.6	127.3	-	-
Operating profit	Notes 3 – 10	991.3	796.1	- 30.8	- 15.8
Profit from financial investments					
Profit from participations in Group companies	Note 11	-	-	309.8	240.2
Interest income and similar profit/loss items	Note 12	47.3	18.1	31.1	11.2
Interest expense and similar profit/loss items	Note 13	- 97.4	- 69.1	- 54.3	- 32.3
Profit after financial items		941.2	745.1	255.8	203.3
Tax	Note 14	- 249.7	-192.0	- 1.4	-
Profit for the year		691.5	553.1	254.4	203.3
Net profit attributable to					
Parent shareholders		691.1	548.5	254.4	203.3
Non-controlling interest		0.4	4.6	-	-
Net profit		691.5	553.1	254.4	203.3
<i>Includes depreciation/amortisation according to plan and impairments as follows:</i>		274.5	215.9	-	-
<i>Number of shares at year-end</i>		100,636,432	93,920,000		
<i>Net profit per share SEK</i>		6.87	5.84		
<i>Proposed dividend per share (SEK)</i>		2.00	1.75		
Net profit		691.5	553.1	254.4	203.3
Other recognised income					
Market value of future currency contracts		- 7.4	- 0.4	-	-
Market value of future commodity contracts		- 1.0	0.4	-	-
Currency hedge		197.7	91.5	201.6	85.9
Translation of loans to subsidiaries		9.7	- 4.6	-	-
Translation of foreign subsidiaries		- 380.0	- 199.4	-	-
Tax attributable to other recognised income	Note 14	- 49.6	- 23.5	- 53.0	- 22.6
Total other recognised income		- 230.6	- 136.0	148.6	63.3
Total recognised income		460.9	417.1	403.0	266.6
Total recognised income attributable to					
Parent shareholders		460.6	413.3	403.0	266.6
Non-controlling interest		0.3	3.8	-	-
Total profit		460.9	417.1	403.0	266.6

Income statements

Quarterly data

Consolidated income statements

	2011				2010			
(in millions of SEK)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	1,462.3	1,618.6	2,281.6	2,777.3	1,303.2	1,448.4	1,712.6	2,047.3
Operating expenses	- 1,337.2	- 1,466.6	- 1,967.0	- 2,377.7	- 1,196.6	- 1,320.7	- 1,466.1	- 1,732.0
Operating profit	125.1	152.0	314.6	399.6	106.6	127.7	246.5	315.3
Net financial items	8.8	- 11.6	- 31.2	- 16.1	- 10.4	- 16.3	- 12.1	- 12.2
Profit after net financial items	133.9	140.4	283.4	383.5	96.2	111.4	234.4	303.1
Tax	- 33.8	- 36.6	- 66.2	- 113.1	- 26.0	- 29.0	- 62.3	- 74.7
Net profit for the year	100.1	103.8	217.2	270.4	70.2	82.4	172.1	228.4

Net sales – by business area

NIBE Energy Systems	784.4	969.7	1,498.5	1,735.1	698.5	868.5	1,016.0	1,142.1
NIBE Element	483.3	490.7	500.0	650.1	427.7	425.4	412.7	493.9
NIBE Stoves	222.1	192.4	313.9	424.6	208.9	184.2	307.9	443.2
Group eliminations	- 27.5	- 34.2	- 30.8	- 32.5	- 31.9	- 29.7	- 24.0	- 31.9
Group total	1,462.3	1,618.6	2,281.6	2,777.3	1,303.2	1,448.4	1,712.6	2,047.3

Operating profit – by business area

NIBE Energy Systems	77.1	136.6	275.9	281.2	63.2	107.0	177.7	196.8
NIBE Element	36.2	30.1	33.7	41.3	30.9	27.1	25.7	40.8
NIBE Stoves	17.1	3.9	49.7	90.7	16.1	3.2	47.4	86.1
Group eliminations	- 5.3	- 18.6	- 44.7	- 13.6	- 3.6	- 9.6	- 4.3	- 8.4
Group total	125.1	152.0	314.6	399.6	106.6	127.7	246.5	315.3

Balance sheet

Assets		Group		Parent	
(in millions of SEK)		31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
NON-CURRENT ASSETS					
Intangible assets					
Market positions	Note 15	809.1	39.2	-	-
Brands and trademarks	Note 16	568.3	43.2	-	-
Goodwill	Note 17	4,072.2	1,007.5	-	-
Other intangible assets	Note 18	192.8	98.6	-	-
Total		5,642.4	1,188.5	-	-
Tangible assets					
Land and buildings	Note 19	1,043.5	667.5	-	-
Machinery and equipment	Note 20	793.2	567.5	-	-
Construction in progress	Note 21	60.9	40.7	-	-
Total		1,897.6	1,275.7	-	-
Financial assets					
Shares in subsidiaries	Note 22	-	-	6,666.6	1,529.7
Receivables from Group companies		-	-	323.4	298.9
Shares in associated companies	Note 23	-	-	-	-
Investments held as non-current assets		41.1	1.4	1.4	0.8
Deferred tax asset	Note 14	84.6	49.1	0.4	-
Other long-term receivables		9.8	8.5	-	-
Total		135.5	59.0	6,991.8	1,829.4
TOTAL NON-CURRENT ASSETS		7,675.5	2,523.2	6,991.8	1,829.4
CURRENT ASSETS					
Inventories					
Raw materials and consumables		659.6	496.4	-	-
Work in progress		109.9	94.5	-	-
Finished products and goods for resale		910.1	527.2	-	-
Total		1,679.6	1,118.1	-	-
Current receivables					
Accounts receivable – trade		1,162.2	947.1	-	-
Receivables from Group companies		-	-	10.5	0.7
Tax assets		56.6	20.6	0.4	0.4
Other receivables		92.0	79.3	1.8	4.1
Prepaid expenses and accrued income		66.9	50.8	1.8	0.4
Total		1,377.7	1,097.8	14.5	5.6
Cash and bank balances		1,007.1	409.5	203.1	138.7
TOTAL CURRENT ASSETS		4,064.4	2,625.4	217.6	144.3
TOTAL ASSETS		11,739.9	5,148.6	7,209.4	1,973.7

Equity and liabilities		Group		Parent	
(in millions of SEK)		31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
EQUITY				Restricted equity	
Share capital	Note 24	68.8	58.7	68.8	58.7
Capital contributed/restricted reserves		1,798.4	67.4	74.9	74.9
Total restricted equity				143.7	133.6
				Non-restricted equity	
Other reserves/Fair value reserve		- 233.8	- 3.3	150.0	1.4
Share premium reserve		-	-	1,731.1	-
Profit brought forward		2,853.8	2,351.2	632.6	542.6
Equity attributable to Parent		4,487.2	2,474.0		
Non-controlling interest		-	8.7	-	-
Total non-restricted equity				2,513.7	544.0
Total equity		4,487.2	2,482.7	2,657.4	677.6
NON-CURRENT LIABILITIES AND PROVISIONS					
Provisions for post-employment benefits	Note 25	133.8	35.2	1.7	1.1
Provisions for taxes	Note 14	581.2	139.0	53.6	0.2
Guarantee risk reserve	Note 26	188.0	116.6	-	-
Others provisions, interest-bearing	Note 26	-	0.1	-	-
Others provisions, non-interest-bearing	Note 26	154.4	120.1	97.1	97.3
Bank overdraft facilities	Note 27	377.8	86.5	-	-
Liabilities to credit institutions	Note 7	3,818.8	833.5	3,193.5	505.7
Liabilities to Group companies		-	-	752.8	596.2
Other liabilities, interest-bearing		1.4	2.9	-	-
Other liabilities, non-interest-bearing		2.2	15.3	-	-
Total non-current liabilities and provisions		5,257.6	1,349.2	4,098.7	1,200.5
CURRENT LIABILITIES AND PROVISIONS					
Liabilities to credit institutions		529.8	180.6	380.8	78.2
Accounts payable		644.1	532.3	2.3	0.5
Advance payments from customers		11.1	6.2	-	-
Liabilities to Group companies		-	-	0.1	-
Current tax liability		75.9	79.1	-	-
Other liabilities		254.3	175.6	63.2	9.9
Accrued expenses and deferred income	Note 28	479.9	342.9	6.9	7.0
Total current liabilities and provisions		1,995.1	1,316.7	453.3	95.6
TOTAL EQUITY AND LIABILITIES		11,739.9	5,148.6	7,209.4	1,973.7
Pledged assets	Note 29	7,199.5	2,332.3	5,258.2	397.7
Contingent liabilities	Note 30	1.0	1.4	142.4	34.7

Changes in equity

Group

(in millions of SEK)	Share capital	Contributed capital	Other reserves ¹⁾	Profit brought forward	Equity attributable to Parent	Non-controlling interest	Total equity
Equity 31 Dec 2009	58.7	67.4	131.9	1,924.8	2,182.8	7.2	2,190.0
Total recognised income for the year			- 135.2	548.5	413.3	3.8	417.1
Dividend				- 122.1	- 122.1	- 2.3	- 124.4
Equity 31 Dec 2010	58.7	67.4	- 3.3	2,351.2	2,474.0	8.7	2,482.7
Total recognised income for the year			- 230.5	691.1	460.6	0.3	460.9
Directed new share issue	10.1	1,734.8			1,744.9		1,744.9
Transaction cost on new share issue		- 3.8			- 3.8		- 3.8
Acquisition of participations from shareholders without controlling interest				- 24.1	- 24.1	- 8.4	- 32.5
Dividend				- 164.4	- 164.4	- 0.6	- 165.0
Equity 31 Dec 2011	68.8	1,798.4	- 233.8	2,853.8	4,487.2	-	4,487.2

1) Other reserves

(in millions of SEK)	Revaluation reserve	Exchange difference	Total other reserves
Other reserves 31 Dec 2009	6.0	125.9	131.9
Market value of commercial forward exchange contracts after tax allowance	- 0.4		- 0.4
Market value of commercial forward commodity contracts after tax allowance	0.4		0.4
Exchange differences		- 135.2	- 135.2
Other reserves 31 Dec 2010	6.0	- 9.3	- 3.3
Market value of commercial forward exchange contracts after tax allowance	- 5.6		- 5.6
Market value of commercial forward commodity contracts after tax allowance	- 0.9		- 0.9
Exchange differences ²⁾		- 224.0	- 224.0
Other reserves carried forward 31 Dec 2011	- 0.5	- 233.3	- 233.8

2) Specification of the year's exchange difference in equity

The year's exchange difference for foreign subsidiaries translated in accordance with the current method	- 380.0
The year's exchange difference on translation of loans to foreign subsidiaries	10.2
The year's exchange difference on translation of loans in foreign currencies in connection with the acquisition of foreign subsidiaries: SEK 197.7 million, of which the tax effect is SEK 51.9 million	145.8
Total exchange difference for the period	- 224.0
of which attributable to parent	- 223.9
of which attributable to non-controlling interest	- 0.1
Specification of accumulated exchange difference on translation of figures for foreign subsidiaries	
Accumulated exchange difference at start of year	- 19.7
Exchange difference for the year in foreign subsidiaries	- 380.0
Accumulated exchange difference at year-end	- 399.7

Parent

(in millions of SEK)	Share capital	Statutory reserve	Fair value reserve	Share premium reserve	Profit brought forward	Total equity
Equity 31 Dec 2009	58.7	74.9	- 61.9		461.4	533.1
Total recognised income for the year			63.3		203.3	266.6
Dividend					- 122.1	- 122.1
Equity 31 Dec 2010	58.7	74.9	1.4		542.6	677.6
Profit for the year			148.6		254.4	403.0
Directed new share issue	10.1			1,734.9	-	1,745.0
Transaction cost on new share issue				- 3.8	-	- 3.8
Dividend					164.4	- 164.4
Equity 31 Dec 2011	68.8	74.9	150.0	1,731.1	632.6	2,657.4

Statements of cash flows

	Group		Parent	
(in millions of SEK)	2011	2010	2011	2010
OPERATING ACTIVITIES				
Operating profit	991.3	796.1	- 30.8	- 15.8
+ depreciation/amortisation & impairment charged to this profit	274.9	215.9	-	-
+ capital losses / - capital gains	1.0	1.0	-	-
Total	1,267.2	1,013.0	- 30.8	- 15.8
Interest received and similar items	47.3	18.1	31.1	11.2
Interest paid and similar items	- 97.2	- 69.2	- 54.0	- 32.3
Tax paid	- 335.1	- 136.2	- 1.4	-
Cash flow before change in working capital	882.2	825.7	- 55.1	- 36.9
Change in working capital				
Change in inventories	- 152.9	- 70.7	-	
Change in current receivables	85.8	- 160.1	- 8.9	5.4
Change in current liabilities	305.0	192.1	357.5	- 3.2
Cash flow from operating activities	1,120.1	787.0	293.5	- 34.7
INVESTING ACTIVITIES				
Investment in machinery and equipment	- 161.6	- 107.8	-	-
Investment in buildings and land	- 45.0	- 5.9	-	-
Investment in construction in progress	- 52.5	- 28.6	-	-
Investment in goodwill	- 2.1	-	-	-
Investment in other intangible assets	- 48.0	- 32.0	-	-
Sale of machinery and equipment	4.1	5.9	-	-
Sale of buildings and land	-	0.3	-	-
Change in non-current receivables and other securities	- 28.3	1.9	- 25.5	- 10.2
Cash flow from investing activities	- 333.4	- 166.2	- 25.5	- 10.2
OPERATING CASH FLOW	786.7	620.8	268.0	- 44.9
Acquired companies/lines of business ¹⁾	- 3,481.8	- 239.7	- 3,392.0	- 196.4
FINANCING ACTIVITIES				
Change in non-controlling interest	- 8.6	- 2.3	-	-
Profit from participation in Group companies	-	-	309.8	240.2
Amortisation of non-current loans	- 931.8	- 133.3	- 658.5	- 59.2
Other changes in non-current liabilities and provisions	4,405.7	- 39.5	3,701.5	293.1
Shareholders' dividend	- 164.4	- 122.1	- 164.4	- 122.1
Cash flow from financing activities	3,300.9	- 297.2	3,188.4	352.0
Cash flow for the year	605.8	83.9	64.4	110.7
Cash and cash equivalents at the beginning of the year	409.5	349.1	138.7	28.0
Exchange difference for cash and cash equivalents	- 8.2	- 23.5	-	-
Cash and cash equivalents at year-end	1,007.1	409.5	203.1	138.7

¹⁾ For further information about the acquisition of companies, please refer to Note 31.

Note 1

General information about the business

NIBE Industrier is an international heating technology company whose business operations are organised in three separate business areas: NIBE Element, NIBE Heating and NIBE Stoves.

The Group has more than 8,000 employees and conducts business activities in 19 countries in Europe, North America and Asia. The legal structure of the Group comprises a number of subsidiaries, who run their own operations via their own companies or branch offices.

The operations of the parent, NIBE Industrier AB, constitute group support functions such as financing, currency management, corporate acquisitions and new establishments together with financial management and other policy issues. This consolidated financial statement was approved for publication by the Board of Directors on 28 March 2012. The consolidated financial statement can be amended by the company's shareholders subsequent to approval by the Board.

Note 2

Accounting and valuation principles

The NIBE Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1, 'Supplementary accounting rules for Groups'. The policies applied are unchanged from the previous year. None of the IFRS or IFRIC interpretations that it is now obligatory to apply to the accounts for financial year 2011 have had or are deemed to be likely to have any significant effect on the Group's financial reporting.

The parent applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 'Accounting for legal entities'. Where the parent follows accounting policies which differ from those of the Group, this is specified in the relevant section in this note.

The parent's accounting policies are unchanged from those applied in the preceding year.

When the consolidated financial statements as at 31 December 2011 were prepared, a number of standards, changes and applications had been published but had not yet come into effect. The changes which a preliminary review suggests may affect the NIBE Group's financial statements are described below.

IAS 19 (Revised) Employee benefits

This standard has been amended, in consequence of which the Group will cease to apply the 'corridor method' and will now recognise all actuarial gains or losses on a current basis in other comprehensive income. Past service cost will be recognised immediately. Interest expense and the expected return on plan assets will be replaced by a net interest figure calculated using the discount rate, based on the net surplus or net deficit in the defined-benefit plan. The Group will apply the amended standard to annual periods beginning on or after 1 January 2013. Had the amended standard been applied in 2011, an amount, net after tax, of around SEK 0.9 million would have been recognised as an expense in other comprehensive income. The standard has not yet been endorsed by the EU.

IFRS 9 (New) Financial instruments

This standard replaces the sections of IAS 39 which deal with the accounting, valuation and classification of financial instruments. IFRS 9 requires that financial assets be classified in two categories: valued at fair value or valued at amortised cost. The Group will apply the new standard no later than for the annual period beginning 1 January 2015, and has not yet evaluated its effects. The standard has not yet been endorsed by the EU.

IFRS 10 (New) Consolidated financial statements

The standard builds on existing principles for defining control in the consolidation of a group. The standard gives additional guidance as to when control of another company (the investee) exists. The Group intends to apply IFRS 10 with effect from the annual period beginning on 1 January 2013, and has not yet evaluated whether or not it will affect the financial reports. The standard has not yet been endorsed by the EU.

IFRS 11 (New) Joint arrangements

This standard deals with jointly-controlled activities. It defines two kinds of collaboration; joint operations and joint ventures. A joint operation exists when the parties have direct rights to the assets and direct obligations for the liabilities. In this case, assets, liabilities, revenue and expenses are recognised in relation to the party's interest. A joint venture exists when the parties have rights to the net assets of the joint arrangement. An interest in a joint venture is accounted for using the equity method. The Group intends to apply IFRS 11 with effect from the annual period beginning on 1 January 2013, and has not yet evaluated its effects on the financial reports. The standard has been endorsed by the EU.

IFRS 12 (New) Disclosures of interests in other entities

This standard deals with disclosure requirements in respect of subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group intends to apply IFRS

12 with effect from the annual period beginning on 1 January 2013, and has not yet evaluated its effects on the financial reports. The standard has been endorsed by the EU.

IFRS 13 (New) Fair value measurement

This standard seeks to provide greater consistency and reduce complexity in fair value measurements. The Group intends to apply IFRS 13 with effect from the annual period beginning on 1 January 2013, and has not yet evaluated its effects on the financial reports. The standard has not yet been endorsed by the EU.

Classification

Non-current assets and non-current liabilities including any relevant provisions and allocations consist of items that it is expected will be regained or paid for more than 12 months after the closing date. Current assets and current liabilities including any relevant provision and allocations are items that it is expected will be regained or paid for within 12 months from the closing date. Any deviations from this principle are explained in the notes to the relevant items.

Consolidated accounts

The consolidated accounts cover the parent, NIBE Industrier AB (publ), and subsidiaries in which NIBE Industrier directly or indirectly holds more than 50% of the votes, or has a controlling influence. Companies acquired/sold are included in the Group income statement for the period during which they were owned.

The consolidated accounts have been drawn up in accordance with the acquisition method, with the application of IAS 27 and IFRS 3.

Items included in the financial statements for the different units in the NIBE Group are valued in the currency of the primary economic environment in which the company operates (functional currency). In the consolidated financial statements, the parent's functional and presentation currency is used, which is the Swedish krona (SEK). This means that foreign subsidiaries' assets and liabilities are translated at the closing day rate. All income statement items are translated at the average rate for the year. Translation differences are recognised in other comprehensive income. In some cases, long-term monetary dealings arise between a parent and an independent foreign operation, in which the dealings are of such a type that they are unlikely to be settled. The exchange differences arising in these are recognised in the consolidated financial statements in other comprehensive income.

IFRS 3 states, among other things, that the net assets of the acquiree are assessed on the basis of the fair value of assets and liabilities on the acquisition date. This fair value constitutes the Group's acquisition cost. The acquisition cost of an acquisition is the fair value of the assets transferred as consideration and the assets arising or assumed on the transfer date. The revaluation of additional consideration is recognised in profit or loss. The difference between the acquisition cost of shares in a subsidiary and the calculated value of the net assets in the acquisition analysis is recognised as Group goodwill. If the difference is negative, it is recognised directly in profit or loss.

In the preparation of the consolidated balance sheet, untaxed reserves have been divided into a portion recognised as a deferred tax liability under the heading 'Non-current liabilities and provisions', and a residual portion which is recognised under profits brought forward. Accordingly, appropriations in the consolidated income statement involving changes in untaxed reserves have been omitted. The tax portion of these changes is recognised along with the tax expense for the year in the income statement, while the equity portion is included in profit for the year. The percentage rate used in calculating deferred tax in Swedish subsidiaries is 26.3 (2010: 26.3) percent; the rate used for foreign subsidiaries is the appropriate tax rate in each respective country. The necessary provisions have been made for internal profits.

The Group applies the policy of reporting transactions with non-controlling interests as transactions with third parties. In the acquisition of non-controlling interests, where the consideration transferred exceeds the acquired share of the carrying amount of the subsidiary's net assets, the difference is recognised as goodwill. In disposals of non-controlling interests, where the consideration received deviates from the carrying amount of the proportion of the net assets disposed of, a gain or loss arises, and this is recognised in profit or loss. Transactions with non-controlling interests which do not lead to loss of control are recognised as equity transactions, i.e. transactions with owners in their role as owners. For acquisitions from non-controlling interests, the difference between fair value on the consideration transferred and the actual acquired proportion of the carrying amount of the subsidiary's net assets is recognised outside profit or loss. Gains or losses on disposal to non-controlling interests are also recognised outside profit or loss.

Associates

Companies in which NIBE Industrier AB has a long-term shareholding equivalent to between 20 and 50 percent of the votes, or those in which it has a significant influence over operations and financial management in some other way are classified in the accounts as associates. Holdings in associates are recognised in the Group according to the equity method and in the parent according to the cost method. The equity method means that the participation is initially reported at the value at the time of acquisition and subsequently adjusted according to the Group's participation in the associate's profit.

The parent's reporting of shares in subsidiaries

The parent reports in accordance with the acquisition method and capitalises costs which are directly attributable to the acquisition. Contingent consideration is recognised at probable outcome. Any future adjustments will affect the carrying amount of shares in the subsidiary.

Group contribution and shareholders' contribution

A Group contribution made to a subsidiary is recognised as an increase in shares in the subsidiary. The value is then reviewed to establish whether or not impairment is required. The tax effect is recognised in profit or loss.

A Group contribution received from a subsidiary is comparable to a dividend, and is recognised as financial income in profit or loss. A shareholders' contribution made to a subsidiary is recognised as an increase in shares in the subsidiary. The value is then reviewed to establish whether or not impairment is required.

Statement of cash flows

The statement of cash flows is drawn up in accordance with IAS 7. The indirect method has been used: accrual basis profit is thus adjusted for transactions which have not given rise to receipts or disbursements during the period, as well as for any income and expense attributable to cash flow from investing or financing operations. Cash and cash equivalents include cash and immediately accessible holdings in banks.

Revenue recognition

Sales revenue is recognised with deductions for VAT, returns and discounts. Revenue is generated almost exclusively from the sale of finished products. Sales revenue is recognised when the significant risks and rewards of ownership are transferred to the buyer, when the Group no longer has possession or management control over the goods and when the revenue can be measured reliably.

This means that revenue is recognised when the goods are placed at the customers' disposal in accordance with the delivery terms arranged.

Interest revenue is recognised using the effective interest method. Dividend revenue is recognised when the right to receive the dividend is established.

Segment reporting

Operationally, the Group's activities are divided into product group orientated business areas on account of the differences in risk and opportunities associated with the various product groups. The reports correspond to the internal reports submitted to the company management. See also Note 3.

Transactions with related parties

Orders between Group companies are invoiced on commercial terms and at market prices. Internal profits arising on sales between Group companies have been eliminated in their entirety. Parent sales refer in their entirety to sales to Group companies.

Other operating revenue

Gains on the sale of fixed assets, exchange differences, etc. are reported under this heading. See specification in Note 10.

Accounting of income tax

Income tax accounting has been carried out using IAS 12.

Reported income tax includes actual tax, adjustments for the previous year's actual tax and changes in deferred tax. Income tax liabilities and tax assets are valued at the nominal amount in accordance with the tax regulations and tax rates approved or announced, when there is good reason to believe these will be confirmed.

For items reported in the income statement, the associated tax effects are also reported in the income statement. Tax is accounted for in other comprehensive income if the tax is attributable to items recognised in other comprehensive income.

Deferred tax is calculated in accordance with the balance sheet method for all essential temporary differences that arise between the value in the accounts and the value for tax purposes of assets and liabilities. Such temporary differences have arisen mainly through untaxed reserves and Group surpluses. Deferred tax assets in respect of losses carried forward or other future taxable deductions are recognised to the extent that it is probable that the deduction can be utilised against future taxable surpluses.

Due to the connection between accounting and taxation, the deferred tax liability on untaxed reserves is reported in the accounts of the parent as part of untaxed reserves.

Currency hedging

The NIBE Group applies IAS 39 (Financial Instruments: Recognition and Measurement) for hedge accounting of currency futures. The application of this recommendation means, among other things, that derivatives in the form of future contracts are recognised at fair value in the balance sheet, both initially and after subsequent remeasurement. To meet the requirements for hedge accounting, there must be a clear link between the derivative and the hedged items. In addition, the effectiveness of the hedging must be continuously assessed, and all the hedge conditions documented in accordance with the requirements of IAS 39. In hedging cash flows, changes in the fair value of hedging instruments, to the extent that the hedging is effective, are recognised under Other comprehensive income until the underlying hedged item is recognised in profit or loss. That portion that is ineffective is expensed immediately. For further information on currency derivatives, refer to the section on 'Transaction risks' in Note 7 'Financial instruments and financial risk management'.

Price hedging

The NIBE Group applies IAS 39 (Financial Instruments: Recognition and Measurement) for hedge accounting of raw materials futures. The application of this recommendation involves, among other things, recognising derivatives in the form of futures at fair value in the balance sheet, both initially and after subsequent revaluations. To fulfil the requirements for hedge

accounting, there is a clear link between the derivative and the hedged items. In addition, calculations of effectiveness and all hedging conditions are documented in accordance with the requirements set out in IAS 39. For price hedging of raw materials flows, changes in the fair value of hedging instruments are recognised, to the extent that the hedging is effective, under Other comprehensive income until the underlying hedged item is recognised in profit or loss. Ineffective portions are expensed immediately. For further information on raw materials derivatives, see Note 7 'Financial instruments and financial risk management' under the section on 'Hedge accounting'.

Hedging of net investment

Hedging of net investment in foreign operations is accounted for in a way similar to that used for a cash flow hedge. The portion of the gain or loss on a hedging instrument which is assessed as effective hedging is recognised in Other comprehensive income. The portion that is ineffective is recognised immediately in the income statement. See also the section on 'Translation risks' in Note 7 'Financial instruments and financial risk management'. The parent similarly recognises exchange fluctuations on borrowings in foreign currency as a portion of the net investment in the fair value reserve in equity in accordance with the options permitted by the Swedish Financial Reporting Board's recommendation RFR 2 (*Accounting for legal entities*).

Leasing

The Group follows IAS 17 in respect of leasing. Leased assets are classified in accordance with the financial substance of the lease as finance leases or operating leases. Leased assets classified as finance leases are recognised as non-current assets, and future lease charges as interest-bearing liabilities. For leased assets classified as operating leases, annual lease expenses are recognised as an operating expense in the income statement.

Goodwill and trademarks

Goodwill and Group surpluses in trademarks have arisen in connection with the acquisition of business operations and companies. The period of use of the trademarks cannot be estimated with certainty, since it is dependent on a number of unknown factors such as technical developments and market trends. NIBE applies IFRS 3, 'Business Combinations', which means that goodwill and assets with an indeterminate period of use are not amortised. An annual impairment test is, however, carried out in accordance with IAS 36. The assets are valued by business area, which means that the future cash flows from each business area are calculated as a cash-generating unit. The carrying amount per business area is shown in Notes 16 and 17. In the calculation of future cash flows, the following assumptions have been made:

- An annual growth rate of 10% (10%)
- A discount rate before tax of 10.5% (14.2%).

The NIBE Group draws up budgets for one year at a time. Cash flows up until the end of the period of use are estimated by extrapolating the cash flows based on the prepared budget and the assumed annual growth rate. The discount rate was estimated by weighting the estimated market required return on equity plus the standard tax rate and an estimated long-term interest level on the Group's interest-bearing liabilities. In previous years, the discount rate was calculated on the basis of the NIBE Group's cost of capital by weighting the Group's required return on equity plus the standard tax rate and an estimated long-term interest level on the Group's interest-bearing liabilities. The change represents an adaptation to current practice.

The calculation has not indicated that impairment is required for any business area.

Other intangible and tangible assets

The heading 'Other intangible assets' refers to tenancy rights, patents, R&D costs, licences, market positions and similar assets, and the Group considers that these assets have a limited useful life.

Other intangible and tangible assets are recognised at historical cost less accumulated amortisation/depreciation and any impairment. Expenditure on improving the performance of the assets, above the original level, increases the carrying amount of the assets. Expenditure on repairs and maintenance is recognised as an expense on a current basis.

Amortisation/depreciation according to plan is based on historical cost, which, after the deduction of any recoverable amount, is allocated over the estimated useful life of the asset. The following percentages have been applied to amortisation/depreciation:

Intangible assets	5 – 33%
Buildings	2 – 7%
Land improvements	2 – 10%
Machinery and equipment	10 – 33%
Fixtures and fittings	4%

Research and development costs

Expenditure on research activities is written off as it arises.

The NIBE Group incurs expenditure for product development within every business area. During the development phase, a number of criteria are used for recognising development projects as intangible assets. The expenditure is capitalised where it is technically possible and the intention is to complete the asset either for use or sale, where the asset is expected to generate future economic benefits, where it is financially possible to complete the asset, and the cost of the asset can be measured reliably. The expenditure is capitalised from the date on which all the above criteria are met. Other development expenditure which does not meet these conditions is recognised as an expense as it arises. Development expenditure

Notes

which has previously been expensed is not recognised as an asset in a subsequent period.

Amortisation according to plan is based on cost and is apportioned over the estimated useful life of the assets.

Inventories

IAS 2 is applied to the accounting of inventories. Inventories have been valued at the lower of historical cost and current cost for raw materials, consumption materials and finished goods purchased, and at manufacturing cost for goods produced. In no case have inventories been recognised at above net realisable value. Interest is not included in the inventory values. Deliveries between Group companies are invoiced at market prices. Internal gains in Group companies' inventories are eliminated in the consolidated accounts. These eliminations affect operating profit.

Financial instruments

NIBE classifies its financial instruments in the following categories: financial instruments measured at fair value through profit or loss, financial assets held to maturity, accounts receivable and loans receivable, financial instruments available for sale, and financial liabilities measured at accrued cost. NIBE has raw materials derivatives for hedge accounting. NIBE also has currency derivatives for hedge accounting, see 'Currency hedging' above. For financial years 2010 and 2011, NIBE has no balance sheet items classified as financial assets or liabilities measured at fair value in profit or loss nor any financial assets held to maturity.

The purchase and sale of financial assets is recognised on the transaction date: i.e. the date on which the Group undertakes to purchase or sell the asset. Financial instruments are recognised initially at fair value plus transaction costs, which applies to all financial assets not recognised at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognised initially at fair value, while attributable transaction costs are recognised in profit or loss. Financial assets are derecognised from the balance sheet when the right to receive the cash flow from them has expired or has been transferred, and the Group has largely transferred all risks and benefits associated with ownership. Financial assets measured at fair value through profit or loss and financial assets available for sale are recognised after the acquisition date at fair value. Loans receivable and accounts receivable are valued initially at fair value and subsequently at accrued cost using the effective interest rate method.

NIBE reports the fair value of currency derivatives and raw material derivatives. These instruments are valued in accordance with level 2, i.e. directly observable market inputs other than quoted prices on active markets.

On every balance sheet date, the Group assesses whether there is objective evidence that an impairment need exists for a financial asset or group of financial assets, such as the cessation of an active market or the likelihood that a debtor is unable to fulfil his obligations. Impairment testing of accounts receivable is described below.

Loans receivable and accounts receivable

Loans receivable and accounts receivable are non-derivative financial assets. They have fixed or determinable payments and are not quoted on an active market. They are included in current assets with the exception of items with a due date more than 12 months after the balance sheet date, which are classified as non-current assets.

Accounts receivable are recognised at the amount which is expected will be received after the deduction of uncertain receivables, assessed individually. The expected term of accounts receivable is short, for which reason the value is recognised as the nominal amount without discounting. A provision for impairment of accounts receivable is made when there is objective evidence that the Group will not receive the full amount due under the original terms of the receivable. Significant financial difficulties on the part of the debtor, the likelihood that the debtor will go into liquidation or undergo financial reconstruction, as well as missed or delayed payments, are to be treated as indicators that an account receivable may have an impairment requirement.

Financial assets available for sale

Non-derivative financial assets, where the asset is identified as available for sale or not classified in any of the other categories, are included in the category of financial assets available for sale. Assets in this category are measured continuously at fair value with fair value changes recognised outside profit or loss to the extent that they do not involve an impairment that is assessed as significant or long-term. NIBE holds securities classified in this category. As at 31 December 2011, the recoverable amount corresponded to cost.

Financial liabilities measured at accrued cost

Loans and other financial liabilities, such as accounts payable, are included in this category. Financial liabilities are measured initially at fair value, net of transaction costs. Financial liabilities are subsequently measured at accrued cost, and any difference between the amount received and the amount repayable is recognised in profit or loss over the period of the loan using the effective interest rate method. Non-current liabilities have an expected term longer than one year, while current liabilities have an expected term of a maximum of one year. Accounts payable and other operating liabilities with a short expected term are, therefore, normally recognised at nominal value.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are valued at the closing day rate. In the event that hedge accounting is applied, see the separate section above on currency hedging.

Impairment of non-financial assets

Intangible assets which have an indeterminate useful life, such as goodwill, are not amortised, but are subject to an annual impairment test. Tangible assets and intangible assets with a defined useful life are tested for impairment if there is some indication that the asset may have fallen in value. Impairment is recognised in accordance with IAS 36. When considering the requirement for impairment, the Group determines the recoverable amount of the asset. The recoverable amount is the higher of the net realisable value and value in use. In assessing the value in use, an estimate is made of future cash flows discounted to present value using a discount factor before tax. A weighted average cost of capital is used in this calculation.

An impairment is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds the recoverable amount. For NIBE, cash-generating units are equivalent to business areas. Impairments are recognised in the income statement.

Provisions

IAS 37 is applied to the accounting of provisions. Provisions are recognised when the Group has or may be regarded as having an obligation as a result of events that have occurred, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. A further requirement is that it is possible to make a reliable estimate of the amount that will have to be paid. Guarantee risk provision is recognised on the date of sale of the products to which the guarantee refers, and is estimated on the basis of the cost history of equivalent obligations.

Employee benefits – post-employment benefits

The post-employment benefit liability is calculated in accordance with IAS 19 (*Employee benefits*). This means that the post-employment benefit liability is calculated with reference to factors that include estimated future salary increases and inflation. Within the Group, there are a number of pension plans including both defined-contribution plans and defined-benefit plans.

In respect of defined-benefit plans, the costs of post-employment benefits are calculated using the Project Unit Method. These obligations are valued at the discounted present value of expected future payments. Actuarial gains and losses outside the 10-percent 'corridor' are divided over the average lifespan of the employees.

The Group's payments in respect of defined-contribution plans are recognised as an expense during the period in which employees carried out the services to which the contributions refer.

The Group's payments in respect of the ITP occupational pension financed via Alecta are recognised as a defined-contribution plan. See the information in Note 25.

Significant estimates and assumptions for accounting purposes

Company management makes estimates and assumptions about the future, and these affect carrying amounts. Consequently, the carrying amount in these cases is rarely equivalent to fair value. Estimates and assumptions which may involve a risk of significant adjustments in carrying amounts during the next financial year are reported below.

Useful life of intangible and tangible assets

Group management determines the estimated useful life, and thereby the associated amortisation/depreciation of the Group's intangible and tangible assets. These estimates are based on historical knowledge of the period of use of equivalent assets. The period of use and the estimated recoverable amount are tested for every accounting date and adjusted as necessary.

Impairment tests for goodwill and Group-wide surpluses in trade-marks

Every year, the Group tests whether any impairment is required for goodwill and Group-wide surpluses in trademarks in accordance with the accounting policy described under 'Impairment'. The estimates which must be made and the effect of these estimates are shown under 'Goodwill and brands/trademarks'. Neither a reduction of the assumed growth rate nor an increase in the assumed discount rate of two percentage points would lead to an impairment requirement.

Provisions

Further information in respect of provisions for the year for the guarantee risk reserve is shown in Note 26. Provisions for the present value of post-employment benefit obligations are dependent on a number of factors determined on the basis of actuarial assumptions. Every change in these assumptions will affect the carrying amount of the post-employment benefit obligations. Significant assumptions relating to post-employment benefit obligations are based partly on prevailing market conditions. Further information is given in Note 25.

Provisions for contingent consideration are based partly on expected earnings trends in acquired operations in future years. If the earnings trend differs from the expected trend, this will affect the recognised provisions and thereby the NIBE Group's performance.

Note 3

Information about business areas

	ELEMENT		ENERGY SYSTEMS		STOVES		ELIMINATIONS		TOTAL	
(in millions of SEK)	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Income										
Total earnings	2,580.9	2,105.7	5,999.8	4,464.2	1,302.3	1,299.1	- 1,743.2	- 1,357.5	8,139.8	6,511.5
Internal sales	- 456.8	- 346.0	- 1,012.1	- 739.1	- 149.3	- 154.9	1,618.2	1,240.0	-	-
External sales	2,124.1	1,759.7	4,987.7	3,725.1	1,153.0	1,144.2	- 125.0	- 117.5	8,139.8	6,511.5
Profit										
Profit per business area	141.3	124.5	770.8	544.7	161.4	152.8	-	-	1,073.5	822.0
Unallocated costs									- 82.2	- 25.9
Operating profit									991.3	796.1
Financial income									47.3	18.1
Financial expense									- 97.4	- 69.1
Tax for the year									- 249.7	- 192.0
Net profit for the year									691.5	553.1
Other information										
Assets	2,354.1	1,487.4	8,187.3	2,642.0	1,074.3	1,074.8	- 7,085.2	- 1,909.9	4,530.5	3,294.3
Unallocated assets									7,209.4	1,854.3
Total assets									11,739.9	5,148.6
Liabilities	2,192.0	1,343.5	7,098.0	1,486.6	553.4	610.4	- 7,142.7	- 1,951.3	2,700.7	1,489.2
Unallocated liabilities									4,552.0	1,176.7
Total liabilities									7,252.7	2,665.9
Investment	76.7	48.5	191.7	92.1	38.8	26.2				
Depreciation/amortisation	65.3	61.3	167.8	112.9	41.4	41.7				

SEK 1,943.1 million (2010: SEK 1,922.6 million) of consolidated net sales relate to customers in the Swedish market. Of the Group's non-current assets, SEK 877.5 million (SEK 848.5 million) are located within Sweden. Unallocated costs refer primarily to the cost of acquisitions and to Group-wide costs in the parent. Unallocated assets and liabilities refer to the parent. The parent's sales refer in their entirety to sales to Group companies.

Note 4

Income statement classified by type of cost

	Group		Parent	
(in millions of SEK)	2011	2010	2011	2010
Net sales	8,139.8	6,511.5	3.1	2.7
Change in inventories	139.9	40.2	-	-
Other operating income	149.6	127.3	-	-
	8,429.3	6,679.0	3.1	2.7
Raw materials and consumables	- 3,550.4	- 2,741.8	-	-
Other external costs	- 1,735.1	- 1,414.2	- 19.6	- 6.7
Personnel costs	- 1,878.0	- 1,511.0	- 14.3	- 11.8
Depreciation	- 274.5	- 215.9	-	-
Operating profit/loss	991.3	796.1	- 30.8	- 15.8

Note 5

Payments to the auditors

During the year, the parent paid audit expenses of SEK 0.9 million (SEK 0.4 million), other audit fees of SEK 0.1 million (SEK 0.1 million) and expenses other than audit expenses of SEK 0.6 million (SEK 0.5 million).

Group (in millions of SEK)	2011			2010		
	Mazars	Others	Group total	Mazars	Others	Group total
Audit assignments	2.3	6.0	8.3	1.8	3.9	5.7
Other audit-related fees	0.3	0.4	0.7	0.2	0.7	0.9
Tax advice	0.1	0.7	0.8	-	0.4	0.4
Other services	0.7	1.0	1.7	0.5	0.8	1.3
Total	3.4	8.1	11.5	2.5	5.8	8.3

Notes

Note 6

Salaries, average number of employees and numbers of men/women in senior positions

Salaries and other remunerations

(in millions of SEK)	2011	2010
Parent	9.3	7.6
Subsidiaries	1,508.5	1,196.5
Group total	1,517.8	1,204.1

(in millions of SEK)	2011		2010	
	Social security contrib's	of which pensions expenses	Social security contrib's	of which pensions expenses
Parent	5.0	1.8	4.2	1.5
Subsidiaries	355.2	85.2	302.7	76.0
Group total	360.2	87.0	306.9	77.5

SEK 0.9 million (SEK 0.7 million) of the parent's pension costs relate to the CEO.

The parent's outstanding pension obligations for the Board of Directors and the CEO amount to SEK 1.4 million (SEK 0.8 million). The corresponding amount for the Group is SEK 5.6 million (SEK 4.5 million). The Group's outstanding pension obligations to the previous Board of Directors and CEO total SEK 0.8 million (SEK 0.8 million).

Board and senior management (in thousands of SEK)	2011		2010	
	Salaries and other remuneration	Retirement benefit contributions	Salaries and other remuneration	Retirement benefit contributions
Arvid Gierow, Chair	350	-	320	-
Georg Brunstam	175	-	160	-
Hans Linnarson	175	-	160	-
Eva-Lotta Kraft	175	-	160	-
Anders Pålsson	175	-	160	-
Gerteric Lindquist, CEO	3,317	911	2,895	734
Other senior executives: 4 (4) individuals	9,742	2,653	8,973	2,058
Group total	14,109	3,564	12,828	2,792

Remuneration principles and other terms of employment for senior executives

In accordance with the resolution adopted by the annual general meeting, the following principles applied during 2011 and the Board proposes that, with one or two minor amendments, the same principles continue to apply for 2012, namely:

The company shall offer competitive remuneration on market terms in order to attract and retain personnel.

Remuneration shall be payable as fixed salary, variable salary, retirement benefit contributions or other benefits, such as a company car.

Directors' fees shall not be payable to members of the Board who are employed in the Group.

The period of notice from the company for the CEO shall be six months. The CEO shall have the right to severance pay equivalent to twelve months' salary. Other senior management personnel shall receive salary during a period of notice which varies from 6–12 months.

All senior management personnel shall have pension benefits corresponding to the ITP occupational pension plan up to 30 basic amounts for social security purposes. For portions of salary above this, a premium of a fixed 30% is payable in accordance with the principles in the new, defined-contribution ITP plan, section 1. There shall be no special agreements for senior management personnel to retire before reaching the official retirement age while still receiving a certain proportion of their salaries.

As an incentive, key members of staff will be entitled to a variable salary component that is payable if set targets are achieved. The variable component shall be restricted to three months' salary. The CEO shall not participate in any incentive scheme.

The Board may depart from these guidelines, if there are reasons for doing so in an individual case.

Agreement on severance pay

Applies only to the managing director in the parent (CEO), for whom an agreement has been reached on severance pay amounting to one year's salary.

Gender distribution at board/management level

	2011		2010	
	Total	Men	Total	Men
Corporate management	6	5	6	5
Board of directors				
Parent	2	2	2	2
Subsidiaries	3	3	3	3
Group	5	5	5	5

Salaries and other remuneration excluding social security contributions by country for the Board/MD, other senior staff and other employees

(in millions of SEK)	2011		2010	
	Board/MD senior staff	Other employees	Board/MD senior staff	Other employees
Parent	8.0	2.3	6.7	1.9
Subsidiaries in Sweden	6.1	450.8	6.1	422.3
Norway ¹⁾ (0.2 and 0.4)	-	118.5	-	98.0
Finland ¹⁾ (0.5 and 0.4)	-	122.8	-	122.4
Denmark ¹⁾ (1.5 and 1.0)	-	248.9	-	214.4
France ¹⁾ (0.1 and 0.1)	-	9.7	-	5.8
Germany ¹⁾ (1.7 and 0.0)	-	76.3	-	22.1
Poland ¹⁾ (0.4 and 0.4)	-	116.5	-	112.8
Czech Republic ¹⁾ (0.4 and 0.3)	-	59.9	-	59.7
Slovakia	-	1.1	-	0.9
Italy	-	8.8	-	9.0
Netherlands ¹⁾ (0.2 and 0.1)	-	20.2	-	19.1
Belgium	-	1.3	-	0.8
UK ¹⁾ (0.0 and 0.4)	-	23.9	-	18.4
Spain	-	16.0	-	16.8
Russia	-	15.4	-	13.6
Austria ¹⁾ (0.2 and 0.2)	-	14.0	-	10.2
Switzerland ¹⁾ (2.4 and 0.0)	-	136.0	-	2.1
China	-	24.6	-	20.2
Mexico	-	29.1	-	18.9
USA ¹⁾ (0.2 and 0.2)	-	8.6	-	2.8
Group total	14.1	1,504.7	12.8	1,192.2

¹⁾ (of which bonus in millions of SEK)

Average numbers of employees and gender distribution

	2011		2010	
	Number of employees	Number of men	Number of employees	Number of men
Parent	6	4	5	3
Subsidiaries in Sweden	1,391	1,153	1,303	1,076
Norway	182	140	164	128
Finland	394	287	389	280
Denmark	495	346	423	276
France	22	16	15	8
Germany	238	200	53	41
Poland	1,712	955	1,593	868
Czech Republic	554	326	551	323
Slovakia	8	6	6	5
Italy	34	18	32	18
Netherlands	41	33	40	32
Belgium	1	1	1	1
UK	108	79	68	45
Spain	54	39	61	47
Russia	159	110	152	107
Austria	38	27	26	17
Switzerland	223	178	4	3
China	450	237	406	215
Mexico	764	434	648	375
USA	21	16	5	5
Group total	6,895	4,605	5,945	3,873

Note /

Financial instruments and financial risk management

The NIBE Group's financial assets consist primarily of accounts receivable and bank balances. The financial liabilities consist primarily of credits from credit institutions and accounts payable. The various financial risks which may be associated with these assets and liabilities, and the NIBE Group's method of managing the risks are described below. The parent's risk management is in line with the Group's risk management practice, unless otherwise specified below.

Credit risks

The term 'credit risk' refers to the risk that a counterparty may not fulfil its obligations. In operations where goods or services are supplied against later payment, client credit losses cannot be wholly avoided. To minimise these risks, annual credit assessments are carried out on major creditors. The normal credit period is 30 days. There are regional variations with both shorter and longer credit periods. Security is not normally held for receivables.

It is our opinion that the Group has an effective credit monitoring process which has meant that the Group has not so far been adversely affected by bad debt losses of any significance. Provisions have been made after individual assessment of overdue receivables.

Overdue accounts receivable (in millions of SEK)	2011	2010
Accounts receivable wholly or partly impaired		
– overdue by less than 3 months	3.6	2.6
– overdue by more than 3 months	28.8	26.7
Accounts receivable which have not been impaired		
– overdue by less than 3 months	202.6	159.5
– overdue by more than 3 months	24.8	18.7
Total overdue accounts receivable	259.8	207.5
Provision for bad debt losses	-32.4	-25.1
Total accounts receivable overdue but not impaired	227.4	182.4

Provision for bad debt losses (in millions of SEK)	2011	2010
Provisions brought forward	25.1	26.7
Provisions in acquired companies	6.8	0.1
Established bad debt losses	-6.8	-2.6
Reversed provisions	-4.3	-7.5
Provisions for the year	12.2	10.4
Translation differences	-0.6	-2.0
Provisions carried forward	32.4	25.1

The profit for the year has been charged with SEK 8.3 million (SEK 6.0 million) in respect of bad debt losses which arose on the Group's accounts receivable. Since the Group is a net borrower from the bank, the credit risk in respect of the Group's bank balances is insignificant.

Currency risks

The term 'currency risks' refers to the risk that exchange-rate fluctuations may affect the Group's performance and position. NIBE is exposed to currency risks both through operating business transactions in various currencies and through the fact that the Group has operations in different currency zones. These risks can be divided into transaction risks and translation risks.

Transaction risks

The term 'transaction risk' refers to the risk of exchange losses on operating business transactions in foreign currency through, for example, an account receivable in a foreign currency falling in value as a result of fluctuations in the exchange rate in that currency. As part of the Group's currency hedging policy, operating sales and purchases which take place in foreign currencies or are linked to changes in foreign currencies, must be hedged under a rolling 12-month plan within the range 60–100% of the estimated flow. The degree of hedging of future flows determines where in the range the figure is to lie. During 2011 the Group's flows in foreign currencies were as shown below. The term 'flow' refers to flows in currencies other than local currency. The term 'weakening' refers to an unhedged fall in the value of the Swedish krona.

Currency	Group		Parent	
	Net flow in (+) / out (-)	Weakening by 1%	Net flow in (+) / out (-)	Weakening by 1%
CHF	9.1	0.1	-	-
CNY	-1.3	-	-1.3	-
CZK	-5.7	-0.1	-	-
DKK	43.2	0.4	-0.3	-
EUR	155.1	1.6	-0.8	-
GBP	134.9	1.3	-	-
HKD	-6.5	-0.1	-	-
JPY	-8.0	-0.1	-	-
MXN	-21.7	-0.2	-	-
NOK	151.3	1.5	-0.2	-
PLN	-140.0	-1.4	-	-
RUB	7.0	0.1	-	-
USD	-25.7	-0.3	-4.9	-
Total	291.7		-7.5	

At the end of 2011, the Group had outstanding currency forward contracts in accordance with the table below. The total net value of the contracts translated to SEK at the closing day rate amounts to SEK 305.1 million (SEK 127.4 million).

The difference between the total amounts of the contracts translated to SEK using the contract rate and the total amounts of the contracts translated to SEK using the closing rate at the end of 2011 represents an unrealised exchange gain of SEK 3.2 million.

The item 'Other receivables' in the consolidated balance sheet includes derivatives with positive fair values of SEK 10.6 million (SEK 19.7 million). The item 'Other liabilities' includes derivatives with negative fair values of SEK 7.4 million (SEK 2.5 million).

Outstanding contracts on the closing date,
net sales (+) / purchases (-)

Curr- ency	Flow Q1	Flow Q2	Flow Q3	Flow Q4	Average forward rate	Closing day rate	Unrealised gain 31 Dec 11	Unrealised gain 31 Dec 10
CHF	0.1	0.1	0.2	0.3	7.61	7.36	0.2	-
DKK	9.0	9.0	10.5	12.0	1.23	1.20	1.1	1.5
EUR	3.3	5.2	6.5	6.6	8.92	8.94	-0.5	13.0
GBP	1.5	1.5	1.5	2.6	10.54	10.68	-1.0	3.6
MXN	-23.7	-23.7	-23.7	-23.7	0.50	0.49	-0.7	-
NOK	22.9	18.4	26.6	31.6	1.17	1.15	2.3	1.1
PLN	-7.6	-5.3	-4.5	-5.7	2.08	2.03	-1.0	-0.8
USD	-2.5	-1.2	-1.2	-1.2	6.46	6.92	2.8	-1.2
Total							3.2	17.2

Of which recognised in profit or loss against invoices on the closing date

3.1

9.6

Of which recognised in other comprehensive income on the closing date

0.1

7.6

Translation risks

The term 'translation risks' refers to the risk of exchange losses on the translation of the income statements and balance sheets of foreign subsidiaries into the Swedish krona, the Group's presentation currency. To minimise translation risks, assets are financed, where possible, in the same currency; this means that changes in exchange rates on the borrowings are recognised in other comprehensive income. At the end of 2011, the Group held net assets in foreign currencies in accordance with the figures given below with financing taken into account. Net assets also include assets other than those classed as financial instruments.

Currency	2011	2010
CHF	1,333.1	7.2
CZK	146.6	108.0
DKK	545.2	253.1
EUR	918.9	275.4
GBP	66.0	59.2
HKD	57.2	31.2
MXN	59.5	74.5
NOK	475.8	386.4
PLN	214.7	217.3
RON	1.1	1.2
RUB	46.4	35.4
USD	-37.1	-56.6
Total	3,827.4	1,392.3

Notes

If the Swedish krona falls in value by 1% against the named currencies, this means that the Group's equity is strengthened by SEK 38.3 million (SEK 13.9 million). If the Swedish krona rises in value by 1% against the named currencies, the reverse pertains. Without currency hedging through financing in the same currency, the corresponding amount would have been SEK 70.7 million (SEK 20.5 million).

The parent's risk consists of the risk of exchange-rate fluctuations on loans in foreign currency taken out for the acquisition of foreign subsidiaries. Exchange rate fluctuations on these loans are recognised direct in other comprehensive income after the deduction of tax. At the end of the year, the parent had loans in foreign currency as listed below.

Currency	2011	2010
CHF	2,781.4	-
CZK	161.8	186.8
DKK	-	202.5
EUR	-	142.8
NOK	-	51.8
USD	260.5	-
Total	3,203.7	583.9

If the Swedish krona rises in value by 1% against the named currencies, this means that the parent's equity is strengthened by SEK 32.0 million (SEK 5.8 million). If the Swedish krona falls in value by 1% against the named currencies, the reverse pertains.

Gains and losses on financial instruments

	Group		Parent	
	2011	2010	2011	2010
Exchange gains and exchange losses on currency derivatives used for hedge accounting				
- recognised in profit or loss	9.9	38.7	-	-
- recognised in other comprehensive income	- 7.4	- 0.4	-	-
Gains and losses on raw materials derivatives used in hedge accounting				
- recognised in profit or loss	- 0.9	0.4	-	-
- recognised in other comprehensive income	- 1.0	0.4	-	-
Exchange gains and exchange losses in other financial assets and liabilities	6.2	- 19.3	12.3	- 5.3
Bad debt losses on accounts receivable	- 8.3	- 6.0	-	-
Total	- 1.5	13.8	12.3	- 5.3

The items recognised above as gains and losses are exchange gains, exchange losses and losses on credit granted. Interest has not been included. The Group's reporting system does not permit the allocation of exchange gains and exchange losses to the other classes of financial assets and liabilities.

Fair value of financial instruments

Fair value may deviate from carrying amount, partly as a consequence of changes in market interest rates. Since all borrowing on the balance sheet date is at variable interest rates, fair value is assessed as the same as the carrying amount for the Group's financial liabilities. Fair value is assessed as the same as the carrying amount for non interest-bearing assets and liabilities such as accounts receivable and accounts payable.

Assets 31 Dec 2011	Loans receivable and accounts receivable	Assets available for sale	Derivatives used for hedge accounting	Non-financial assets	Total carrying amount	Fair value
Intangible assets	-	-	-	5,642.4	5,642.4	
Tangible assets	-	-	-	1,897.6	1,897.6	
Investments held as non-current assets	-	41.1	-	-	41.1	41.1
Deferred tax assets	-	-	-	84.6	84.6	
Other non-current receivables	9.8	-	-	-	9.8	9.8
Inventories	-	-	-	1,679.6	1,679.6	
Accounts receivable	1,162.2	-	-	-	1,162.2	1,162.2
Tax assets	-	-	-	56.6	56.6	
Other receivables	81.3	-	10.7	-	92.0	92.0
Prepaid expenses and accrued income	-	-	-	66.9	66.9	
Cash and bank balances	1,007.1	-	-	-	1,007.1	1,007.1
Total assets	2,260.4	41.1	10.7	9,427.7	11,739.9	



Assets 31 Dec 2010	Loans receivable and accounts receivable	Assets available for sale	Derivatives used for hedge accounting	Non- financial assets	Total carrying amount	Fair value
Intangible assets	-	-	-	1,188.5	1,188.5	
Tangible assets	-	-	-	1,275.7	1,275.7	
Investments held as non-current assets	-	1.4	-	-	1.4	1.4
Deferred tax assets	-	-	-	49.1	49.1	
Other non-current receivables	8.5	-	-	-	8.5	8.5
Inventories	-	-	-	1,118.1	1,118.1	
Accounts receivable	947.1	-	-	-	947.1	947.1
Tax assets	-	-	-	20.6	20.6	
Other receivables	59.1	-	20.2	-	79.3	79.3
Prepaid expenses and accrued income	-	-	-	50.8	50.8	
Cash and bank balances	409.5	-	-	-	409.5	409.5
Total assets	1,424.2	1.4	20.2	3,702.8	5,148.6	

Equity and liabilities 31 Dec 2011	Financial liabilities valued at accrued acquisition value	Derivatives used for hedge accounting	Non- financial items	Total carrying amount	Fair value
Equity	-	-	4,487.2	4,487.2	
Provisions	-	-	1,057.4	1,057.4	
Non-current liabilities*	4,200.2	-	-	4,200.2	4,200.2
Current liabilities to credit institutions	529.8	-	-	529.8	529.8
Accounts payable	644.1	-	-	644.1	644.1
Advance payments from customers	11.1	-	-	11.1	11.1
Tax liabilities	-	-	75.9	75.9	
Other liabilities	246.4	7.9	-	254.3	254.3
Accrued expenses and deferred income	479.9	-	-	479.9	479.9
Total equity and liabilities	6,111.5	7.9	5,620.5	11,739.9	

* of which SEK 3,237.8 million refers to loans in foreign currencies to hedge net investment in foreign operations.

Equity and liabilities 31 Dec 2010	Financial liabilities valued at accrued acquisition value	Derivatives used for hedge accounting	Non- financial items	Total carrying amount	Fair value
Equity	-	-	2,482.7	2,482.7	
Provisions	-	-	411.0	411.0	
Non-current liabilities*	938.2	-	-	938.2	938.2
Current liabilities to credit institutions	180.6	-	-	180.6	180.6
Accounts payable	532.3	-	-	532.3	532.3
Advance payments from customers	6.2	-	-	6.2	6.2
Tax liabilities	-	-	79.1	79.1	
Other liabilities	173.1	2.5	-	175.6	175.6
Accrued expenses and deferred income	342.9	-	-	342.9	342.9
Total equity and liabilities	2,173.3	2.5	2,972.8	5,148.6	

* of which SEK 655.5 million refers to loans in foreign currencies to hedge net investment in foreign operations.

Notes

Interest rate risks

Interest rate risk is the risk that changes in market interest rates will have a negative impact on cash flow or the fair value of financial assets and liabilities. Since all borrowing in the NIBE Group is at variable interest, the Group is exposed only to cash flow risk in respect of financial borrowing.

The Group's interest-bearing liabilities at the year-end amounted to SEK 4,850.3 million. The average interest rate was 2.3%. A rise in the interest rate of 1% on constant liabilities would have a negative impact on the Group of SEK 48.5 million.

The NIBE Group's policy is that the fixed interest period for loans shall, as far as possible, balance the commitment period of the incoming cash flows.

The parent's interest-bearing liabilities at the year-end amounted to SEK 4,327.1 million. A change in the interest rate of 1% on constant liabilities would affect parent results by SEK 43.2 million.

Hedge accounting

During 2011 hedge accounting was applied in accordance with IAS 39 in relation to:

- Cash flow hedging through currency derivatives for future receipts and disbursements in foreign currencies. See Note 2 for details.
- Price hedging of raw materials through raw materials derivatives. See Note 2 for details. At the end of 2011 outstanding contracts maturing in Q1 2012 totalled SEK 12.8 million, with SEK 0.5 million in unrealised gains.
- Hedge accounting through financing net investments in foreign operations in foreign currency: this means that exchange-rate fluctuations on such loan liabilities are recognised direct in other comprehensive income provided that there is a net asset in the consolidated balance sheet to hedge.

For information on the amounts recognised in other comprehensive income, see the income statements on page 60.

Capital risk

The term 'capital risk' refers to the risk that the Group's ability to continue its business operations may be inhibited due to a shortage of capital. The Group assesses the day-to-day risk on the basis of the equity/assets ratio, calculated as recognised equity as a percentage of total assets. The target is that the equity/assets ratio shall not fall below 30%. Over the most recent five-year period, the equity/assets ratio has averaged 40.2%. The Group has the ability to counteract any shortage of capital through new issues or reductions in dividends. Capital is defined in the NIBE Group as total equity as recognised in the balance sheet (see page 63). The covenants set by the Group's external creditors were met by good margins.

Financing risks

The term 'financing risk' refers to the risk that difficulties may arise in financing the Group's operations, thus leading to an increase in costs in the short and long-term.

The Group's consolidated cash flow is good, and is expected to remain so in the future. This is of material significance in enabling necessary investments to be made and other obligations to be fulfilled. The Group also has an aggressive policy in relation to the acquisition of other companies' business operations. The policy is for annual growth of 20%. In the long term, at least half of this growth should be organic.

In individual years, the total capital requirement may exceed internal cash flow. It is anticipated that there will be no difficulty in financing this capital requirement and that this will not give rise to abnormal expense: this can be achieved partly through the traditional banking system and partly through the stock exchange. The amounts given in the table are the contractual undiscounted cash flows.

Due date structure of non-current financial liabilities excl. bank overdraft facilities

	Group		Parent	
(in millions of SEK)	2011	2010	2011	2010
1 – 3 years	992.4	305.2	792.3	158.2
3 – 5 years	1,008.1	321.1	822.6	159.0
5 – 7 years	996.4	202.4	818.8	150.0
7 – 9 years	886.5	113.9	736.3	82.7
10 years or more	401.0	32.7	365.0	11.6
Total	4,284.4	975.3	3,535.0	561.5

The above cash flows are based on average interest rates on interest-bearing liabilities for 2011 and 2010 respectively. The effect of a change in interest rates is described above under the heading of Interest rate risks.

Note 8

Leasing

During the year, Group expenses relating to finance leasing agreements totalling SEK 2.1 million (SEK 1.2 million) were capitalised. Leasing charges amounting to SEK 85.4 million (SEK 73.1 million) in respect of operating leases in the Group were expensed. The parent has no leasing agreements. The value of the Group's agreed future leasing charges, relating to agreements for which the remaining term exceeds one year, are distributed as follows:

(in millions of SEK)	Finance leases			Operating leases
	Payments	Interest	Current value	Nominal value
Due for payment within 1 year	0.7	0.1	0.6	83.9
Due for payment within 2 – 5 years	0.9	0.1	0.8	158.2
Due for payment within 6 years or more	–	–	–	26.5
Total	1.6	0.2	1.4	268.6

Non-current assets held through finance leasing agreements

	Cost	Depreciation	Carrying amount
Machinery	0.3	0.1	0.2
Equipment and fittings	1.4	0.8	0.6
Total	1.7	0.9	0.8

Note 9

Research and development costs

A total of SEK 159.1 million (SEK 122.5 million) is included under the heading 'Cost of goods sold' to cover the cost of research and development.

Note 10

Other operating income

	Group		Parent	
(in millions of SEK)	2011	2010	2011	2010
Profit on sale of non-current assets	1.5	0.9	–	–
Exchange gains	104.1	97.7	–	–
Other	44.0	28.7	–	–
Total	149.6	127.3	–	–

Note 11

Result of participations in Group companies and associates

Result of participations in Group companies

	Group		Parent	
(in millions of SEK)	2011	2010	2011	2010
Group contributions	–	–	49.0	37.0
Dividend	–	–	260.8	203.2
Total	–	–	309.8	240.2

Note 12

Interest income and similar profit/loss items

	Group		Parent	
(in millions of SEK)	2011	2010	2011	2010
Interest income, Group companies	–	–	9.7	6.9
Interest income, other	7.2	4.6	1.1	0.7
Exchange gains	39.8	12.8	20.3	3.6
Other financial income	0.3	0.7	–	–
Total	47.3	18.1	31.1	11.2

Note 13

Interest expense and similar profit/loss items

	Group		Parent	
(in millions of SEK)	2011	2010	2011	2010
Interest expense, Group companies	–	–	8.3	2.1
Interest expense, other	67.4	50.8	38.0	21.4
Exchange losses	27.9	16.6	8.0	8.8
Other financial expense	2.1	1.7	–	–
Total	97.4	69.1	54.3	32.3

Note 14

Tax

	Group		Parent	
(in millions of SEK)	2011	2010	2011	2010
Actual tax for the year	274.5	227.4	1.4	0.2
Actual tax attributable to preceding years	1.3	– 3.8	–	–
Deferred tax	– 26.1	– 31.6	–	– 0.2
Total	249.7	192.0	1.4	–

Tax in respect of items charged directly against other recognised income

	Group		Parent	
(in millions of SEK)	2011	2010	2011	2010
Market valuation of currency futures	– 1.9	– 0.1	–	–
Currency hedge	51.9	24.1	53.0	22.6
Currency translation of loans to subsidiaries	– 0.4	– 0.5	–	–
Total	49.6	23.5	53.0	22.6

Difference between the Group's tax expense and the tax expenses based on the current tax rate

	Group		Parent	
(in millions of SEK)	2011	2010	2011	2010
Pre-tax profit	941.2	745.1	255.8	203.4
Tax at current rate	247.5	195.9	67.3	53.5
Non-deductible expenses	31.5	15.1	2.7	–
Non-taxable earnings	– 22.7	– 8.9	–	–
Dividends from subsidiaries	–	–	– 68.6	– 53.5
Adjusted tax for preceding years	1.3	– 3.8	–	–
Deficit deductions not carried fwd	7.6	2.0	–	–
Effect of foreign tax rates	– 15.5	– 8.3	–	–
Recognised tax expenses	249.7	192.0	1.4	–

Tax rate

The current tax rate has been calculated on the basis of the tax rate which applies for the parent, namely 26.3% (26.3%).

Temporary differences

Temporary differences arise in the event that the value of assets or liabilities in the accounts and their value for tax purposes differ. Temporary differences in respect of the following items have resulted in deferred tax liabilities and deferred tax assets.

Deferred tax liabilities

	Group		Parent	
(in millions of SEK)	2011	2010	2011	2010
Temporary differences in non-current assets	410.1	58.6	–	–
Untaxed reserves	42.9	62.4	–	–
Hedge of net investment	53.6	–	53.6	0.2
Other factors	74.6	18.0	–	–
Total	581.2	139.0	53.6	0.2

	Temporary differences in non-current assets	Untaxed reserves	Hedge of net investment in foreign operations	Other factors	Total
(in millions of SEK)					
Amount at start of year	58.6	62.4	–	18.0	139.0
Acquired companies	360.1	–	–	59.7	419.8
Recognised as income	– 7.9	– 18.9	–	1.0	– 25.8
Recognised as other recognised income	–	–	53.3	– 0.7	52.6
Translation difference	– 0.7	– 0.6	0.3	– 3.2	– 4.2
Amount at end of year	410.1	42.9	53.6	74.6	581.2

Deferred tax assets

	Group		Parent	
(in millions of SEK)	2011	2010	2011	2010
Temporary differences in non-current assets	0.8	2.1	–	–
Losses carried forward	11.7	5.4	–	–
Hedge of net investment	0.6	– 0.7	–	–
Other factors	71.5	42.3	0.4	–
Total	84.6	49.1	0.4	–

	Temporary differences in non-current assets	Loss-carry forward	Hedge of net investment in foreign operations	Other factors	Total
(in millions of SEK)					
Amount at start of year	2.1	5.4	– 0.7	42.3	49.1
Acquired companies	–	4.7	–	28.3	33.0
Recognised as income	– 1.3	1.7	–	– 0.1	0.3
Recognised as other recognised income	–	–	1.3	1.7	3.0
Translation difference	–	– 0.1	–	– 0.7	– 0.8
Amount at end of year	0.8	11.7	0.6	71.5	84.6

Deferred tax assets in respect of temporary differences attributable to investments in subsidiary companies are not reported, as the parent can determine the date for the reversal of the temporary differences.

Accumulated losses carried forward/deficit deductions which do not correspond to deferred income taxes recoverable for the Group amounted to SEK 154.2 million (SEK 123.3 million). The due dates lie within the following intervals:

Due dates for losses carried forward/deficit deductions which have not been balanced

	Group	
(in millions of SEK)	2011	2010
Due date 1–5 yrs	7.3	7.6
Due date 6–10 yrs	41.3	28.8
Due date 10 years or more	28.6	16.4
Due date undetermined	77.0	70.5
Total	154.2	123.3

Note 15

Market positions

	Group	
(in millions of SEK)	2011	2010
Cost		
Opening cost	46.5	26.1
Investment for the year	789.5	21.3
Translation differences	6.9	- 0.9
Closing accumulated cost	842.9	46.5
Amortisation		
Opening amortisation	7.3	3.5
Amortisation for the year	26.6	3.8
Translation differences	- 0.1	-
Closing accumulated amortisation	33.8	7.3
Closing carrying amount	809.1	39.2

Market positions were recognised in previous years under the item Other intangible assets. The term 'Market positions' refers to the valuation of cash flows from identified customer relationships. Amortisation for the year is recognised as a selling expense in consolidated profit or loss.

Note 16

Brands and trademarks

	Group	
(in millions of SEK)	2011	2010
Cost		
Opening cost	43.2	-
Investment for the year	524.8	45.1
Translation differences	0.3	- 1.9
Closing accumulated cost	568.3	43.2
Carrying amount per business area		
NIBE Energy Systems	553.9	28.9
NIBE Element	3.6	3.6
NIBE Stoves	10.8	10.7
Total	568.3	43.2

Brands/trademarks were previously recognised under the item Other intangible assets.

Note 17

Goodwill

	Group	
(in millions of SEK)	2011	2010
Cost		
Cost value brought fwd	1,088.9	1,002.5
Cost value in companies acquired	-	0.2
Investment for the year	3,059.1	169.2
Translation differences	5.0	- 83.0
Closing accumulated cost	4,153.0	1,088.9
Amortisation		
Amortisation value brought forward	81.4	89.0
Amortisation in companies acquired	-	0.1
Translation differences	- 0.6	- 7.7
Accumulated amortisation value carried forward	80.8	81.4
Carrying amount carried forward	4,072.2	1,007.5
Carrying amount by business area		
NIBE Energy Systems	3,203.9	552.0
NIBE Element	588.4	175.0
NIBE Stoves	279.9	280.5
Total	4,072.2	1,007.5

Note 18**Other Intangible assets****Rights of tenancy, patents, development costs, licences, etc.**

	Group	
(in millions of SEK)	2011	2010
Cost		
Opening cost	158.4	122.0
Cost in acquired companies	85.9	13.7
Investment for the year	48.0	31.5
Sales and disposals	- 1.4	- 0.9
Reclassifications	- 1.1	- 2.1
Translation differences	- 1.3	- 5.8
Closing accumulated cost	288.5	158.4
Amortisation		
Opening amortisation	59.8	39.7
Amortisation in acquired companies	-	8.1
Sales and disposals	- 0.2	- 0.9
Amortisation for the year	35.3	16.9
Reclassifications	- 0.2	-
Translation differences	- 1.0	- 4.0
Accumulated amortisation carried forward	93.7	59.8
Closing accumulated amortisation		
Impairment for the year	2.3	-
Reversal of impaired amounts for the year	- 0.3	-
Closing accumulated impairment	2.0	-
Closing carrying amount	192.8	98.6

Amortisation and impairment of other intangible assets is recognised within the following functions:

	Group	
(in millions of SEK)	2011	2010
Cost of goods sold	33.5	13.3
Selling expenses	0.5	2.8
Administrative expenses	3.3	0.8
Total	37.3	16.9

Note 19**Land and buildings**

	Group	
(in millions of SEK)	2011	2010
Cost value		
Cost value brought fwd	1,019.4	1,062.4
Cost in acquired companies	386.4	-
Investment for the year	45.0	5.9
Sales and retirements	- 0.2	- 0.6
Reclassifications	4.1	15.6
Translation differences	- 25.5	- 63.9
Closing accumulated cost	1,429.2	1,019.4
Depreciation		
Depreciation brought forward	351.9	341.9
Depreciation for the year	38.8	33.0
Translation differences	- 5.0	- 23.0
Accumulated depreciation carried forward	385.7	351.9
Carrying amount carried forward	1,043.5	667.5
of which, land	170.6	49.6
Carrying amount of land and buildings in Sweden	305.2	296.4

Note 20**Machinery and equipment**

	Group		Parent	
(in millions of SEK)	2011	2010	2011	2010
Cost value				
Cost value brought fwd	1,861.4	1,869.1	0.4	0.4
Cost in companies acq'd	221.0	22.2	-	-
Investment for the year	161.6	107.8	-	-
Sales and retirements	- 23.8	- 25.0	-	-
Reclassifications	30.5	5.8	-	-
Translation differences	- 28.4	- 118.5	-	-
Closing accumulated cost	2,222.3	1,861.4	0.4	0.4
Depreciation				
Depreciation brought fwd	1,292.9	1,225.4	0.4	0.4
Depreciation in companies acq'd	-	10.5	-	-
Sales and retirements	- 20.1	- 18.3	-	-
Reclassifications	- 0.8	- 1.2	-	-
Depreciation for the year	174.1	162.1	-	-
Translation differences	- 18.7	- 85.6	-	-
Accumulated impairment carried forward	1,427.4	1,292.9	0.4	0.4
Impairment				
Impairment brought fwd	1.2	1.3	-	-
Impairment during the year	0.6	-	-	-
Translation differences	0.1	- 0.1	-	-
Accumulated impairment carried forward	1.7	1.0	-	-
Accumulated reversal of impaired amounts carried forward	0.2	0.2	-	-
Carrying amount carried fwd	793.2	567.5	-	-

Note 21**Construction in progress**

	Group	
(in millions of SEK)	2011	2010
Acquisition value		
Acquisition value brought fwd	40.7	35.7
Cost in acquired companies	1.2	-
Expenses during the year	52.5	28.6
Re-allocations during the year	- 32.9	- 21.4
Translation differences	- 0.6	- 2.2
Closing accumulated cost	60.9	40.7

Notes

Note 22

Shares in subsidiaries

	Proportion of capital	Number of shares	Carrying amount
ABK AS	50.0%	250	155.0
Backer BHV AB	100.0%	37,170	186.4
Backer EHP Inc	100.0%	100	221.9
Bröderna Håkansson Värme AB	100.0%	15,000	10.5
DZD Strojirna s.r.o.	100.0%	7	198.9
Jevi A/S	100.0%	1	29.9
Kaukora Oy	100.0%	1.100	135.6
Lotus Heating Systems A/S	100.0%	1,076,667	56.2
Loval Oy	100.0%	768	39.6
METRO THERM A/S	100.0%	3,400	180.6
NIBE AB	100.0%	400,000	153.2
NIBE Energy Systems Inc	100.0%	100	16.5
Nordpeis AS	100.0%	12,100	155.4
Russian boilers holding AB	100.0%	200,000	146.5
SAN Electro Heat A/S	100.0%	13	17.7
Schulthess Group AG	98.7%	10,485,329	4,856.0
TermaTech A/S	100.0%	500	62.4
Vabro Holding ApS	100.0%	453	31.2
Wiegand S.A. de C.V.	100.0%	15,845,989	13.1
Total Parent			6,666.6

(in millions of SEK)

	2011	2010
Cost		
Opening cost	1,546.4	1,367.9
Investment for the year	5,138.6	218.4
Sales and disposals	-	- 39.9
Reclassifications	- 1.7	-
Closing accumulated cost	6,683.3	1,546.4
Impairment		
Opening impairment	16.7	18.1
Sales and disposals	-	- 1.4
Closing accumulated impairment	16.7	16.7
Closing carrying amount	6,666.6	1,529.7

Shares owned via subsidiaries

	Proportion of capital	Number of shares
Alpha-InnoTec France EURL	100.0%	100
Alpha-InnoTec GmbH	100.0%	
Alpha-InnoTec Norge AS	82.2%	1,000
Alpha-InnoTec Schweiz AG	100.0%	250
Alpha-InnoTec Sun GmbH	80.0%	
Backer Alpe S. de R.L. de C.V.	100.0%	
Backer Calesco France SARL	100.0%	12,429
Backer ELC AG	100.0%	34,000
Backer Elektro CZ a.s.	100.0%	
Backer Facsa S.L.	100.0%	34,502
Backer Fer s.r.l.	100.0%	
Backer Heating Technologies Co. Ltd	100.0%	
Backer Heating Technologies Inc	100.0%	100
Backer OBR Sp. z o.o.	100.0%	10,000
CJSC Evan	100.0%	8,331
Danotherm Electric A/S	100.0%	1,000
DZD Slovensko Spol s.r.o.	100.0%	
Eltop Praha s.r.o.	100.0%	
Emerson Appliance Solutions Co Ltd	100.0%	
Erdwärme plus GmbH	100.0%	
Genvex A/S	100.0%	2,000
Heatrod Elements Ltd	100.0%	68,000
Høiax AS	100.0%	1,000
Kiloval Oy	100.0%	33
KKT Kraus Kälte- und Klimatechnik GmbH	100.0%	
KKT Kraus USA Co.	100.0%	1,000
KNV Energietechnik GmbH	100.0%	
KVM-Conheat A/S	100.0%	600
Lund & Sørensen AB	100.0%	1,000
Lund & Sørensen A/S	100.0%	500
Lund & Sørensen Electric Heating Equipment Accessory Co Ltd	100.0%	
Merker AG	100.0%	2,500
METRO THERM AB	100.0%	1,000
Meyer Vastus AB. Oy	100.0%	20
Naturenergi IWABO AB	100.0%	1,000
NIBE Beteiligungsverwaltungs GmbH	100.0%	
NIBE-BIAWAR Sp. z o.o.	100.0%	83,962
NIBE Energietechnik B.V.	100.0%	180
NIBE Energy Systems Ltd	100.0%	100
NIBE Energy Systems Oy	100.0%	15
NIBE Foyers France S.A.S.	100.0%	370
NIBE Kamini LLC	100.0%	
NIBE Systemtechnik GmbH	100.0%	
NIBE Wärmetechnik AG	100.0%	100
Norske Backer AS	100.0%	12,000
Northstar Poland Sp. z o.o.	100.0%	3,134
Novelan GmbH	100.0%	
S.C. KNV Pompe de Caldura SRL	100.0%	
Schulthess Maschinen AG	100.0%	7,500
Schulthess Maschinen GmbH	100.0%	
Shel NIBE Manufacturing Co Ltd	100.0%	1,000
Sinus-Jevi Electric Heating B.V.	100.0%	180
Sol & Energiteknik SE AB	100.0%	1,000
Varde Ovne A/S	100.0%	802
Vølund Varmeteknik A/S	100.0%	1,000

Shares owned via subsidiaries

	Corporate ID number	Registered office
ABK AS	959 651 094	Oslo, Norway
Alpha-InnoTec France EURL	501 594 220	Strasbourg, France
Alpha-InnoTec GmbH	HRB 2991	Bayreuth, Germany
Alpha-InnoTec Norge AS	991 430 784	Stavanger, Norway
Alpa-InnoTec Schweiz AG	CH-100 3 017 337-2	Altishofen, Switzerland
Alpha-InnoTec Sun GmbH	HRB 81 197	Saarbrücken, Germany
Backer Alpe S. de R.L. de C.V.	BAL0805266BA	Mexico City, Mexico
Backer BHV AB	556053-0569	Hässleholm, Sweden
Backer Calesco France SARL	91379344781	Lyon, France
Backer EHP Inc	99-0367868	Elgin, USA
Backer ELC AG	CH-400 3 033 814-4	Aarau, Switzerland
Backer Elektro CZ a.s.	60469617	Hlinsko, Czech Rep.
Backer Facsa S.L.	B-62.928.361	Aiguafreda, Spain
Backer FER s.r.l.	REA: 173478 (Ferrara)	Sant'Agostino, Italy
Backer Heating Technologies Co. Ltd	440301503227017	Shenzhen, China
Backer Heating Technologies Inc	36-4044600	Chicago, USA
Backer OBR Sp. z o.o.	008358936	Pyrzyce, Poland
Bröderna Håkansson Värme AB	556108-0259	Höör, Sweden
CJSC Evan	1065260108517	Nizhniy Novgorod, Russia
Danotherm Electric A/S	10 12 60 61	Rødovre, Denmark
DZD Slovensko Spol s.r.o.	36372056	Bratislava, Slovakia
DZD Strojirna s.r.o.	45148465	Benátky nad Jizerou, Czech Rep.
Eltop Praha s.r.o.	44795751	Miretice, Czech Rep.
Emerson Appliance Solutions Company Ltd	440307503310048	Shenzhen, China
Erdwärme plus GmbH	HRB 4764	Bayreuth, Germany
Genvex A/S	21387649	Haderslev, Denmark
Heatrod Elements Ltd	766 637	London, UK
Høiax AS	936 030 327	Fredrikstad, Norway
Jevi A/S	12 85 42 77	Vejle, Denmark
Kaukora Oy	0138194-1	Raisio, Finland
Kiloval Oy	0754792-2	Lovisa, Finland
KKT Kraus Kälte- und Klimatechnik GmbH	HRB 5220	Bayreuth, Germany
KKT Kraus USA Corp.	83-0486747	Elk Grove, USA
KNV Energietechnik GmbH	78375h	Schörrfling, Austria
KVM-Conheat A/S	14 46 85 87	Vissenbjerg, Denmark
Lotus Heating Systems A/S	26 11 04 75	Langeskov, Denmark
Loval Oy	0640930-9	Lovisa, Finland
Lund & Sörensen AB	556731-8562	Mölnådal, Sweden
Lund & Sørensen A/S	25 64 75 99	Vejle, Denmark
Lund & Sørensen Electric Heating Equipment Accessory Co Ltd		Tianjin, China
Merker AG	CH-400 3 3009 571-7	Zürich, Switzerland
METRO THERM AB	556554-1603	Kalmar, Sweden
METRO THERM A/S	20 56 71 12	Helsingør, Denmark
Meyer Vastus AB, Oy	0215219-8	Monninkylä, Finland
Naturenergi IWABO AB	556663-0355	Bollnäs, Sweden
NIBE AB	556056-4485	Markaryd, Sweden
NIBE Beteiligungen-verwaltungs GmbH	295717d	Vienna, Austria
NIBE-BIAWAR Sp. z o.o.	050042407	Białystok, Poland
NIBE Element Company Ltd	440301503227017	Shenzhen, China
NIBE Energietechnik B.V.	20111793	Willemstad, Netherlands
NIBE Energy Systems Inc	99 03 68 191	Wilmington, USA
NIBE Energy Systems Ltd	5764 775	Sheffield, UK
NIBE Energy Systems Oy	09314276	Helsinki, Finland
NIBE Foyers France S.A.S.	491 434 965	Lyon, France
NIBE Kamini LLC	1105 0100 00303	Dubna, Russia
NIBE Systemtechnik GmbH	HRB 5879	Celle, Germany

	Corporate ID number	Registered office
NIBE Wärmetechnik AG	CH-0203032834-0	Flurlingen, Switzerland
Nordpeis AS	957 329 330	Lierskogen, Norway
Norske Backer AS	919 799 064	Kongsvinger, Norway
Northstar Poland Sp. z o.o.	570844191	Trzcianka, Poland
Novelan GmbH	HRB 3592	Bayreuth, Germany
Russian boilers holding AB	556743-8295	Malmö, Sweden
SAN Electro Heat A/S	42 16 59 13	Graested, Denmark
Schulthess Group AG	CH-020 7 000 720-2	Zürich, Switzerland
Schulthess Maschinen AG	CH-020 3 923 223-4	Zürich, Switzerland
Schulthess Maschinen GmbH	FN 125340z	Vienna, Austria
S.C. KNV Pompe de Caldura SRL	1914 6792	Bistrita-Nasaud, Romania
Shel NIBE Manufacturing Co Ltd	866 531	Hong Kong, China
Sinus-Jevi Electric Heating B.V.	37106129	Medemblik, Netherlands
Sol & Energiteknik SE AB	556633-8140	Jönköping, Sweden
TermaTech A/S	27 24 52 77	Hasselager, Denmark
Vabro Holding ApS	21 08 92 30	Gram, Denmark
Varde Ovne A/S	21 55 49 79	Gram, Denmark
Vølund Varmeteknik A/S	32 93 81 08	Videbæk, Denmark
Wiegand S.A. de C.V.	RFC WIE850624H79	Nuevo Laredo, Mexico

Note 23

Shares in associates

Shares in associates held by the Group/Parent

Name	Corporate ID number	Registered office	No. of shares
Naturwärme GmbH	DE 218460267	Mühlau, Germany	7,500

	Share of equity	Carrying value	Group share of profit after tax	Group share of equity
(in millions of SEK)			2011	2011
Naturwärme GmbH	30.0%	0.0	0.0	0.0

Note 24

Share capital

	Quota value (SEK)	Number of A shares	Number of B shares	Total shares
At start of year	0.625	13,160,256	80,759,744	93,920,000
Non-cash issue 2011	0.625	–	16,119,437	16,119,437
At year-end	0.625	13,160,256	96,879,181	110,039,437

The share issue was registered on 3 August 2011.

The dividend for 2011 proposed but not yet approved is SEK 2.00 per share. This corresponds to a total payout of SEK 220.5 million. See also under the heading 'Appropriation of profits' on page 59. Each class A share entitles the holder to ten votes at the Annual General Meeting. Each class B share entitles the holder to one vote. All shares give the same right to dividends.

At the end of 2011 there were no convertible bonds or options that can dilute the share capital, nor were there any at the end of the preceding year.

Note 25

Provisions for post-employment benefits

ITP occupational pension plan secured via Alecta

The commitments for retirement pensions and family pensions for white-collar staff in Sweden are secured through an insurance policy with Alecta. In accordance with a statement from the Swedish Financial Reporting Board, UFR 3, this is a multi-employer defined-benefit plan. For the 2011 financial year the company has not had access to the kind of information that would enable it to recognise this plan in the accounts as a defined-benefit plan. The ITP occupational pension plan secured through an insurance policy with Alecta is, therefore, recognised as a defined-contribution plan. The contributions for the year for pension insurance policies taken out with Alecta amounted to SEK 8.2 million (SEK 8.4 million). Alecta's surplus can be distributed to the policy holders and/or the insured. At the 2011 year-end Alecta's surplus in the form of the collective funding ratio was 113% (2010: 146%). The collective funding ratio consists of the market value of Alecta's assets as a percentage of the insurance commitments calculated in accordance with Alecta's actuarial commitments, which is not in conformity with IAS 19.

Defined-benefit pensions

The Group has defined-benefit pensions chiefly for its Swiss and Swedish companies. Swiss pension plans are funded, which means that assets are held to cover pension commitments. For Swedish companies, calculations and payments are handled through PRI Pensionstjänst AB. This is unfunded. Consequently, no plan assets are held for the purpose of securing retirement benefits. As far as other countries are concerned, Norway has defined-benefit pensions which are calculated and paid by the employer.

Defined-contribution plans

These plans primarily cover retirement pensions, disability pensions and family pensions. The premiums are paid continuously throughout the year by each Group company to a separate legal entity, such as an insurance company. The size of the premium is based on salary. The pension costs for the period are included in the income statement.

Obligations in respect of employee benefits, defined-benefit plans

	2011		
(in millions of SEK)	Funded plans	Un-funded plans	Total
Reconciliation of pension obligations			
Present value at start of year	-	50.2	50.2
Present value in acquired companies	673.5	4.6	678.1
Premiums from employer	4.9	2.5	7.4
Interest on obligations	7.0	1.8	8.8
Premiums from employee	7.8	-	7.8
Benefits paid	- 9.5	- 1.8	- 11.3
Actuarial gains/losses during period	- 6.2	2.8	- 3.4
Translation differences	0.8	- 0.3	0.5
Present value at end of year	678.3	59.8	738.1
Unrealised actuarial gains (+), losses (-)	1.0	- 17.2	- 16.2
Fair value at end of year	679.3	42.6	721.9

Reconciliation of plan assets

Fair value in acquired companies	578.8	-	578.8
Expected return on plan assets	7.2	-	7.2
Actuarial gains (+), losses (-) during period	- 5.3	-	- 5.3
Premiums from employer	8.3	-	8.3
Premiums from employees	7.8	-	7.8
Benefits paid	- 9.5	-	- 9.5
Translation differences	0.8	-	0.8
Fair value at end of year	588.1	-	588.1

Provisions for pensions

Provisions for pensions, fair value	679.3	42.6	721.9
Plan assets, fair value	- 588.1	-	- 588.1
Provisions for pensions	91.2	42.6	133.8

Pension costs

Current contributions	- 3.4	2.5	- 0.9
Interest on obligations	7.0	1.8	8.8
Expected return on plan assets	- 7.2	-	- 7.2
Actuarial gains (-), losses (+) during period	-	0.6	0.6
Pension costs, defined-benefit plans	- 3.6	4.9	1.3
Pension costs, defined-contribution plans			85.7
Total pension costs			87.0

Reconciliation of provisions for pensions

Opening balance	-	35.2	35.2
Provisions in acquired companies	94.7	4.6	99.3
Pension costs, defined-benefit plans	- 3.6	4.9	1.3
Benefits paid	-	- 1.8	- 1.8
Translation differences	0.1	- 0.3	- 0.2
Closing balance	91.2	42.6	133.8

For 2012, expected pension costs for defined-benefit plans are

	12.7	3.9	16.6
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Composition of plan assets

Shares	49.6
Interest-bearing securities	373.2
Property, etc.	165.3
Total plan assets	588.1

Actuarial assumptions

	Switzerland	Sweden
Discount rate on 1 January	-	4.00%
Discount rate on 31 December	2.50%	4.00%
Expected salary increases	1.00%	3.00%
Expected inflation	1.00%	2.00%
Expected return on plan assets		
- shares	3.00%	-
- interest-bearing securities	3.00%	-
- property, etc.	3.00%	-

Parent

The parent's recognised pension liabilities amount to SEK 1.7 million (SEK 1.1 million), and are calculated in accordance with the Pension Obligations Vesting Act and not with IAS19.

(in millions of SEK)	2010		Total
	Funded plans	Un-funded plans	
Reconciliation of pension obligations			
Present value at start of year	-	47.8	47.8
Premiums from employer	-	1.6	1.6
Interest on obligations	-	1.7	1.7
Benefits paid	-	- 1.4	- 1.4
Actuarial gains/losses during period	-	0.5	0.5
Present value at end of year	-	50.2	50.2
Unrealised actuarial gains (+), losses (-)	-	- 15.0	- 15.0
Fair value at end of year	-	35.2	35.2
Provisions for pensions			
Pension obligations, fair value	-	35.2	35.2
Provisions for pensions	-	35.2	35.2
Pension costs			
Current contributions	-	1.6	1.6
Interest on obligations	-	1.7	1.7
Actuarial gains (-), losses (+) during period	-	0.6	0.6
Pension costs, defined-benefit plans	-	3.9	3.9
Pension costs, defined-contribution plans			73.6
Total pension costs			77.5
Reconciliation for provisions for pensions			
Opening balance	-	32.7	32.7
Pension costs, defined-benefit plans	-	3.9	3.9
Benefits paid	-	- 1.4	- 1.4
Closing balance	-	35.2	35.2
Actuarial assumptions			
	Sweden		
Discount rate on 1 January	-	4.00%	
Discount rate on 31 December	-	4.00%	
Expected salary increases	-	3.00%	
Expected inflation	-	2.00%	

Note 26**Other provisions**

Group	Guarantee risk reserve	Other	Total Group	Parent
(in millions of SEK)				
Amount at start of year	116.6	120.2	236.8	97.3
Provisions in acquired companies	60.5	32.8	93.3	-
Provisions during the year	72.3	8.1	80.4	-
Amount utilised during the year	- 48.4	- 7.8	- 56.2	-
Reversals in provisions	- 11.6	-	- 11.6	-
Translation differences	- 1.4	1.1	- 0.3	- 0.2
Amount at year-end	188.0	154.4	342.4	97.1

Guarantees are normally provided for 1 or 2 years. The guarantee risk reserve is calculated on the basis of the cost history of these commitments. Other provisions consist primarily of contingent consideration, which is, in principle, expected to be paid within three years.

Note 27**Bank overdraft facilities**

Credit facilities granted in the Group totalled SEK 1,030.6 million (SEK 1,341.1 million). The Group's overdraft was reduced during the year by SEK 310.5 million. The facility granted for the parent was SEK 200.0 million (SEK 919.0 million), which represents a reduction of SEK 719.0 million during the year. Agreements are in place on long-term refinancing.

Note 28**Accrued expenses and deferred income**

	Group		Parent	
(in millions of SEK)	2011	2010	2011	2010
Accrued salaries	200.6	129.1	2.4	2.0
Accrued payroll overheads	68.2	59.9	1.8	1.4
Other items	211.1	153.9	2.7	3.6
Amount at year-end	479.9	342.9	6.9	7.0

Note 29**Pledged assets**

	Group		Parent	
(in millions of SEK)	2011	2010	2011	2010
Floating charges	116.1	103.4	4.0	-
Real estate mortgages	360.1	263.4	-	-
Receivables	3.5	82.0	1.3	0.8
Shares in subsidiaries ¹⁾	6,719.8	1,883.5	5,252.9	396.9
Total pledged assets	7,199.5	2,332.3	5,258.2	397.7

¹⁾ Liabilities to credit institutions for which shares have been pledged as collateral

3,574.6	589.5	3,574.6	589.5
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Note 30**Contingent liabilities**

	Group		Parent	
(in millions of SEK)	2011	2010	2011	2010
Pension commitments not entered under liabilities or provisions	1.0	1.4	-	-
Contingent liabilities on behalf of other Group companies	-	-	142.4	34.7
Total contingent liabilities	1.0	1.4	142.4	34.7

Note 31

Acquisition of business operations

During the year, direct acquisition costs of SEK 61.8 million (SEK 5.4 million) were recognised as administrative costs in profit or loss.

Schulthess Group

In April agreement was reached on the acquisition of a 31.1% stake in the heating technology company Schulthess Group AG, listed on the Swiss stock exchange. A voluntary public tender offer for the remaining shares was subsequently accepted by shareholders representing 67.6% of the share capital, thus enabling NIBE to acquire a total of 98.7% of the shares in the company. After transactions were finalised on 29 July 2011, Schulthess was consolidated into the NIBE Energy Systems business area with effect from August. The total consideration for the acquisition, including expenses for the compulsory redemption of shares, amounted to SEK 4,812 million: 60% of this sum was paid in cash, while the remainder took the form of a directed issue of 16,119,437 new class B shares in NIBE Industrier AB on the acquisition date. The value of these shares has been calculated using a market value of SEK 108.25 per share on the acquisition date. This raises the current number of NIBE shares to a total of 110,039,437. From 10 August the NIBE share has also been listed on the SIX Swiss Exchange. The remaining 1.3% stake in the company will be purchased by compulsory redemption.

The Schulthess Group is one of Europe's leading suppliers of heat pumps sold under the Alpha-InnoTec and Novolan brands. The company also manufactures high quality, energy-efficient products for cooling, ventilation and solar energy, as well as washing machines and tumble dryers under the KKT Kraus, Genvex and Schulthess labels. Schulthess has annual sales of approximately SEK 2,250 million, a profit margin averaging well over 10% and a workforce of just over 1,000.

The acquisition balance is still preliminary. For further details relating to the acquisition, you are kindly referred to our homepage: www.nibe.com.

Consideration consists of the following

(in millions of SEK)	Group 2011
Initial consideration for 98.7% of shares	4,748.7
Provision for compulsory redemption of remaining 1.3% stake	63.2
Total consideration	4,811.9
Fair value of net assets acquired	1,938.1
Goodwill	2,873.8
Consideration	4,811.9
Directed non-cash issue	- 1,744.9
Cash and cash equivalents in acquired companies	- 190.1
Effect on the Group's cash and cash equivalents	2,876.9

Goodwill is attributable to the profitability of the operations acquired as well as to the synergy effects anticipated within the Group. Cost synergies are anticipated primarily in the form of greater efficiency in sourcing and lower purchase prices from suppliers. Income synergies are anticipated as a result of a broader product range and complementary distribution channels.

The acquired net assets are made up as follows:

(in millions of SEK)	Fair value	Carrying amounts acquired
Market position	750.9	-
Brands	564.1	-
Other intangible assets	105.4	107.1
Tangible assets	585.8	585.8
Financial assets	34.1	-
Current receivables	291.3	291.3
Inventories	379.6	396.0
Cash and bank balances	190.1	190.1
Provisions	- 624.8	- 155.0
Liabilities	- 338.4	- 347.7
Net assets acquired	1,938.1	1,067.6

Other acquisitions

Early in 2011 the business operations of the UK company Thermtec Ltd were acquired and integrated into NIBE Element's existing operations in the UK. Thermtec sales total approximately SEK 20 million a year and the company's operating margin has averaged around 6%. Business operations were consolidated into the NIBE Element business area with effect from January.

In March NIBE acquired the Element Division of Electrolux Professional AG in Switzerland. These operations, with annual sales of approximately SEK 75 million and an operating margin that has averaged around 10%, were consolidated into the NIBE Element business area at the beginning of March.

In April NIBE also acquired the remaining 25% stake in CJSC EVAN of Russia. The company, which forms part of NIBE Energy Systems, was consolidated as a wholly owned subsidiary with effect from April.

In mid-September NIBE acquired Emerson Heating Products, the element manufacturing division of Emerson Electric Co. of the USA. The division has annual sales of approximately SEK 485 million and just over 1,100 employees in the USA, Mexico and China. These operations, consolidated into the NIBE Element business area with effect from 15 September, report an operating margin of slightly more than 10%. The acquisition expands the NIBE Element product portfolio to include new climate control technology and adds extensive manufacturing and sales operations in North America and China.

Consideration consists of the following

(in millions of SEK)	Group 2011	Group 2010
Initial consideration	638.5	135.3
Additional consideration	-	112.8
Total consideration	638.5	248.1
Fair value of net assets acquired	247.8	77.2
Goodwill	390.7	170.9
Consideration	638.5	248.1
Cash and cash equivalents in acquired companies	- 33.6	- 8.4
Effect on the Group's cash and cash equivalents	604.9	239.7

Goodwill is attributable to the profitability of the operations acquired as well as to the synergy effects, particularly in material supply and distribution, that are anticipated within the Group. Tax-deductible goodwill arising from the purchase of the net assets is included at SEK 56.5 million (SEK 0.0 million).

The acquired net assets are made up as follows:

(in millions of SEK)	Fair value	Carrying amounts acquired
Market position	94.5	-
Other intangible assets	6.7	-
Tangible assets	56.0	56.0
Financial assets	4.5	0.6
Current receivables	87.6	87.6
Inventories	59.7	59.7
Cash and bank balances	33.6	33.6
Provisions	- 18.2	- 2.3
Liabilities	- 76.6	- 108.1
Net assets acquired	247.8	127.1

Corporate governance report



Corporate governance in NIBE Industrier AB (NIBE) is performed by the Annual General Meeting, the Board of Directors and the Managing Director/CEO in accordance with the Swedish Companies Act (Swedish Code of Statutes 2005:551), the company's Articles of Association, the Swedish Annual Accounts Act, the listing agreement with the NASDAQ OMX Stock Exchange in Stockholm and the Swedish Code of Corporate Governance (the Code).

It is good practice for Swedish companies whose shares are traded on regulated markets to comply with the Code. NIBE complies with the Code, and this Corporate Governance Report has been drawn up in accordance with the Code. In addition, and likewise in accordance with the Code, NIBE also provides information via the company's website.

Ownership

NIBE has its registered offices in Markaryd, Sweden, and the company's shares have been listed on the NASDAQ OMX Stockholm Exchange since 1997, with a secondary listing on the SIX Swiss Exchange since August 2011. On 31 December 2011 NIBE had 17,949 registered shareholders, excluding previous owners of the Schulthess Group AB who have become shareholders in NIBE. As the Swiss authorities do not report any details relating to individual shareholders in Switzerland to NIBE, it is not possible to determine the total number of shareholders. The ten largest shareholders comprise the constellation of current and former directors of the company and senior executives with a total of 24% of the capital

and 49% of voting rights, followed by Melker Schörfling who holds 11% of the capital and 20% of the voting rights, and eight institutional investors with a total of 23% of capital and 11% of voting rights, one of whom represents the previous owners of the Schulthess Group AG. Together these ten constellations of investors hold a total of 58% of the capital in the company and 80% of the votes.

Annual General Meeting

The Annual General Meeting (AGM) is NIBE's highest decision-making body. The AGM elects the company's Board of Directors and auditors, adopts the accounts, makes decisions on dividends and other appropriations of profits/losses, and discharges the Board of Directors and the Managing Director/CEO from liability.

The most recent AGM, held on 11 May 2011 in Markaryd, was attended by 346 shareholders. Those present represented 55% of the number of shares and 78% of the total number of votes in the company. The AGM was attended by the Board of Directors, the Managing Director/CEO and the company's auditors. The minutes of the AGM and the company's articles of association are available on the company's homepage.

There are no limitations in the articles of association as to the number of votes a shareholder may hold at a general meeting of the company, nor as to the appointment or dismissal of directors of the company or changes to the company's articles of association.

The 2011 AGM gave the Board of Directors a mandate to issue new class B shares to be used as part payment for the shares in the Schulthess Group AG in accordance with the conditions for the public tender offer that NIBE presented on 11 April 2011.



Board procedures

The NIBE Board of Directors consists of six members, elected by the AGM. Directors of the company and the Chairman of the Board are elected annually by the AGM to serve for the period until the next AGM. Company employees participate in board meetings as required to submit reports or to contribute expert knowledge in individual matters.

The current Board of Directors comprises Arvid Gierow (Chair), Georg Brunstam, Eva-Lotta Kraft, Hans Linnarson, Anders Pålsson and Gerteric Lindquist (CEO of the NIBE Group). With the exception of the CEO, none of the directors of the company is employed by the company or has any operational responsibilities in the company.

It is the opinion of the Board of Directors that all directors with the exception of the CEO are independent in relation to the company. Please see page 89 for a brief presentation of the directors of the company.

The work of the Board is governed by formal rules of procedure adopted annually to regulate the allocation of work, the decision-making processes within the company, authority to sign for the company, meetings of the Board and the duties of the Chairman of the Board. The Board has also adopted instructions concerning the division of work between the Board and the Managing Director/CEO.

The Board of Directors oversees the work of the Managing Director/CEO and is responsible for ensuring that the organisation, management and administrative guidelines for the company's funds are suitable for the purpose. The Board is also responsible for developing and following up the company's strategies through plans and objectives, decisions on acquisitions, major investments, appointments to managerial positions and the continual supervision of operations during the year. In addition, the Board sets the budget and is responsible for the annual accounts.

The Chairman leads the work of the Board and ensures that it is carried out in accordance with the Swedish Companies Act and other relevant legislation. The Chairman follows the progress of operations through consultations with the Managing Director/CEO, and is responsible for ensuring that other members of the Board receive the neces-

sary information to enable them to hold discussions of a high quality and make the best possible decisions. The Chairman is also responsible for evaluating the work of the Board.

The work of the Board of Directors

During 2011 the Board of Directors held 23 meetings, of which seven were traditional round-table meetings, thirteen were telephone conferences and three were *per capsulam* meetings, where information was shared by circulating the papers among the board members. All meetings were minuted.

Attendance at board meetings was good with full attendance for virtually all the round-table meetings. Apologies for absence were received on only a few occasions. Hans Linnarson was absent from two round-table meetings; Eva-Lotta Kraft and Anders Pålsson were each absent from one telephone meeting.

The agenda includes a number of standing items, which are considered at every meeting:

- Status report. Report of significant events affecting operations that have not been listed in the written report that has been circulated.
- Financial report. Review of the financial information circulated.
- Investments. Decisions regarding investments exceeding SEK 3.0 million, based on the data circulated.
- Legal processes. Review of new or ongoing legal processes when appropriate.
- Acquisitions. Report on ongoing discussions and decisions concerning the acquisition of companies, as and when appropriate.
- Press releases, etc. When appropriate, a review of proposals for external reports to be published after the meeting.



Every ordinary board meeting focuses on one principal topic of discussion, as outlined below:

- **Accounts.** The meeting in February considers the annual accounts of the preceding year. The company auditor presents his comments to the entire Board of Directors on this occasion.
- **Inaugural meeting.** Following the AGM, the Board of Directors holds its inaugural meeting, at which the Board discusses the rules of procedure and determines who has authority to sign for the company.
- **Strategy.** In June, the Board holds strategic discussions over two working days.
- **Audit review.** In November, the company's auditor gives his view on the interim figures for the period January to September.
- **Budget.** At the end of the year, the Board discusses the Group's budget for the coming year.

In addition, the Board of Directors receives a written report every month on the company's financial key figures and position. The Managing Director/CEO is also in continual contact with the Chairman of the Board. The work of the Board of Directors is evaluated once a year.

External Auditors

NIBE's auditors have previously been elected at the AGM to serve for a period of four years. The current period began in 2008 and expires after the AGM in 2012. Thereafter the auditors will be elected every year.

Mazars SET Revisionsbyrå AB was re-elected for a period of four years at the AGM in 2008. In conjunction with this decision, Bengt Ekenberg was elected as the senior auditor.

The senior auditor has continual access to the approved minutes of company board meetings and the monthly reports that the Board receives.

The company's senior auditor reports his observations from the audit and his assessment of the company's internal controls to the Board as a whole.

Over and above normal auditing duties, Mazars SET Revisionsbyrå assists in particular with due diligence reviews in conjunction with corporate acquisitions and with accounting consultations. Information on the remuneration of auditors is given in Note 5 to the annual accounts.

Group management

The CEO, who is also appointed by the Board of Directors as Managing Director of the parent company, exercises day-to-day control of the Group, and the three directors of the Group's business areas report to him.

The CEO leads operations in accordance with the instructions adopted by the Board in respect of the division of work between the Board and the Managing Director/CEO. The work of the Managing Director/CEO and of senior management is evaluated annually.

Financing, currency management, corporate acquisitions, new establishments, financial control, financial information, human resources policy and other overall policy matters are coordinated at Group level.

Governance of business areas

NIBE consists of three business areas. Each business area has its own operational management with profit responsibility. Each business area has a Business Area Board chaired by the Group's CEO. These Business Area Boards also include external members with expertise within the respective areas. Each Business Area Board, in addition to responsibility for day-to-day operations, is also responsible to the NIBE Board of Directors for the strategic development of its respective business area. Each Business Area Board meets once a quarter.

Decision-making process

The NIBE Board deals with all matters of significance. Issues such as the composition of the Board and directors' fees are dealt with once a year prior to the AGM, when the Chairman of the Board contacts major shareholders personally.

The company's auditor makes his report to the Board as a whole.

Remuneration to the Managing Director is a matter decided by the

Board, but the preparatory work for this decision is undertaken by the Chairman of the Board after discussions with the Managing Director. Remuneration to other senior executives is determined by the Managing Director in consultation with the Chairman. These decisions are reported to the Board.

The company does not have a Nomination Committee, a Remuneration Committee or an Audit Committee. NIBE does not comply with the Code in respect of nominations because of the clear ownership structure with two principal shareholder constellations, which together control 70% of the company's votes, and which also enjoy mutually cordial relations. The Board of Directors is not too large to carry out the audit and remuneration tasks in a manner consistent with the Code.

Remuneration

The 2011 AGM resolved that the fees to the Board of Directors and the fees to the auditors should be paid in accordance with approved accounts. At the same time, policies for the remuneration of the Managing Director/CEO and other key management personnel were detailed and approved. Further information about the principles that apply can be found in Note 6 to the annual accounts.

Fees for the Board of Directors for 2011 amounted to SEK 1,050,000 in accordance with a resolution upheld by the AGM. Of this amount, the Chairman of the Board received SEK 350,000 in accordance with the AGM's resolution. Fees are not payable to those members of the Board of Directors who are employed in the Group.

Salary and other remuneration paid to the Managing Director/CEO in 2011 amounted to SEK 3,244,000. A free car is also provided. Salaries paid to four other senior management executives totalled SEK 9,391,000. These senior executives also enjoy free use of company cars. A financial contribution to removal costs is available to newly recruited senior executives.

Severance pay

No severance pay or other benefits apply to the Chairman of the Board or to the directors, apart from the Managing Director/CEO. The period of notice for the Managing Director/CEO is six months in the event that the company gives notice. In addition to salary during the period of notice, the Managing Director/CEO is entitled to severance pay equal to 12 months' salary. Other senior executives are entitled to receive their salaries during a period of notice which varies between 6 and 12 months.

Pensions

The Chairman of the Board and the directors of the company receive no retirement benefits in respect of their work on the Board. Retirement age for the Managing Director/CEO and other senior executives is 65. No special agreements have been reached that entitle senior executives to retire before the official retirement age while still retaining part of their salary in the interim.

The Managing Director/CEO has an individual pension insurance arrangement that corresponds to ITP (supplementary pensions for salaried employees). For 2011, the premium corresponded to 19% of salary up to 30 so-called "income base amounts" (a statistical amount used in Sweden for calculating benefits, etc.). For salary to the Managing Director/CEO paid in excess of this, a premium payment of 30% was made that corresponds to the defined-contribution ITP plan, section 1. Other senior executives in the Group have retirement benefits that correspond to the ITP plan for that portion of their salary up to 30 income base amounts. For salary in excess of this, a premium of 30% is made in accordance with the defined-contribution ITP plan, section 1. An exception is made in the case of the director of one of the business areas, who, in his capacity as Managing Director, has an individual pension arrangement with premiums that correspond to those of other senior executives.

Incentive programme

An incentive programme applies to certain key members of staff, under which they are paid a variable bonus (equivalent to a maximum of three months' salary) if set targets are met. This programme does not extend to the Managing Director/CEO. Certain key individuals in the foreign companies acquired during the year have incentive programmes that, in certain respects, deviate from the principles for remuneration that are otherwise applied in the NIBE Group. Further information about the principles that apply for senior executives can be found in Note 6 to the annual accounts.

Communication with the stock market

The ambition is to maintain a high standard of financial information issued by the Group. Such information must be accurate and transparent in order to create long-term confidence in the company.

Earnings and a summary of the Group's financial position are presented quarterly and, like the annual report, are issued in printed form to all shareholders who so wish. All takeovers and other information that may have an effect on the company's share price are announced via press releases. Full financial information relating to the NIBE Group is available via the website www.nibe.com. Press releases and reports are posted there at the same time as they are made public.

During the course of the year there have been a number of meetings with financial analysts, the media and *Aktiespararna*, the Swedish Shareholders' Association. A Capital Markets Day, arranged in the autumn at NIBE in Markaryd, was attended by both Swedish and foreign investors.

Internal controls of financial reporting in 2011

According to the Swedish Companies Act and the Code, the Board of Directors is responsible for internal controls. This report on internal controls and risk management with regard to financial reporting complies with the requirements in Chapter 6, section 6 of the Annual Accounts Act.

Internal controls were an important component of corporate governance even before the new code was introduced.

NIBE is characterised by simplicity in its legal and operational structure, transparency in its organisation, clear divisions of responsibility, and an efficient management and control system.

NIBE complies not only with external laws and regulations in respect of financial reporting, but also with internal instructions and policies set out in the Group's Finance Handbook. These are applied by all companies in the Group, along with systems aimed at ensuring effective internal controls in financial reporting.

Consolidated financial reports containing comprehensive analyses and comments are drawn up each quarter for the Group and its business areas. Results are also monitored every month.

There are finance functions and controllers with responsibility for accounting, reporting and the analysis of financial trends at Group level, business area level and major unit level.

In addition to the statutory audits of the annual report and statutory audits of the parent and all subsidiaries, the auditors carry out an annual review of how the companies are organised, of existing routines and of compliance with the instructions issued, based on guidelines drawn up by corporate management and approved by the Board of Directors.

The Board also has the option of requesting a special audit of a selected business or operations during the year if this is deemed necessary.

This review increases insight and awareness, provides explicit instructions and proposes a clear organisation in respect of internal controls. It is the view of the Board that, because of the implementation of this review, there is no need for any separate internal control.



The directors of the company, left to right: Georg Brunstam, Gerteric Lindquist, Eva-Lotta Kraft, Anders Pålsson, Arvid Gierow and Hans Linnarson.

The Board's assurance

The Board of Directors and the Managing Director/CEO declare that the consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU, and give a fair view of the Group's financial position and results of operations. The financial statements of the parent have been prepared in accordance with generally accepted

accounting principles in Sweden and give a fair view of the parent's financial position and results of operations. The Board of Directors' Administration Report for the Group and the parent provides a fair review of the development of the Group's and the parent's operations, financial position and results of operations and describes material risks and uncertainties facing the parent and the companies included in the Group.

Markaryd, Sweden – 28 March 2012

Arvid Gierow
Chairman of the Board

Georg Brunstam
Director

Eva-Lotta Kraft
Director

Hans Linnarson
Director

Anders Pålsson
Director

Gerteric Lindquist
MD/Chief Executive Officer

The balance sheets and income statements will be presented for approval at the Annual General Meeting on 10 May 2012.

Auditor's Report

To the annual meeting of the shareholders of NIBE Industrier AB (publ)
Corporate ID No. 556374-8309

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of NIBE Industrier AB (publ) for financial year 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 51-87.

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

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

Auditor's responsibility

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

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

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2011 and of its financial performance and cash flows

in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance report has been prepared and presented. The statutory administration report and corporate governance report are consistent with the other parts of the annual accounts and consolidated accounts.

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

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of NIBE Industrier AB for financial year 2011.

Responsibilities of the Board of Directors and the Managing Director

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

Auditor's responsibility

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

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

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

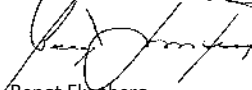
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profits 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.

Markaryd, Sweden – 28 March 2012

Mazars SET Revisionsbyrå AB



Bengt Ekenberg

Authorised Public Accountant

Board of Directors



ARVID GIEROW (born 1943)

Chairman since 2003 and board member since 1997.

M.Sc. in Business & Economics.

Board member of MSAB and SHB, Stortorget, Helsingborg.

Shareholding in NIBE Industrier: 86,400 B shares.

Independent director.



GERTERIC LINDQUIST (born 1951)

Board member since 1989.

Chief Executive Officer. MD of NIBE Industrier AB and NIBE AB.

M.Sc. in Engineering and M.Sc. in Business & Economics. Employed by NIBE since 1988.

Shareholding in NIBE Industrier: 1,504,560 A shares and 3,563,440 B shares.

In view of his position, his shareholding and the length of time during which he has been a member of the board, Gerteric Lindquist cannot be considered an independent director of the company.



GEORG BRUNSTAM (born 1957)

Board member since 2003.

M.Sc. in Engineering.

CEO and director of HEXPOL AB.

Director of DIAB Group AB and AB Wilh. Becker.

Shareholding in NIBE Industrier: 0 shares.

Independent director.



EVA-LOTTA KRAFT (born 1951)

Board member since 2010.

M.Sc. in Engineering and MBA.

Director of Biotage AB, Boule Diagnostics AB, Opus Prodox AB, Ostnor AB, Samhall AB, Siemens AB and ÄF AB.

Shareholding in NIBE Industrier: 1,000 B shares.

Independent director.



HANS LINNARSON (born 1952)

Board member since 2006.

B.Sc. (Electrical Engineering).

Director of Husqvarna AB. MD and CEO of Husqvarna AB.

Shareholding in NIBE Industrier: 0 shares.

Independent director.



ANDERS PÅLSSON (born 1958)

Board member since 2010.

M.Sc. in Business & Economics.

Director of Lammhults Design Group AB and Trioplast AB.

Shareholding in NIBE Industrier: 2,000 B shares.

Independent director.

Senior Executives



GERTERIC LINDQUIST
(born 1951)
Chief Executive Officer. MD of
NIBE Industrier AB and NIBE AB.
M.Sc. in Engineering and M.Sc. in
Business & Economics.
Employed by NIBE since 1988.
Shareholding in NIBE Industrier:
1,504,560 A shares and
3,563,440 B shares.



CHRISTER FREDRIKSSON
(born 1955)
Director, NIBE Element and
MD for Backer BHV AB.
M.Sc. in Engineering.
Employed by NIBE since 1992.
Shareholding in NIBE Industrier:
375,840 A shares and
716,960 B shares.



HANS BACKMAN
(born 1966)
Financial Director,
NIBE Industrier AB.
M.Sc. in Business & Economics
and MBA.
Employed by NIBE since 2011.
Shareholding in NIBE Industrier:
0 shares.



KJELL EKERMO
(born 1956)
Director, NIBE Energy Systems.
M.Sc. in Engineering.
Employed by NIBE since 1998.
Shareholding in NIBE Industrier:
107,200 B shares.



Auditor
MAZARS SET REVISIONSBYRÅ AB
Senior Auditor
Bengt Ekenberg (born 1960)
Authorised Public Accountant



NIKLAS GUNNARSSON
(born 1965)
Director, NIBE Stoves.
Engineer.
Employed by NIBE since 1987.
Shareholding in NIBE Industrier:
107,200 B shares.

Companies in the NIBE Group

NORDIC REGION

SWEDEN

NIBE Industrier AB MARKARYD

NIBE Element
NIBE AB SÖSDALA

/NIBE Energy Systems
/NIBE Stoves MARKARYD
MARKARYD

Backer BHV AB SÖSDALA
Backer BHV AB/
Calesco Division KOLBÄCK
Lund & Sørensen AB MÖLNDAL
METRO THERM AB KALMAR
Sol & Energiteknik SE AB HUSKVARNA

DENMARK

Danotherm Electric A/S RØDOVRE
Genvex A/S HADERSLEV
JEVI A/S VEJLE
KVM-Conheat A/S VISSENBJERG
Lotus Heating Systems A/S LANGESKOV
Lund & Sørensen A/S VEJLE
METRO THERM A/S HELSINGE
NIBE Wind Components ESBJERG
SAN Electro Heat A/S GRÆSTED
TermaTech A/S HASSELAGER
Varde Ovne A/S GRAM
Vølund Varmeteknik A/S VIDEBÆK

FINLAND

Kaukora Oy RAISIO
Loval Oy LOVISA
NIBE Energy Systems Oy VANTAA
Oy Meyer Vastus AB MONNINKYLÄ

NORWAY

ABK AS OSLO
Alpha-InnoTec Norge AS STAVANGER
Høiax AS FREDRIKSTAD
Nordpeis AS LIERSKOGEN
Norske Backer AS KONGSVINGER

EUROPE excl. Nordic region

AUSTRIA

KNV Energietechnik GmbH SCHÖRFLING
AM ATTERSEE
Schulthess Maschinen GmbH VIENNA

CZECH REPUBLIC

Backer Elektro CZ a.s. HLINSKO
DZ Drazice – Strojirna s.r.o. B. NAD JIZEROU
Eltop Praha s.r.o. MIRETICE

FRANCE

Alpha-InnoTec France EURL BISCHWILLER
Backer Calesco France Sarl LYON
NIBE Foyers France S.A.S. REVENTIN

GERMANY

Alpha-InnoTec GmbH KASENDORF
Alpha-InnoTec Sun GmbH THOLEY-THELEY
Erdwärme plus GmbH KASENDORF
KKT Kraus Kälte- und
Klimatechnik GmbH KASENDORF
NIBE Systemtechnik GmbH CELLE
Novelan GmbH KASENDORF

ITALY

Backer FER s.r.l. S. AGOSTINO
REBA Div. Industrial
Applications MILAN

NETHERLANDS

NIBE Energietechnik B.V. WILLEMSTAD
Sinus-Jevi Electric
Heating B.V. MEDEMBLIK

POLAND

Backer OBR Sp. z o.o. PYRZYCE
NIBE-BIAWAR Sp. z o.o. BIALYSTOK
Northstar Poland Sp. z o.o. TRZCIANKA

SLOVAKIA

DZ Drazice
– Slovensko spol.s.r.o. BRATISLAVA

SPAIN

Backer Facsa, S.L. AIGUAFREDA

SWITZERLAND

Alpha-InnoTec Schweiz AG ALTISHOFEN
Backer ELC AG AARAU
Merker AG REGENSDORF
NIBE Wärmotechnik AG FLURLINGEN
Schulthess Group AG WOLFHAUSEN
Schulthess Maschinen AG WOLFHAUSEN

UK

Heatrod Elements Ltd MANCHESTER
NIBE Energy Systems Ltd CHESTERFIELD

REST OF THE WORLD

CHINA

Backer Heating Technologies
(Shenzhen) CO. Ltd SHENZHEN
Emerson Appliance Solutions
Co. Ltd SHENZHEN
Lund & Sørensen Electric
Heating Equipment
Accessory Co. Ltd TIANJIN
Shel NIBE Man. Co. Ltd SHENZHEN

MEXICO

Backer Alpe,
S. de R.L.de C.V. TLAHUAC
Wiegand S.A. de C.V. NUEVO LAREDO

RUSSIA

CJSC Evan NIZ. NOVGOROD
NIBE Kamini LLC DUBNA

USA

Backer EHP, Inc. MURFREESBORO, TENN
Backer Heating Tech.s Inc ELGIN, ILL
KKT Kraus USA Corp. ELK GROVE, ILL
NIBE Energy Systems Inc MURFREESBORO, TENN

Contact information for all of these companies is available via the NIBE Group website



NIBE is an international heating technology company with business operations organised in three business areas, NIBE Element, NIBE Energy Systems and NIBE Stoves.



Our vision is to create world-class solutions in sustainable energy.



Our mission is to offer energy technology products and solutions that combine high quality with innovation. This work builds on the NIBE Group's wide-ranging expertise in the fields of product development, manufacturing and marketing.

NIBE

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