

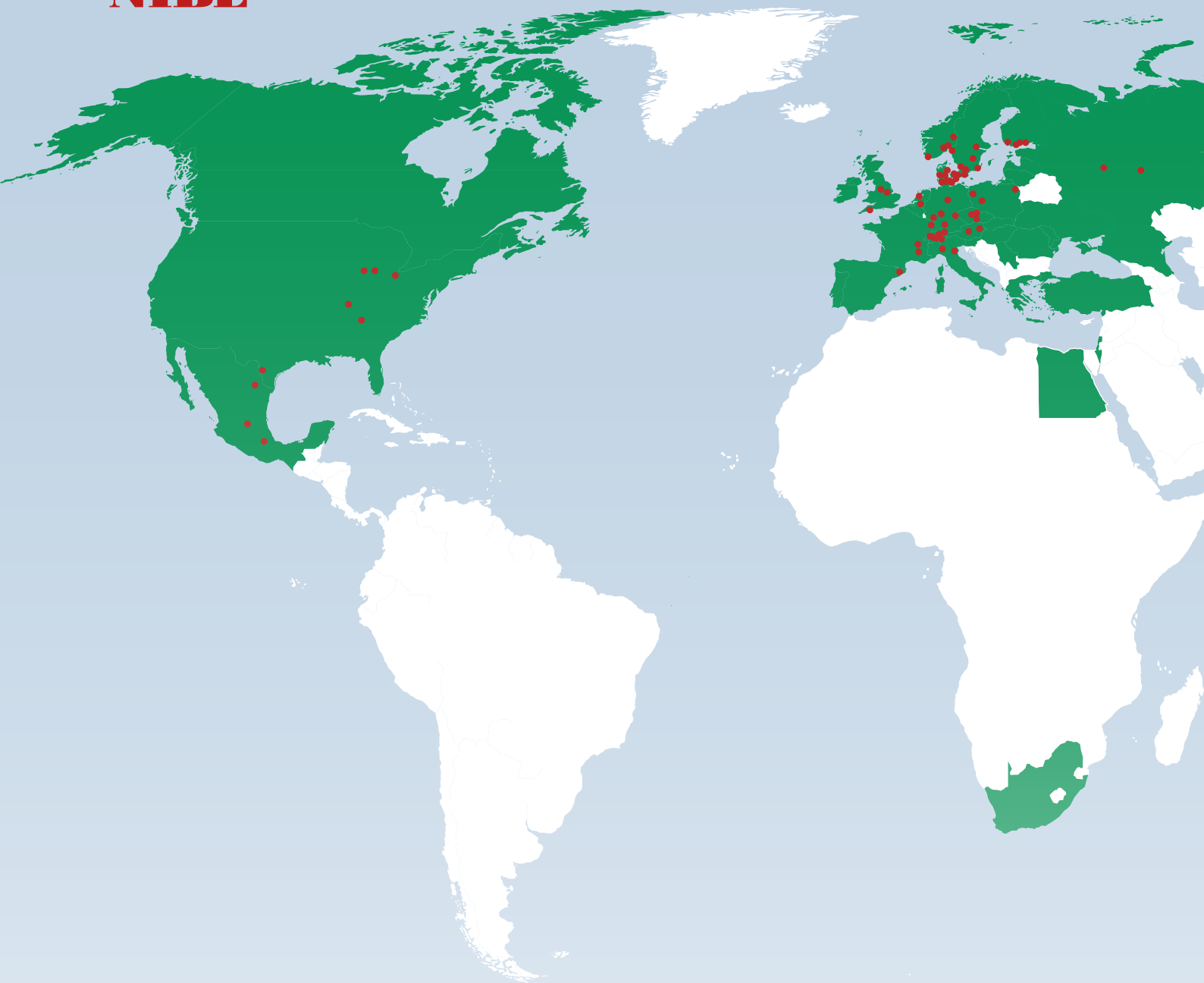
NIBE

– world-class solutions in sustainable energy



Annual Report 2014

NIBE



This is NIBE

A global Group with operations and sales on five continents

NIBE is a Swedish company, with its roots in the southern province of Småland and a tradition dating back many years of manufacturing products for both household and commercial use. Entrepreneurship and a passion for doing business, investments in product development and corporate acquisitions have led to significant expansion of the Group, which now has sales of some 11 billion Swedish kronor.

NIBE is listed on the NASDAQ OMX Stockholm Exchange, Large Cap list, with a secondary listing on the SIX Swiss Exchange. Operations are pursued through three different business areas with more than 10,000 employees in Europe, North America, Asia and Australia. Each business area has its own operational management with responsibility for profits.

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The NIBE Group

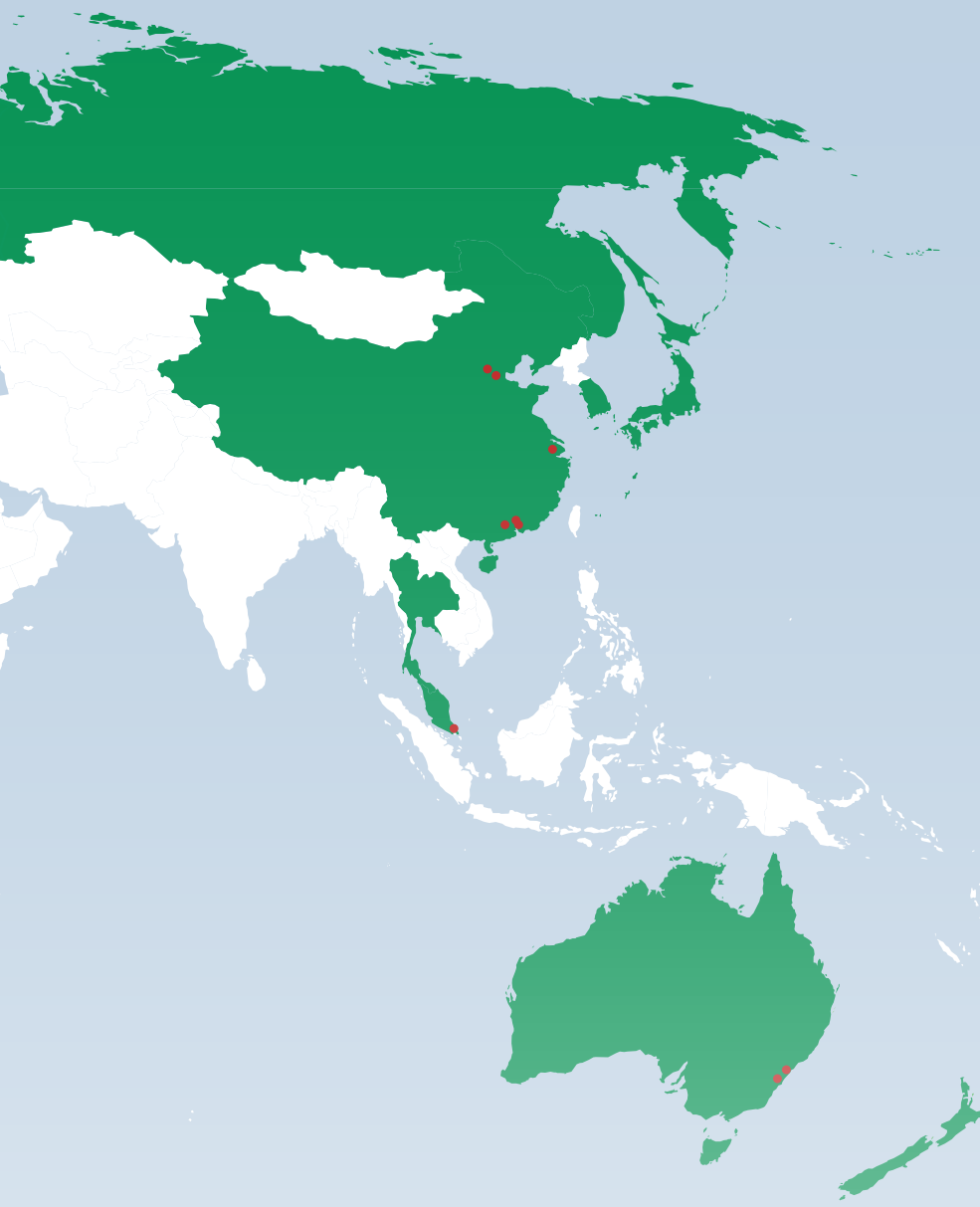
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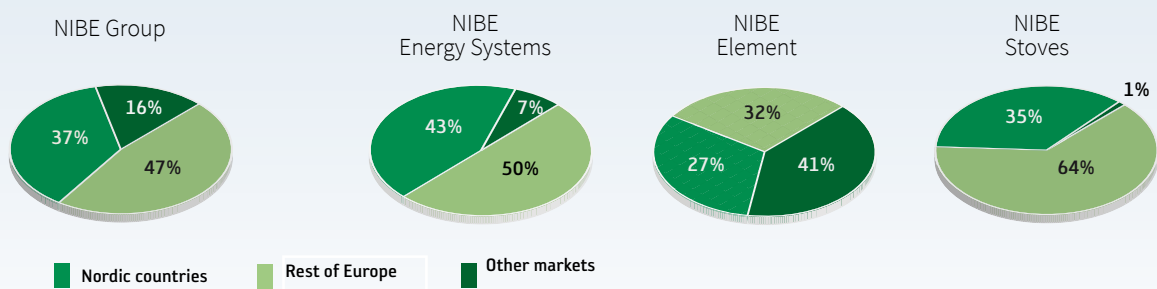
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- The Group's operations
- The Group's sales

Sales by geographical region

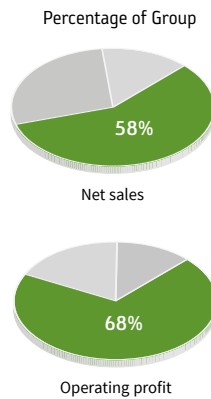


One NIBE - three business areas

NIBE Energy Systems

Energy-efficient products for indoor climate comfort and hot water

NIBE Energy Systems offers a wide range of indoor climate comfort products, including heating, cooling, heat recovery and hot water for private homes, apartment blocks and other large properties.



2014

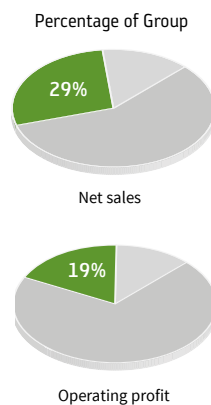
Net sales	SEK 6,507 m
Growth	13.4 %
Operating profit	SEK 984 m
Operating margin	15.1 %
Avg. no. of employees	3,094

Find out more on page 30.

NIBE Element

Industrial partner with customised solutions

The NIBE Element product range comprises components and solutions for measuring, controlling and heating intended for both industrial and consumer products.



2014

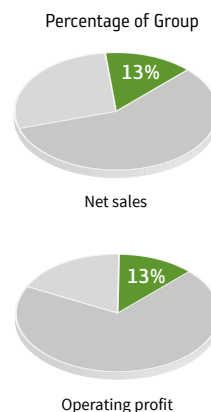
Net sales	SEK 3,193 m
Growth	13.2 %
Operating profit	SEK 280 m
Operating margin	8.8 %
Avg. no. of employees	5,689

Find out more on page 38.

NIBE Stoves

Energy-efficient stoves for various heating needs and design requirements

NIBE Stoves' product range comprises stoves for various types of energy and in various sizes and designs – adapted to suit different kinds of private homes and commercial properties. The range also includes chimney systems and other accessories.



2014

Net sales	SEK 1,483 m
Growth	6.3 %
Operating profit	SEK 180 m
Operating margin	12.1 %
Avg. no. of employees	935

Find out more on page 44.

NIBE – world-class solutions in sustainable energy 2014



NIBE in the home – page 6



NIBE in large properties – page 7



NIBE in industry – page 8

Results 2014

- ◆ Sales rose by 12.2%
- ◆ Profit after net financial items increased by 15.6%
- ◆ The share price climbed by 38.6%
- ◆ The Board of Directors proposes a dividend of SEK 2.70/share

Read more about profit for the year in the Administration Report on page 50.

Acquisitions 2014

- ◆ Technibel, France
- ◆ WaterFurnace, North America
- ◆ Enertech Global, North America
- ◆ ASKOM, Switzerland

Read more about the year's acquisitions on page 17.

SEK 11,033 m
Net sales

SEK 1,385 m
Operating profit

12.6%
Operating margin

SEK 1,292 m
Profit after financial items

11.7%
Profit margin

The year in figures		2014	2013	Change
Net sales	SEK m	11,033	9,834	12 %
Growth	%	12.2	7.0	5.2 Percentage p.
Operating profit	SEK m	1,385	1,179	17 %
Profit after financial items	SEK m	1,292	1,117	16 %
Investments	SEK m	3,098	912	240 %
of which in existing non-current assets	SEK m	308	309	- 1 %
Gross margin	%	16.2	15.9	0.3 Percentage p.
Operating margin	%	12.6	12.0	0.6 Percentage p.
Profit margin	%	11.7	11.4	0.3 Percentage p.
Capital employed	SEK m	14,411	10,167	42 %
Equity	SEK m	6,560	5,575	18 %
Return on capital employed	%	12.1	12.4	- 0.3 Percentage p.
Return on equity	%	16.6	16.7	- 0.1 Percentage p.
Return on total assets	%	9.6	9.9	- 0.3 Percentage p.
Asset turnover	times	0.71	0.80	- 11 %
Equity/assets ratio	%	36.2	43.0	- 6.8 Percentage p.
Proportion of risk-bearing capital	%	40.8	47.2	- 6.4 Percentage p.
Operating cash flow	SEK m	945	760	24 %
Interest coverage ratio	times	7.6	12.4	- 39 %
Net debt/EBITDA	times	3.3	1.9	71 %
Interest-bearing liabilities/Equity	%	119.7	82.3	37.4 Percentage p.
Average number of employees	.	9,726	8,983	8 %

Please refer to page 61 for definitions.

Dividend

The Board of Directors proposes that the Annual General Meeting approves a dividend of SEK 2.70 per share for the 2014 financial year, corresponding to a total payout of SEK 298 million. If this proposal is accepted, it is anticipated that the dividend will be dispatched from Euroclear Sweden AB on Tuesday 19 May 2015.

Annual General Meeting

The AGM will be held on Monday 11 May 2015 at 5 pm at NIBE in Markaryd, Sweden.

Comfort, convenience and peace of mind

A pleasant indoor climate is something we take for granted at home today. The old adage “my home is my castle” says it all: home is a place where the feel-good factor is paramount. Combined with good economy and the reassurance of knowing the products in your home are safe, this promotes genuine quality of life. With its products, NIBE is always close at hand to bring peace of mind to our modern homes.



Welcomingly warm floors

Hydronic underfloor heating combined with heat pumps from NIBE make floors warm enough for children to play on and scamper around barefoot indoors all year round.

A pleasant indoor climate

A heat pump from NIBE is easy to use no matter which one you choose. It's an energy-efficient solution for domestic heating that is kind to family finances while taking good care of the environment for future generations.



Hot water – always on tap

You always need plenty of hot water with children in the family. Therefore it feels good to be able to rely on a constant supply from a reliable NIBE water heater using in-house produced tubular elements.

Cosy up to a stove

There is nothing cosier than relaxing in front of a NIBE stove, and it's also an efficient form of heating. Our stoves use highly efficient combustion technology which saves you money and, by using heat from wood, a renewable energy source, you're helping save the planet too.



The kitchen – the heart of the home

Many appliances in today's kitchens, from toasters and coffee makers to ovens and dishwashers, incorporate components produced by NIBE.

Help around the home

The washing machine is almost in daily use in many family homes and, just like the tumble-dryer and heated towel rail, it includes several components made by NIBE.

NIBE in large properties

We heat and cool

Larger buildings require a bigger investment in heating equipment and indoor climate comfort. NIBE offers various alternatives for large properties such as apartment blocks, industrial and agricultural premises, hotels, churches and even stately homes. NIBE can offer a host of product solutions for excellent indoor comfort all year round in a single large property, or several smaller ones with a shared source of heating.

The renovated mansion Aberglasney House and Gardens, Wales

A historic Welsh mansion has been renovated and now incorporates the very latest renewable heating technology – a brand new NIBE heat pump system. The property has a natural pool that is used as an energy source to heat both the mansion itself and its famous indoor garden. The heat pump system also provides the mansion with hot water.



Audi's showroom in Istanbul, Turkey

NIBE's heat pumps are used for both heating and cooling in Audi's 18,000-square-metre showroom in Istanbul. "NIBE Uplink" enables the entire indoor climate comfort system to be remotely controlled. Even when the heat pumps are in standby mode, they save energy. Each unit has active cooling modules that create excellent air conditioning indoors.



Cooling when mining copper ore in Chile

Bespoke cooling units from KKT Chiller are used to cool the electric motors of the mining machinery at the copper mine in Los Bronces, Chile. The customer's stringent requirements are that the cooling must be suitable for air polluted by dust, be adapted for operation at heights of up to 4,200 metres above sea level and comply with special safety requirements. The bespoke solution contains seven industrial coolers.

Miami University – Oxford, Ohio

Instead of burning coal to generate steam, WaterFurnace's geothermal heating system is used, in which heat is extracted from the ground via 300 energy wells, which is cleaner, quieter and more sustainable. In addition to the environmental and economic benefits, the system also acts as an educational centre for the students. It has been integrated into the teaching to show how this type of technology can be used.



We measure, control and heat

NIBE Element is a partner to many companies in many industries by developing and manufacturing components and solutions for measuring, control and electric heating. NIBE meets their demands for a variety of solutions tailored to their specific applications.



Resistors with many applications

NIBE resistors are used for controlling and regulating the action of industrial robots, lifts and electric motors across a broad spectrum of industries.

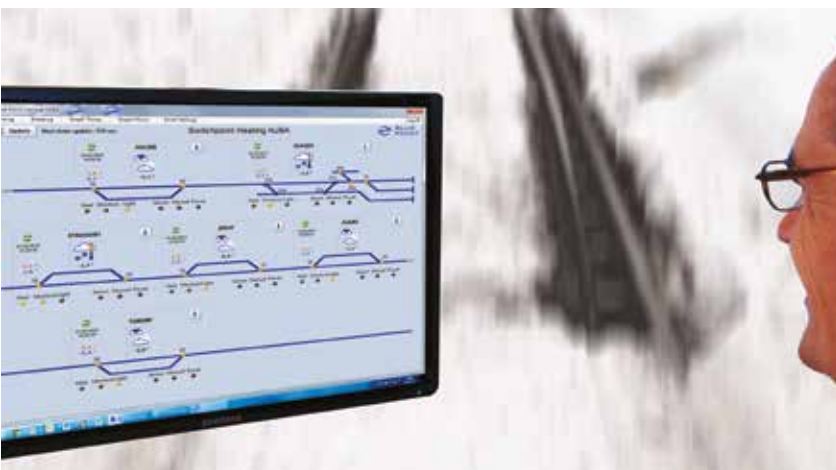
Constant need for tubular heating elements

NIBE has been manufacturing tubular heating elements for many years. Clients have a wide variety of needs for heating solutions for special areas, cables, electric cabinets and surfaces that must remain ice-free. Tubular elements are constantly and rapidly evolving; many new functions and sectors need such systems in their operations.



In-car comfort creates new applications

Today there is a major demand for electric heating and element technology in many vehicles. Heated wing mirrors, engine pre-heaters and a warm driving seat are no longer considered a luxury. Heated and thereby ice-free cameras for night vision improve safety for drivers of heavy goods vehicles. Warm handles for scooter riders are another example of increased comfort. And a new application from NIBE is heated windscreen wipers, which are highly likely to become a standard feature on the cars and lorries of tomorrow.



Reliable rail traffic in winter

NIBE provides many different applications within rail transport. One example is the control cabinets that monitor and measure the temperature along railway tracks. Weather forecasts are transmitted online, automatically activating and regulating electric tubular heating elements that keep railway switch points free of ice, helping trains to run on time even during the winter months.

We improve energy efficiency

It is natural for NIBE to play a key role in international ambitions to achieve sustainable development in the world. Today one of the main objectives in most companies' product development activities is to make more efficient use of energy, not only in the products they develop, but also throughout the production process itself.

Heat-pump modules and frequency control

Heat pumps have also begun to make their mark in industry. By utilising the Group's in-house expertise in heat-pump technology, NIBE Element can now offer heat-pump modules for use in industrial processes and in commercial products such as dishwashers for professional kitchens. Heat-pump modules improve the indoor environment and the energy efficiency of operations. Frequency-controlled compressors in the heat pumps optimise energy use and reduce strain on the electricity grid.



Offshore industry

NIBE has been supplying the offshore industry for many years with products such as explosion-proof heating elements for oil rigs. Now, as the oil exploration industry itself also aspires to make more efficient use of energy, NIBE is contributing to these ongoing efforts by developing products that improve the control of drilling vessels and by providing efficient heating systems for oil rigs.



Wind turbines

The 21st century has seen a surge in the number of new offshore and onshore wind farms. The technology is being constantly developed to improve reliability and efficiency. In many instances NIBE Element acts as a development partner to the industry, supplying heating equipment for the nacelles and hardware to ensure a more consistent power supply to the grid.

Hybrid vehicles

The market is witnessing a constant stream of new models of private cars and commercial vehicles that are able to run on alternative fuels. NIBE is playing its part in helping to improve the energy efficiency of these hybrid vehicles by developing new elements for pre-heating batteries and resistors that can make use of the energy generated when braking.



A strong 2014 – now we are ready for our next goal



Gerteric Lindquist, Managing Director

Good sales growth

2014 saw major variations in demand from month to month, reflecting the prevailing uncertain and unpredictable economy. Given the circumstances, we have opted to continue with our aggressive acquisition strategy, while as usual paying close attention to our margins. We believe that this combined approach will be the key to achieving the desired continued expansion.

Group sales grew by 12.2% (7.0%) in 2014, including organic growth of 6.5% (-2.3%).

In addition to an uncertain economy and a weaker krona, we also felt the impact of a mild winter in Europe at the start of the year – a year that later ended with a very mild autumn. Furthermore, the price of oil plummeted.

Of our business areas, NIBE Stoves is likely to have been the most adversely affected by the mild weather, since it takes a few major cold snaps in both the autumn and winter to really fuel demand. For NIBE Energy Systems, the mild weather has facilitated installations of heat pumps, while it may also have affected the type and size of heat pump favoured by customers. NIBE Element has also felt the effect of the lack of cold weather, as sales to customers who manufacture heating products for indoor climate comfort have declined.

As regards the impact of the price of oil on our various businesses, we are of the opinion that the effect on NIBE Stoves has been limited. However, for NIBE Energy Systems, it may have caused decisions regarding the replacement of oil-fired boilers with heat pumps to be delayed somewhat in countries such as Germany, where oil-fired boilers still constitute a significant portion of the heating market. Otherwise, it is thought that a more common effect is that consumers are choosing another type of heat pump, for example air/water as opposed to geothermal. Sales of NIBE Element's equipment to the oil and gas industry have not been affected to any great degree so far, but an adverse effect may occur if current price levels persist for an extended period of time.

This uncertainty in the market has naturally led us to maintain a strong focus on costs, great flexibility in production and persistent high demands for continual growth in productivity. Alongside this we have, as previously, invested considerable resources in consistent and professional marketing efforts, combined with intensive product development, which has resulted in a continual flow of new products. All in all this has brought about both increased market share and improved operating margins for all three business areas.

Well-equipped to meet shifting market conditions

Indeed, several of NIBE Energy Systems' main heat pump markets in Europe are not experiencing a decline, but neither are they displaying any actual growth. This is primarily due to the fact that construction of new private homes is not really taking off, although we are now seeing some positive signs in Germany and Sweden. The fact that we have still been able to show some organic growth in Europe is attributable to our marketing efforts and several successful product launches. Construction of new housing is probably the most important engine for growth in the heat pump market, and this is confirmed by developments in North America, where we are seeing that increased construction of new private homes is having an impact.

NIBE Element has been the most successful in 2014 in terms of organic growth. The situation as regards demand has remained positive within most market segments, both in North America and Asia. Overall demand has been healthy in Europe too, although uncertainty has constantly been felt more keenly here. The relatively encouraging situation as regards demand, combined with the fact that we are now a genuine global player and have gained good traction on our investments in marketing and product development, has brought about healthy organic growth and yet another considerable step towards achieving our operating margin target of 10%.

“NIBE’s development and the scope of our work is structured around a bold vision that puts sustainability centre stage, along with clear financial targets, indispensable business principles and crystal-clear values.”

NIBE Stoves had to compete on a European stove market that was characterised by consistent decline, largely due to an uncertain economic situation and the unusually mild weather. The fact that we were still able to produce an improvement in both sales as well as market share and operating margin is entirely thanks to marketing, an attractive product range, vigorous cost control and dedicated productivity development.

Strong growth in profit and margins

Over the year as a whole, operating profit improved by 17.5% compared with 2013, while the operating margin rose to 12.6% compared with the previous year’s figure of 12.0%.

Profit after net financial items improved by 15.6% in 2014 compared with 2013, leading to a profit margin of 11.7% versus 11.4% for the previous year. The fact that net financial items showed negative development compared with last year is primarily explained by foreign exchange losses on loans related to the business.

Continued aggressive acquisition strategy

During the year we have also been actively involved in the ongoing consolidation of the sector that is happening in all our three business areas. No fewer than nine corporate acquisitions have been implemented, with combined sales of approximately SEK 1,250 million. The acquisition of Technibel in France has enabled NIBE Energy Systems to establish a platform for continued expansion in France. Similarly, the business area has gained a proper foothold in North America via the acquisitions of WaterFurnace and Enertech Global. Acquisitions for NIBE Element have been slightly less significant in terms of sales, but have still been strategically important as the acquisition of Swiss ASKOMA brings an additional Asian market, while the acquisitions of the Danish firms Innotek and IC Electronic strengthen our expertise within steering and control.

Well-invested production facilities

The level of investment in the existing businesses amounted to SEK 308 million, compared with last year’s SEK 309 million and a rate of depreciation of SEK 402 million. This illustrates quite well the view that our production facilities are well-managed, while any direct expansion investments have not been deemed necessary.

Investment for the current year is also anticipated to be on a par with or slightly under depreciation according to plan. This proves that our facilities are maintaining a highly satisfactory level of quality and productivity. There is also considerable capacity for a further increase in volume.

Sales of SEK 20 billion no later than 2020

In the 25 years since NIBE Industrier was established in its current form, we have demonstrated that with hard, goal-oriented work you can build up an international Group of companies from a relatively small local firm with its head office in Markaryd, Sweden.

A company with 600 employees and sales of about SEK 300 million, of which 85% in Sweden, has been transformed into a Group of companies with 10,000 employees and sales of SEK 11 billion, distributed over five continents.

NIBE’s development and the scope of our work is structured around a bold vision that puts sustainability centre stage, along with clear financial targets, indispensable business principles and crystal-clear values, which are all described in more detail on pages 14–25.

Based on the same tried and tested framework and further hard work, we are aiming to reach sales of SEK 20 billion, with good profitability, by 2020 at latest.

The size of the market is no obstacle whatsoever to achieving this, and we are firmly resolved to not be limited by this!

Outlook for 2015

Our corporate philosophy and our strong product programme, with their focus on sustainability and saving energy, are in tune with the times that we live in.

We are well-prepared for carrying out additional acquisitions.

Our internal and continually ongoing efforts to raise efficiency, combined with our rigorous cost control measures, will guarantee persistently healthy margins.

It is harder to forecast how external factors such as economic trends, currency fears and the low prices of oil at present will impact the Group, but we remain cautiously positive with regard to the year overall.

Markaryd, Sweden – March 2015

Gerteric Lindquist
Managing Director and CEO

Important events during the year



We update our own sales organisations and partners

As part of our active marketing initiatives, our own sales representatives and partners met in different countries on different occasions in 2014 to discuss future strategies and opportunities. In the Nordic region major future-focused conferences were organised in Sweden and Norway, and several similar albeit somewhat smaller events took place in the southern and eastern parts of Europe.

Ecodesign and energy labelling for stoves

The Ecodesign Directive and the Energy Labelling Directive are significant tools in the EU's efforts to achieve a 20% reduction in energy consumption by the year 2020. In 2014 the EU reached a consensus for the first time about ecodesign requirements for stove products, which means that by 2022 they must comply with certain energy efficiency requirements and not exceed certain emission levels if they are to be used within the EU. The energy labelling requirements provide details to consumers about a product's degree of energy efficiency, thereby enabling them to make informed choices.



New products for buildings using direct electric heating

The first innovative NIBE products in the air/air heat pumps segment were launched in 2014. The owners of many family homes and weekend cottages that still have direct electric heating are not always interested in converting to hydronic heating systems, which makes air/air heat pumps a possible alternative as they involve a lower investment cost. The product can also produce cool air when required.

NIBE Energy Systems launches JUST – Junior Sales Development Programme

Out of the more than 400 candidates for the "Junior Sales Development Programme" nine well-qualified international young people who are passionate about sales were recruited. NIBE Energy Systems is investing in the future by offering these new employees a unique opportunity to launch their careers with NIBE. An international training programme combined with practical sales experience over a period of two years will create a future sales platform characterised by the new generation's customer perspective. Belgium, the Netherlands, Germany, the UK and Switzerland are all initially represented on the programme.



NIBE Energy Systems takes a big step into North America with WaterFurnace

The North American heat pump company WaterFurnace Renewable Energy Inc. was acquired at the end of August. The company is the market leader in ground-source/geothermal heat pumps for private homes and small properties in North America. The business has products and solutions for energy-efficient indoor climate comfort, based primarily on airborne distribution of both heat and cool air. The acquisition also bolsters our position as global market leader within sustainable energy solutions.

NIBE Element stronger via acquisitions

NIBE Element has been strengthened through several bolt-on acquisitions during the year, including Wilson Elements in Australia, which was previously our element distributor in the country. Innotek and IC Electronic from Denmark have brought us additional technology to enhance efficiency through their components and systems. Wolff in Germany, our previous distributor of heating systems for railways and tramways, is now also part of NIBE Element.



Enertech Global LLC became wholly owned

NIBE acquired the remaining 90% of North American heat pump firm Enertech Global LLC in early November. The product range comprises heat pumps for both single-family homes and commercial properties. Together with WaterFurnace, the operations form a broad, stable platform for our future expansion in the North American market.



Acquisition of ASKOMA in Switzerland gives access to production in Malaysia

At the beginning of December NIBE acquired the Swiss heating element company, ASKOMA AG. Its main product range comprises components for heating, control and measuring for the energy market. It has a subsidiary in Malaysia that gives us access to production in an additional Asian country. In exactly the same way as all previously implemented acquisitions, the staff were informed by both the seller and NIBE at the time of the takeover so that they feel a sense of belonging to NIBE and to facilitate the integration of the operations.

Vision, mission, objectives and strategy

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. This work builds on the NIBE Group's wide-ranging capabilities in product development, manufacturing and marketing.

Objectives

Our overriding objective is to combine strong, sustainable growth with healthy profitability, creating value growth for shareholders. We also aim to be an interesting and stimulating workplace for employees, and attract satisfied customers who value the peace of mind that products from the NIBE Group provide. Our operations will be characterised by openness and responsibility.

Strategy

We have divided our strategy into seven different focus areas to clarify the approach that is required and the methods to be used.

Profitability

will be maintained through:

- ◆ Faster growth than competitors
- ◆ Optimising costs and capital
- ◆ High levels of value added
- ◆ Reducing the use of resources and increasing recycling
- ◆ Brand-building
- ◆ Positioning on several continents
- ◆ Internal and external benchmarking
- ◆ Synergies of completed acquisitions.

Growth

will occur through:

- ◆ Increasing our market share in selected markets
- ◆ Investments in new products and technology
- ◆ Strategic acquisitions of strong brands and products that complement our range in selected markets.

Competitiveness

will be strengthened through:

- ◆ Rapid pace of product development
- ◆ Manufacturing high-quality products specially developed to reduce environmental impact
- ◆ Continuous mechanisation and automation in production
- ◆ Flexible wage systems
- ◆ Standardisation, modularisation and the coordination of components
- ◆ Economies of scale within purchasing and production
- ◆ Products with modern design, high performance and good quality
- ◆ Professional, objective marketing with an international appeal
- ◆ High quality.

A holistic approach to environmental issues

will characterise product development and manufacturing, choice of materials, transport, product functionality and recycling at the end of a product's useful life.

Sincerity and an ethical attitude

will apply to both internal relations and external relations with shareholders, customers, suppliers, authorities and society in general.

Customer satisfaction and peace of mind

is our constant goal, to be achieved through:

- ◆ A broad range of products
- ◆ Optimal product solutions tailored to each individual customer
- ◆ The best service and customer support
- ◆ High quality
- ◆ Competitive prices.

Co-worker commitment

will be strengthened through:

- ◆ Training and organisational development
- ◆ Further development of key employees
- ◆ A stake in the Group.

The Group's four financial targets

Objectives

Operating margin

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

10%

Growth

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

20%

Return

To achieve return on equity of at least 20% over a business cycle.

20%

Equity/assets ratio

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

30%

Description

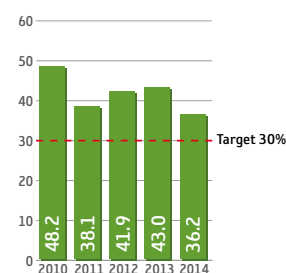
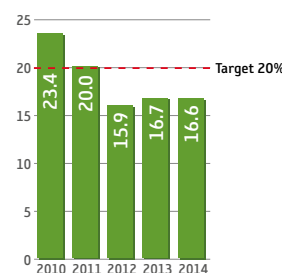
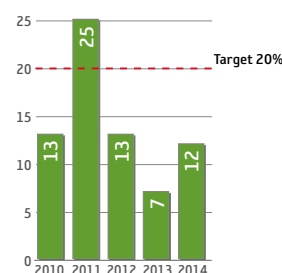
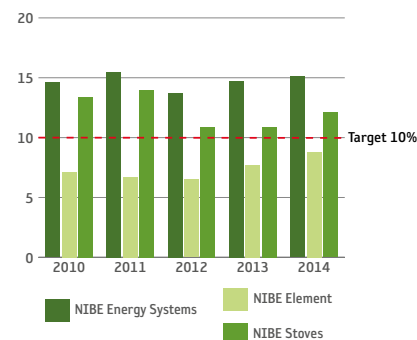
The operating margin will be at least 10% to give the business the desired stability and preparedness. This is one of the most important mainstays at NIBE to ensure long-term positive development and continuous growth. In the past five years the average operating margin has been 14.7% for NIBE Energy Systems, 7.5% for NIBE Element and 12.2% for NIBE Stoves.

Half of our targeted average year-on-year growth is to be organic. Stagnating growth is a threat to maintaining sound and sustainable profitability, but growth through acquisitions balances this as it is usually less than 10% in good times and greater than 10% in more difficult times. In the past five years total average growth has amounted to 13.9%.

Robust return on equity helps create a stable shareholder structure and share price and increases the ability to attract additional capital. In the past five years average return on equity has amounted to 17.7%.

A healthy equity/assets ratio shows that the Group has a strong financial position. It is also essential in a group with vigorous growth. In the past five years the average equity/assets ratio has amounted to 40.2%.

Target achievement



Acquisition strategy

We already had our growth strategy in place in the early 1990s, with its target of average year-on-year growth of 20%. Back then, the Group generated annual sales of approximately SEK 300 million. The insight that continual growth is the prerequisite for good profitability was the background to the strategy.

Growth through acquisitions

We have concluded that, in the relatively mature market in which NIBE operates, organic growth alone cannot reasonably be expected to meet our overall year-on-year growth target of 20%. We have therefore made it clear that organic growth must be complemented by growth through acquisitions that averages 10% a year, which we also believe involves a reasonable element of risk. Since the stock market listing, acquired growth has amounted to an average of 11% annually.

Acquisition criteria

We are constantly analysing opportunities for acquisitions. The decisive factor behind any acquisition is that it must add new technology, enable us to establish a presence in new geographical markets and/or reinforce our market presence.

The basic criteria are that the company concerned must have one or more 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.

Good entrepreneurship holds the key to opening up future opportunities by continuing to arouse curiosity and inspire creativity and commitment. In most instances, keeping companies and management intact in the environments where they were originally established not only provides the optimum conditions for them to realise their full potential, but also helps to develop and invigorate the local communities in which they play such an important part.

Acquisition model

- ◆ The analysis phase is detailed yet rapid as our three sectors are so clearly defined and we have a veritable arsenal of key figures with which to make comparisons.
- ◆ In the implementation phase there is always complete transparency about our intentions with the acquisition. Our very clear and open approach as regards the information we provide on our management philosophy and strategy often facilitates the process.
- ◆ In the integration phase we aim to retain not only brands, but also skilled employees at every level. The primary synergies are found on the purchasing side and in productivity improvements to the manufacturing process.

Our ambition is to create a decentralised organisation where new companies added to the Group continue to enjoy considerable autonomy. We want integration into the NIBE Group to be about harnessing the benefits of belonging to a much larger cluster of companies, and always adopting the NIBE Group's goals and strategies.

History

1949

Nils Bernerup establishes Backer Elektro-Värme in Sösdala, based on inventor Christian Backer's patent. SEK 5,000 in share capital.

1952

1952 Nils Bernerup creates NIBE-Verken in Markaryd through the acquisition of Ebe-Verken. The initials of his first name and surname form the company name, NIBE. SEK 5,000 in share capital.

1989

NIBE Industrier is formed on 18 December when a number of employees and two external investors acquire Backer Elektro-Värme AB and NIBE-Verken AB. The new company organises operations into three new business areas, NIBE Energy Systems, NIBE Element and NIBE Stoves.

Acquisitions 1994–1996

In 1994–1996, six businesses are acquired, mainly in the Nordic region but also a partial acquisition in Poland. In the same period, a company is established in Finland.

1997

Stock market listing

NIBE Industrier AB is successfully listed on the Stockholm stock exchange on 16 June 1997.

Acquisitions and establishments

In the same year, two corporate acquisitions are completed and a company is established in Poland.

Acquisitions in 2014

WaterFurnace

WaterFurnace, with its head office in Fort Wayne, Indiana, has annual sales of about SEK 800 million and 267 employees.

It is the North American market leader in the field of heating and cooling using geothermal pumps. Products designed for private homes account for 70% of sales and solutions for commercial use comprise the remaining 30%.

The acquisition is NIBE's largest to date in North America and it reinforces our position as global market leader in sustainable energy solutions for heating and cooling in the NIBE Energy Systems business area.



North American company WaterFurnace, which was acquired in 2014, was previously a stock market listed group with annual sales of around SEK 800 million.

Enertech Global

Enertech Global operates in Greenville, Illinois, and in Mitchell, South Dakota, has annual sales of about SEK 245 million and 110 employees.

NIBE's cooperation with Enertech Global was launched three years ago, when 10% of the shares were initially acquired.

Enertech has a strong market position within ground-source/geothermal heat pumps for single-family homes.

Following the acquisition of WaterFurnace, the acquisition of the remaining shares in Enertech Global is a logical step for the continued expansion of NIBE Energy Systems in North America.

ASKOMA

ASKOMA operates in Bützberg in Switzerland and Johor Bahru in Malaysia. The company has annual sales of about SEK 55 million and 43 employees, of whom 17 work in Malaysia.

The acquisition of ASKOMA further reinforces NIBE Element's position as a supplier of renewable energy solutions within heating.

The Malaysian part of ASKOMA enables production within the Group to take place in another Asian country in addition to our existing plants in China, which is of great interest from a production and market perspective.

Technibel

Technibel, a French company focused solely on sales, is located just outside Lyon and has 25 employees and annual sales of roughly SEK 105 million.

The Technibel brand is well established in France and known for its climate control products and heat pumps.

We are coordinating Technibel with NIBE's French company and creating a sales platform for three brands with a nationwide sales organisation in France, which is one of Europe's largest heat pump markets.

Smaller bolt-on acquisitions

A number of smaller bolt-on acquisitions were also implemented in NIBE Element, such as the acquisition of Wilson Elements, our former element distributor in Australia, which has expanded our global market presence. We have also taken additional steps towards having a greater proportion of measuring and control components in our product range through the acquisition of the Danish businesses Innotek and IC Electronic, which focus on components and systems for improved energy efficiency. Furthermore, we have acquired Wolff, our previous distributor of heating systems for railways and tramways in Germany, which will form the foundation of continued expansion in the industrial segment in Germany.

1998–2010

Acquisitions

Some 40 acquisitions are made between 1998 and 2010 within all business areas, both in the Nordic region and the rest of Europe.

Establishment

Alongside the acquisitions, six companies are established in Europe during the period.

2011

The largest ever acquisition in NIBE's history is made in 2011, when the Group takes over the Swiss listed Schulthess Group AG.

2011–2013

NIBE carries out two business acquisitions in the US between 2011 and 2013. A further six companies are acquired in Europe.

2014

Two strategic acquisitions take place in the North American market: WaterFurnace, heat-pump market leader in the US, and the remaining 90% of market colleague Enertech. North America now constitutes a significant part of the Group.

Two additional international acquisitions are made, along with five smaller bolt-on acquisitions.

Our business principles

Our management philosophy is built on eight fundamental 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 entrepreneurial spirit and corporate culture that prevail 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 talent
- ◆ 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
- ◆ productivity philosophy based on the belief that everything can always be improved and that what's not measured, can't be improved
- ◆ performance-based wage systems based on methods-time measurement (MTM) create good productivity, optimisation of working time and fair wages
- ◆ MTM data also 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 solutions in every market situation
- ◆ provides the basis for good production economy
- ◆ must focus on energy-efficient, environmentally adapted products that help mitigate climate impact and promote sustainable development.

Quality in everything – focus on the customer

- ◆ our customers must always be able to rely on the company, its products and employees
- ◆ we must be perceived as a reliable, constructive partner
- ◆ we lead by example in terms of quality
- ◆ we have certified quality and environmental management systems in place in our production facilities
- ◆ we are readily 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
- ◆ our 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 and gives reasonable risk exposure
- ◆ enables us to constantly increase our in-depth expertise, giving us a real analytical advantage, particularly in acquisitions
- ◆ paves the way for us to capitalise on the considerable potential for international expansion in all three of NIBE's core business areas.

Committed employees

- ◆ uncomplicated organisational structures and operational management create commitment
- ◆ shared values and a clear Code of Conduct provide us with good guidance in day-to-day activities
- ◆ high expectations in terms of honesty, openness and clear communication create clarity
- ◆ leaders must set a good example
- ◆ all employees are to be given the opportunity to develop professionally
- ◆ initiative combined with modesty and common sense are ideal qualities on which employees can thrive 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 externally, provides the platform for truly sustainable business activities
- ◆ continuity of ownership guarantees independence and enables us to focus fully on running the business.

Our Values

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



Respect for human rights

The underlying principle is that we show respect for our employees and their human rights.

Good working conditions

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

Reduced environmental impact

We believe that a holistic view of environmental work should guide us 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.

Sound business ethics

Our core approach comprises honesty, decency, zero tolerance of corruption, avoiding conflicts of interest, respecting competition law and striving to provide transparency.

Responsible purchasing

We are to work with suppliers who are prepared to comply with our Code of Conduct, quality criteria and Business Principles.

Product liability

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

Social commitment

Our underlying principle is, wherever possible, to become involved in the local communities where we have a presence.

Transparency

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

Our Working Methods

In theory, all companies have access to premises, capital, employees, material and machinery. The difference between companies is how they choose to use these in practice. We work on the principles of efficient work flows, well-developed cooperation, extensive efficiency, good practices and standardisation. These will result in good growth, profitability and competitiveness as well as satisfied customers and employees.





Kenneth Magnusson,
Chief Sustainability Officer

Creating sustainable value

NIBE's vision is to create world-class solutions in sustainable energy by delivering long-term value for customers, employees, shareholders and the world around us. We have a long-standing tradition of pursuing a responsible approach to doing business, and our sustainability strategy helps us generate both customer benefit and value through a sustainable mindset.

Sustainability strategy

NIBE's sustainability strategy is founded on Our Business Principles and Our Values. All these elements interact to create a successful company that handles financial, social, ethical and environmental aspects in a responsible manner.

To secure continued positive development for the company in the future it is important to understand the link between financial return and creating value for people and the environment. Global macro trends, such as population increase, improved living standards, supply of resources and climate change, affect the environment in which we operate our business.

Taking on these challenges reveals new opportunities for developing greater efficiency, innovation and growth.

This is achieved within the following areas:

- ◆ Stakeholders and society – we raise awareness at all levels, from suppliers to customers, to pave the way for solutions that are even more sustainable.
- ◆ Products and markets – in which we offer resource-efficient products for consumers all around the world.
- ◆ Employees and operations – we encourage employee involvement in continual environmental and safety improvements.

A journey towards the future

Over the past few years, all manufacturing units in the Group have undergone training in our sustainability strategy. The management teams of each company have then pursued these issues and improved performance within these areas. We are also constantly improving follow-ups and understanding of Our Values among our suppliers, who are an important part of this work.

As part of our work on ethics, we have introduced a whistle-blowing system and launched e-learning in anti-corruption issues.

During 2014 we signed the Global Compact as part of our ambition to strengthen NIBE's commitment to sustainability work as a company.

We have also updated Our Values and Our Business Principles. To support our day-to-day work we have added Our Working Methods,

which describe how we should interact with each other and put theory into practice.

Sustainable Group

If we use resources more efficiently we can reduce both our environmental impact and our costs.

Maintaining good control of our business saves us money and reduces the risk of corruption and problems relating to working environment and quality. Our reputation as a sustainable company makes us an attractive employer with staff who have pride in their work. Customers and consumers are demanding sustainable products and services, and our sustainability work enables us to help our customers achieve their own ambitions in this area. NIBE products also help buildings to become environmentally certified as passive buildings and give customers energy savings.

Ambitious targets

Sustainability targets relate to use of resources, supplier monitoring and social responsibility. Measurable targets make it easier for us to understand the contribution that our sustainability work makes to profitability. Measurability also has an intrinsic value – if it can be measured, it can always be improved.

We also aim to further strengthen our market positions and continue to generate opportunities for value creation and growth. Half of our products and services make a direct contribution to reducing the environmental impact of consumers and industries. Other products are being constantly optimised to protect the environment and boost sustainability. This provides a firm basis from which to fuel growth within existing and new sustainable product areas.

NIBE as a responsible global player

In 2014 NIBE signed the UN Global Compact, an initiative for greater social responsibility based on 10 universal principles concerning human rights, labour law, environment and anti-corruption. NIBE pledges to support these principles and inform of its progress in activities that contribute to fulfilling the principles. NIBE publishes its annual Sustainability Report on the UN's Global Compact website.

Sustainability Report

Our full Sustainability Report for 2014 is published on the NIBE website www.nibe.com. There you will find detailed information about our environmental aspects and the related work we performed in our business during the year.

Group-wide targets

The Group-wide targets for sustainable development were updated in 2013. They include more efficient use of resources, improved supplier monitoring and greater social responsibility. Within the frameworks of their respective management systems, the local companies introduce more detailed goals and can naturally draw up their own goals in other sustainability areas.

Area	Targets	Current position	Trend
Energy	Energy efficiency will increase. 20% less energy consumption (GWh/SEKm) than in 2013, to be achieved by 2020.	Energy efficiency improvement measures are underway in many plants and include conversion to LED lighting, better insulation, installation of heat pumps and recycling energy in the ventilation air. Energy audits will be performed at all manufacturing companies by 2016.	■
Our Values Our Business principles	All employees and business partners must be aware of and comply with Our Values and Our Business Principles.	Our Values and Our Business Principles have been updated. We now have a better follow-up system for the companies' sustainability reporting. A whistle-blowing system for anonymous reporting has been implemented. Buyers, sales representatives and managers are trained in anti-corruption via e-learning.	■
Quality management systems and environmental management systems	ISO 9001 and ISO 14001 will be implemented in all production units during the course of 2016 at the latest.	About 50% of the companies are ISO 14001 certified and 87% are ISO 9001 certified. The plan is that remaining companies will gain certification by 2016.	■
Products	Higher proportion of products that benefit the environment. Hazardous chemicals in products will be phased out.	Improved procedures for REACH and RoHS in product development and supplier evaluation are being implemented. Evaluation of refrigerants.	■
Safe workplaces	The number of workplace accidents must decrease. The first interim target is to reach LWC* 1.8 in 2016. *LWC (lost workday case) = number of accidents entailing at least one day of sick leave/200,000 hours worked.	Incident reporting systems are continuing to be introduced and are in place at more than 85% of the companies.	■
Suppliers	Systematic supplier assessments will be further developed in terms of quality, environment and social responsibility.	A joint risk assessment system and system support are being implemented.	■

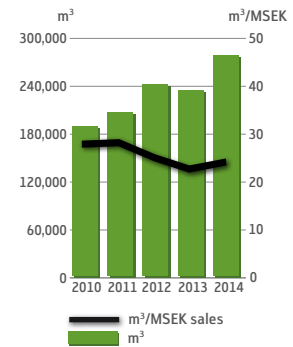
■ As planned.

■ Not as planned, actions identified.

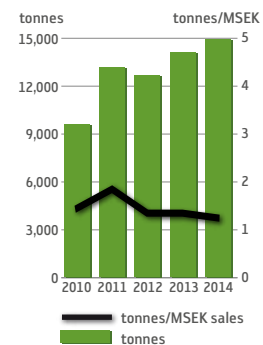
■ Not as planned.

The Group's four key figures

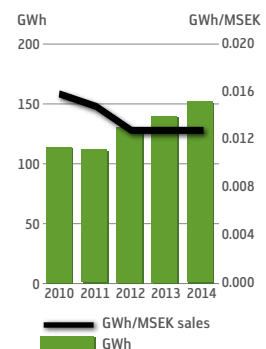
Water consumption



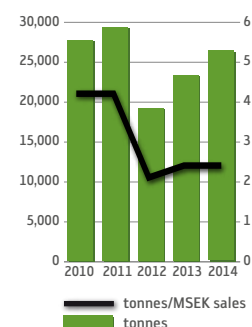
Residual materials



Energy consumption



Carbon dioxide emissions



Stakeholders and society

Transparency and communication

At NIBE we endeavour to be open in relationships with our stakeholders and react actively in response to their comments and wishes. The communication policy states that our Code of Conduct and relevant laws and standards are to be followed. In practice the companies are the points of contact with customers, suppliers, authorities, schools and other stakeholders. At Group level our communication is aimed at the capital markets and media, for example. There were no deviations from laws or regulations relating to market communication in 2014.

Product liability and correct quality

The Group's products are delivered with information about product functionality, servicing and safety, and also in some cases with a declaration of contents and details relating to disposal at the end of the product's useful life. We offer training for installation engineers to ensure safe installation and use of our products.

The right quality is a key factor in our competitiveness and a strong reason for choosing NIBE's products. To achieve this, the Group's quality policy is a key feature that must permeate all parts of the business. Opinion surveys conducted in 2014 revealed that customers have a positive image of product quality and functionality. Products supplied to end-users are evaluated with regard to their potential impact on personal health and safety. The evaluation is carried out throughout the entire life-cycle of a product, including product development, manufacturing and various type-approval processes, and product disposal/recycling. No breaches of product information regulations occurred in 2014.

Responsible purchasing

The Group places requirements on its suppliers to ensure the performance and function of raw materials and components. The demands made of suppliers' sustainability work are very important. More than 1,200 suppliers have been evaluated with regard to environment, health and safety in the working environment and social responsibility, and more than 2,000 have been evaluated concerning quality. Implementation of a joint system for evaluating suppliers in all four of these areas has been launched.

Social commitment

The Group's social commitment often has a local connection and includes study visits and contacts with schools and universities. During the year projects were run with various universities regarding the evaluation of plastics, cor-

rosion protection and product development. The Group allocates financial assistance to a large number of local activities in health, sport and culture.

Human rights and business ethics

Human rights and business ethics are prioritised areas, and the Group encourages diversity and disassociates itself from all forms of discrimination. No deviations from human rights were reported in 2014.

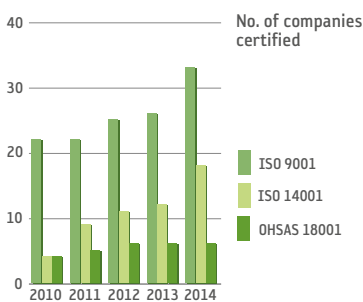
All employees are free to join trade unions and seek representation in negotiations. In practice, membership of trade unions is governed by cultural conditions and traditions in the countries in which we operate. With regard to salary levels, the same rules and values apply to all units within NIBE, and rates of pay comply with the standards and agreements of the countries in question.

Good business ethics must be applied in all business contacts, and the Group's Code of Conduct serves as a guide in these issues. Our work to promote good business ethics and counteract corruption includes:

- ◆ A zero tolerance approach to bribery.
- ◆ Attention to and procedures and controls for making payments.
- ◆ Group-wide guidelines for gifts and hospitality.
- ◆ Awareness that the Group has operations in high-risk countries as regards corruption.
- ◆ Training and dialogue with employees.
- ◆ A Whistle-blowing policy giving employees the opportunity to report irregularities in confidence and without the risk of negative consequences.

No incidents concerning bribery were registered for 2014, but this is an area that we must continue to monitor in the foreseeable future. A Group-wide training course in ethics is scheduled to take place in the course of 2015.

Certified management systems



Half our production plants are currently certified to ISO 14001, and we plan for the remaining existing units to be certified by 2016. Roughly 100 environmental audits were performed in 2014.

Supplier assessments



Requirements are placed on suppliers' environmental and workplace health and safety efforts and on social conditions at their production plants. More than 1,200 suppliers have been assessed with regard to environment, health and safety in the working environment and social responsibility.

Sustainable products

Many of NIBE's products contribute to more efficient use of energy and to lower carbon dioxide emissions. Energy and climate issues are high on the agenda for sustainable development, and the Group is working continually to improve its existing product range and develop new, innovative products and solutions.

EU directives and other legislation and policy instruments will continue to be highly significant to the Group's product strategy. One example is the Ecodesign Directive, which places requirements on the energy performance and improved environmental performance of products throughout their life-cycle. The legislation on limitation of hazardous substances in products and waste (REACH, F-gas, RoHS and WEEE) is another example that remains very important to product development at NIBE.

Products with environmental benefits

At present, 50% of our sales comprise products that support our customers' transition to a low carbon economy.

Many of NIBE's products and services offer environmental benefits:

- ◆ NIBE Stoves markets stoves that proudly bear the Nordic Swan Ecolabel. In practice

this means that the environmental performance of these products is even better than required by general regulations, and that the products themselves are manufactured in an environmentally responsible way. The conditions for the Swan Ecolabel also stipulate that the environmental performance of products bearing the label must also be continually improved. Product development therefore aims to improve energy efficiency and reduce emissions to the atmosphere.

- ◆ Ground-source/geothermal heat pumps and air/water and exhaust air heat pumps from NIBE Energy Systems reduce dependence on fossil energy sources while improving energy efficiency and heating economy in properties. The web-based service NIBE Uplink also improves environmental performance. The property owner can use this service to monitor their heat pump remotely and adjust the indoor temperature according to their needs.
- ◆ Products from NIBE Element are used in various applications, e.g. in renewable energy and energy efficiency improvement. One type of resistor constitutes a key component in wind turbines, for example. Other

products include frequency converters that control the speed of electric motors and enhance their energy efficiency.

Environmental adaptation of products

The environmental performance of our products was further improved in several areas during the year:

- ◆ Further development of heat pumps that use propane instead of a refrigerant that contributes to ozone depletion and impacts on the climate (HCFC).
- ◆ Development of products that are used in clean technology, such as heating elements in new technology (pyrolysis) for recycling rubber tyres.
- ◆ Increased use of recycled material in products, improved insulation, phasing out of a number of chemical substances and greater recyclability.
- ◆ Production of energy-efficient components for household appliances, heat exchangers and heat pumps. Intelligent control systems that optimise the ventilation systems in properties.

Heat pumps help save energy in society

The International Energy Agency (IEA) has identified heat pumps as a key technical advance in reducing the risks of extensive climate change. According to statistics from the Swedish Environmental Protection Agency, the shift in methods used to heat buildings in Sweden has contributed to a more than 75% reduction in emissions of greenhouse gases related to energy consumption in Swedish buildings.

Annual energy saving

There are over one million heat pumps in use in Sweden today. Heat pumps are installed in more than one in two private homes. The annual energy saving made with the help of these heat pumps amounts to about 12 TWh. This calculation is based on the number of heat pumps of each type in use in Sweden.

Nuclear electricity production

The energy saving achieved by heat pumps in Sweden is at the same level as Oskarshamn nuclear power plant's entire annual production, which amounts to about 12 TWh. The energy saving contributed by heat pumps in Sweden corresponds to roughly 9% of the country's total annual electricity consumption.

Each year Swedish heat pumps contribute to an energy saving of

12 TWh

Oskarshamn nuclear power station's annual production totals about

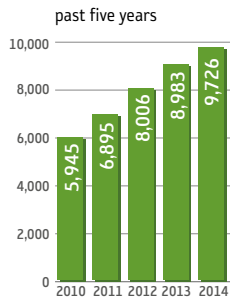
12 TWh

How much is 1 TWh? Domestic electricity to supply roughly 200,000 homes for one year. Enough to run all Sweden's trains, underground (Metro) trains and trams for five months.

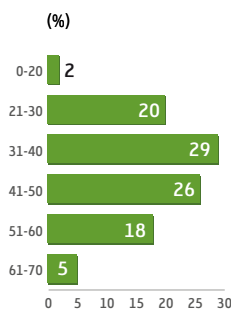
The above calculations are based on statistics provided by the Swedish Energy Agency, Swedish Environmental Protection Agency, Swedish Heat Pump Association and Statistics Sweden, along with our own estimates.

Employees and operations

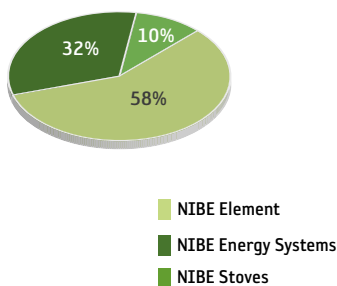
Average number of employees



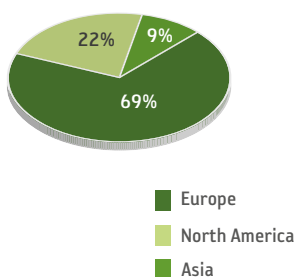
Age distribution



Employees per business area



Employees per continent



NIBE has more than 10,000 employees in over 20 countries who have a wide range of experience, knowledge and cultures. Wherever they are in the world, they have to comply with our Code of Conduct and joint approach to respect for human rights, workplace conditions and application of good ethical principles in business activities. We are convinced that a responsible approach to business strengthens the brand, boosts our reputation and profitability and makes NIBE an attractive employer.

In 2014, the average number of employees was 9,726 (8,983), of whom 88% (87%) were based outside Sweden. Workforce turnover rose somewhat in 2014 compared to previous years, but remains at a relatively low level. It is also pleasing that many people are very interested in working in the Group's operations.

Committed employees

We expect our employees to work hard and produce good results. We also offer freedom with responsibility, we value common sense and simplicity and we try to avoid unnecessary bureaucracy. We provide plenty of opportunities for career development, and many of our employees stay with us for a long period. It is important that our employees show commitment, have the right expertise and continually further develop their skills. Training initiatives are therefore important; in 2014 more than 126,000 (65,000) hours of training were conducted, corresponding to about 13 (7) hours per employee.

Health and safety

Our health and safety efforts in the workplace are systematic and focused on preventive measures and training. Risk analyses and workplace surveys are carried out in many areas such as chemicals, lighting and exposure to dust. Environmental and health and safety training corresponded to roughly 3 (3) hours per employee during the year.

Many of the units are regularly inspected by the work environment authorities, and 19 inspections were carried out in 2014. The results of the inspections were mainly positive, however a few minor irregularities were noted, relating to such issues as noise and training in safety matters. Corrective measures have already been or will be taken.

Average absence due to sickness in 2014 amounted to 3.9% (5.0%), and the distribution between long-term and short-term absence was roughly the same as in previous years. A total of 187 (147) accidents at work resulting in more than one day's absence occurred. The most common causes of injury were machinery and equipment, injuries as a result of falling, and heavy lifting and repetitive strain.

As part of our work to achieve the ambition of reducing the number of work-related accidents and injuries we have continued to build up systems for registration of incidents in the working environment. Our systematic health and safety efforts in the workplace include introducing the certified management system OHSAS 18001, which is currently used in six of the Group's companies.



NIBE works actively to strengthen both internal and external stakeholders by increasing their knowledge in various ways. Suppliers, employees and customers receive training in specific areas. NIBE also actively participates at universities and colleges of higher education and runs trainee and work placement programmes.

Our environmental impact

Our significant environmental aspects comprise use of materials, chemicals, water and energy as well as emissions and waste. The transportation of raw materials and finished goods are an indirect environmental aspect. One positive indirect environmental aspect is the use of our products, which in most cases help to reduce environmental impact.

No new significant environmental aspects were identified in 2014, but we focused more on a few existing ones as a result of dialogue with stakeholders. Our environmental policy contains guidelines for our environment aspects work.

Preventive environmental work produces results

The Group's key figures for environmental performance continue to display a positive trend in the areas of energy, climate impact and waste.

Our work on reducing risks related to chemicals remains important and has helped us to phase out or decrease the use of several substances that are harmful to health and the environment.

Activities to use water more sparingly have been conducted in the manufacturing operations, such as recirculation and extraction of heat in refrigeration plants. Water consumption has increased in China, where the water used in staff housing is included in the survey. See page 21 for detailed information.

Energy and climate

The improvement of energy efficiency in our production plants contributes to more efficient use of resources and less climate impact. Purchases of certificates for renewable electricity have lowered the Group's carbon dioxide emis-

sions in Europe. Total carbon dioxide emissions have increased, however, due to units acquired outside Europe. The more than 100 heat pumps that have been installed in Group units make a positive contribution to NIBE's carbon footprint. Biofuels and solar and wind power are also used at several units. See page 21 for detailed information.

Risk analyses

To prevent accidents and breaches of regulations we carry out risk analyses at plants all over the world. These analyses cover such issues as the consequences of amendments to environmental legislation, changes in customer demands, climate change, soil pollution and the presence of hazardous substances.

There were no uncontrolled emissions or accidents resulting in an environmental impact in 2014. A few minor breaches concerning emissions to air and water were registered, and improvements have already been made or are underway.

Certified environmental management systems

Activities to introduce ISO 14001 in the Group continued in 2014. About half of our production plants are now certified, and we aim to have all our production plants certified by 2016. Roughly 100 environmental audits were performed in 2014.

Environmentally related investments, costs and savings

In 2014 NIBE invested approximately SEK 20 million (SEK 19.5 million) in measures relating to the environment and the working environment. The majority of the investments were made in equipment for greater energy effi-



At WaterFurnace in North America there are car parks for visitors and staff that are reserved for vehicles running on alternative fuels. A small yet important signal to play a part in creating a more sustainable society for everyone.

ciency and an improved working environment.

Environmental savings of SEK 4 million (SEK 12.4 million) were made thanks to measures such as improvements in energy efficiency and waste management and the more efficient use of materials. The bulk of the savings were achieved by opting for heat pumps as a source of heating in several buildings.

Environmental costs totalled SEK 13 million (SEK 16.6 million) and include costs of waste management and environmental certification.

Key figures		2014	2013	2012
Average number of employees		9,726	8,983	8,006
Percentage administrative staff	%	31	30	32
Average age	years	40	40	40
Proportion of women	%	38	36	32
Average length of employment	years	8.5	8.6	8.1
Workforce turnover	%	7.8	7.4	7.0
Number of graduates		1,209	966	801
Number of employees in Sweden	%	12	13	16
Sickness, short-term	%	1.9	2.6	2.8
Sickness, long-term	%	2.0	2.4	2.1

The NIBE share

NIBE Industrier AB's class B shares are listed on the Large Cap list, NASDAQ OMX Stockholm Exchange. NIBE Industrier AB class B shares were floated on the Stockholm Stock Exchange's OTC list 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 share obtained a secondary listing on the SIX Swiss Exchange. In 2012 a further new issue was made of 214,201 shares.

Share capital

NIBE Industrier AB has a share capital of SEK 68.9 million, divided into 13,060,256 class A shares and 97,193,382 class B shares. The quota value is SEK 0.625 (per share). Each A share carries ten votes at the Annual General Meetings and each B share carries one vote. All shares carry the same entitlement to dividends. At the end of 2014 the company had no outstanding convertible loans or options that could risk diluting the share capital.

Secondary listing

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

Share performance and turnover

In 2014, NIBE's share price rose by 38.6%, from SEK 145.00 to SEK 200.90. During the same period, the OMX Stockholm All-share (OMXS) increased by 11.9%. This means that, at the end of 2014 the market capitalisation of

NIBE, based on the latest price paid, amounted to SEK 22,150 million. In 2014 a total of 34,900,371 NIBE shares were traded, which corresponds to a share turnover of 31.7% 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 2.70 per share for the 2014 financial year, which equates to 30.3% of Group profit after tax.

Shareholders

The number of shareholders has increased during the year. However, because of Swiss reporting regulations, it is, in principle, impossible to determine the current total number of shareholders for the Group's secondary listing on the SIX Swiss Exchange. Excluding these Swiss-registered owners, NIBE had 21,116 individual shareholders at the end of 2014, compared with 18,267 twelve months previously.

The ten largest shareholders held 56.0% of the votes and 42.1% 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 and takes an active role in meetings with Swedish and foreign analysts, investors and the media. International press and analyst teleconferences are held in conjunction with the interim reports.

Silent periods

After the end of the reporting period until the interim report is published, a silent period is observed, during which Group representatives do not meet financial media, analysts or investors.

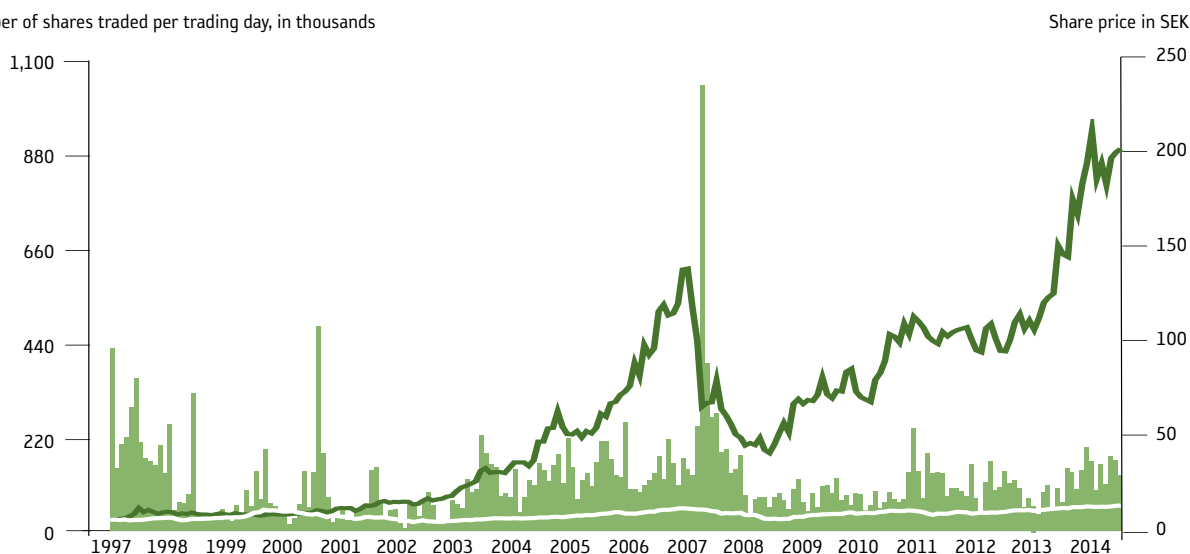
Analysts

The analysts who have tracked and analysed NIBE shares during the year include:

*ABG Sundal Collier, Robert Redin
Carnegie Invest. Bank AB, Fredrik Villard
Danske Bank Markets, Max Frydén
Handelsbanken Capital, Marcela Klang
Kempen & Co, Sebastiaan Masselink
Pareto Securities, Erik Paulsson
SEB Enskilda, Olof Larshammar
Swedbank AB LC & I, Mats Liss*

Share performance 1997–2014

Number of shares traded per trading day, in thousands



■ Share price in SEK - - - OMX Stockholm All-Share (OMXS) (SEK) ■ Average number of shares traded per trading day (in thousands)

Major shareholders

(source: Euroclear Sweden share register 30 Dec 2014)

Shareholders	Number of shares	Share of votes (%)
Current and former Board members and senior executives ¹⁾	26,028,290	48.17
Melker Schörling	12,015,360	20.13
Alecta Pensionsförsäkring	7,000,000	3.07
Lannebo Småbolag	3,725,000	1.64
SIX SIS AG W8IMY	2,608,884	1.15
Didner & Gerge Aktiefond	2,500,000	1.10
The Fourth Swedish National Pension Fund	1,837,521	0.81
Handelsbanken Fonder AB	1,774,405	0.78
JPM Chase NA	1,690,000	0.74
Citibank NA New York	1,403,049	0.62
Didner & Gerge Småbolag	1,264,516	0.56
SEB Sverigefond Småbolag	1,184,233	0.52
AMF Pensionsförsäkring AB	1,150,000	0.50
Other holdings (21,082 shareholders)	46,072,380	20.21
Total	110,253,638	100.0

¹⁾ For current Board, see page 93.

Shareholder structure

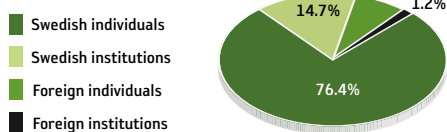
(source: Euroclear Sweden share register 30 Dec 2014)

Number of shares	Shareholders	Number of shareholders (%)	Number of shares	Number of shares (%)
1 – 500	15,373	72.80	1,725,261	1.57
501 – 1,000	2,296	10.87	1,818,305	1.65
1,001 – 5,000	2,607	12.35	6,262,491	5.68
5,001 – 10,000	365	1.73	2,647,015	2.40
10,001 – 20,000	188	0.89	2,504,590	2.27
20,001 –	287	1.36	95,295,976	86.43
Total	21,116	100.0	110,253,638	100.0

Shareholder categories

(source: Euroclear Sweden share register 30 Dec 2014)

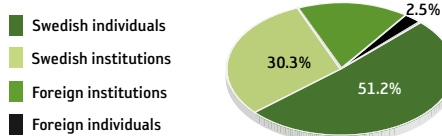
Share of voting rights, %



Proportion of capital

(source: Euroclear Sweden share register 30 Dec 2014)

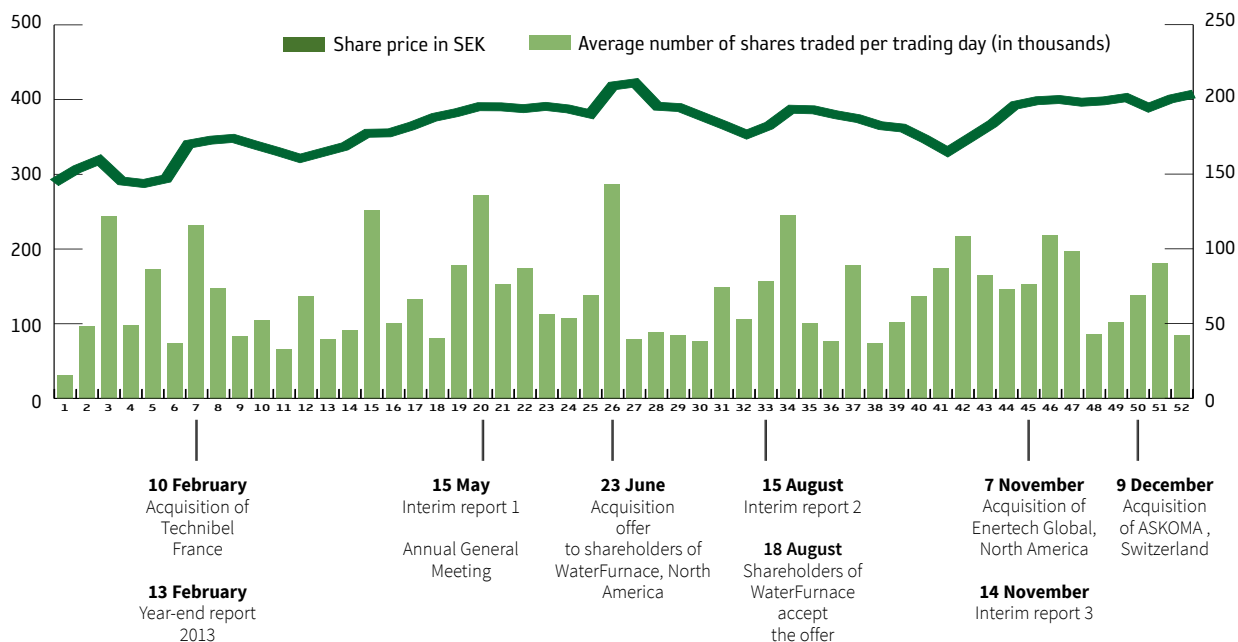
Share of capital, %



The share in 2014

Number of shares traded per trading day, in thousands

Share price in SEK



Share performance

Changes in share capital

	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
2012 New issue ⁶⁾	133,876	0.625	110,253,638	68,908,524

¹⁾ Directed issue 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

⁶⁾ Directed issue to the former owners of the Schulthess Group at a subscription price of SEK 102.00 per share

Share data

		2014	2013	2012	2011	2010
Number of shares	.	110,253,638	110,253,638	110,253,638	110,039,437	93,920,000
Year-end share price	SEK	200.90	145.00	93.75	101.75	102.75
EPS (after tax)	SEK	8.90	7.78	6.93	6.87	5.84
Equity per share	SEK	59.50	50.57	44.06	40.64	26.34
Proposed dividend	SEK	2.70	2.35	2.00	2.00	1.75
Price/equity		3.38	2.87	2.13	2.50	3.90
Dividend yield	%	1.34	1.62	2.13	1.97	1.70
Total yield	%	40.41	57.17	– 5.90	0.97	51.45
Operating cash flow/share	SEK	8.57	6.89	6.97	7.82	6.61
Payout ratio	%	30.3	30.2	28.9	31.9	30.0
PE ratio (after tax)		22.6	18.6	13.5	14.8	17.6
Market capitalisation	SEK m	22,150	15,987	10,336	11,197	9,650
EBIT multiple	times	20.2	16.1	13.4	15.2	13.0
EV/sales	times	2.54	1.93	1.51	1.85	1.59
Share turnover	%	31.7	18.4	23.7	30.7	20.1

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.

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/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 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

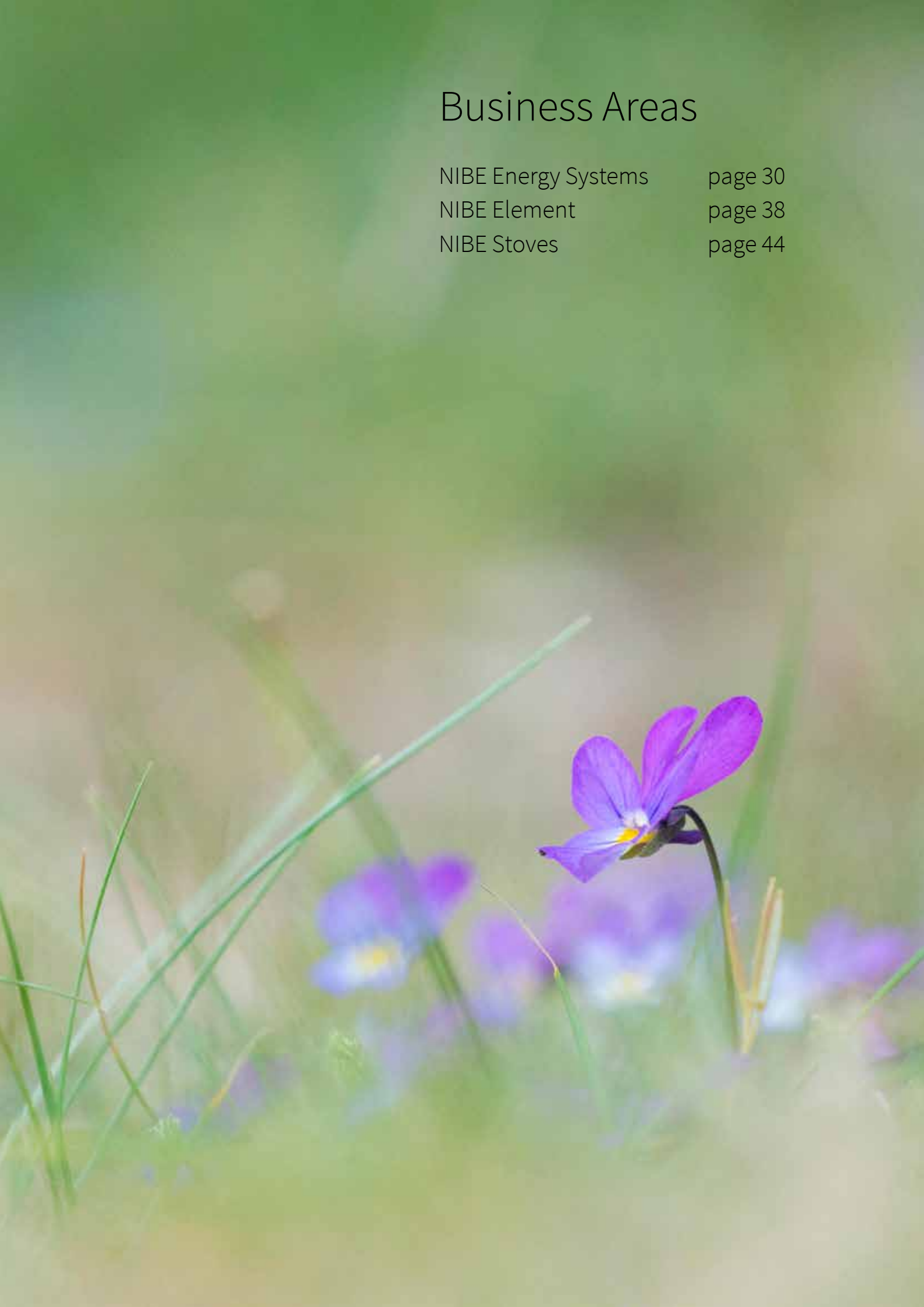
Total number of shares sold during the year as a percentage of total number of shares in issue.

Business Areas

NIBE Energy Systems page 30

NIBE Element page 38

NIBE Stoves page 44



Increased international growth opportunities

With the acquisition of two North American heat pump companies in 2014, we have taken another key step in our international expansion and have strengthened our position as global market leader in sustainable energy solutions.

The fact that we are now represented in some 40 markets across Europe is a huge opportunity in itself. If we then add our healthy profitability and the new product platform that we have introduced, we have never before enjoyed better conditions for continuing along our path of international commercial development.

The marketing message on all the international markets we work with has evolved from "A world of opportunities" to "Energy for life". This clearly indicates what we ourselves feel: that after many years of intensive development of our product offer and our geographical market expansion, we can supply a global market with sustainable energy solutions for indoor climate comfort and thus safeguard the future environment.

European potential

The total European heat-pump market has not expanded in recent years. This is mainly due to the global financial unease and an unusually low level of construction of new private homes and large properties. This has temporarily hampered growth, particularly in our markets where heat pump installations are primarily installed in newly built properties, which largely applies outside Sweden and Finland. The international replacement and renovations market is vast, which naturally makes it an interesting and major future opportunity for us.

Swedish market value grew

After the relatively substantial decline in 2013, the Swedish domestic market for heat pumps stabilised in 2014 as a whole, but varied during the course of the year. Although the number of heat pumps sold fell slightly, an increasing market for heat pumps designed for larger residential and commercial properties and more sophisticated products has resulted in a higher invoicing value and thereby some growth.

We keep a careful watch on our market share

trend in all product areas and can note that, despite our already strong position, we managed to maintain or increase market share in all product categories in 2014. This is most likely the result of our sustained focus on product development, quality, customer support and marketing. We have never before held a stronger position on the Swedish market, and we believe that there is considerable potential for retaining and building on this position.

International opportunities for growth

The more stable market trend during the past year, combined with the fact that new construction of private homes is now deemed to have passed its lowest point, instils a cautious optimism with regard to market growth in 2015. Energy efficiency targets that have been adopted and an increasing use of renewable energy sources in Europe should also help boost the need for many of our products.

Authorities in the UK have demonstrated their intentions by extending the subsidy system RHI (Renewable Heating Incentive) to include private homes and small properties. This gives us good opportunities for expansion because the proportion of heat pumps still constitutes a very small part of the British heating market.

Our strong market presence in Germany and Switzerland, paired with our newly launched products, provides us with a solid platform from which to increase market share. The fact that the economy in Germany, Europe's most important industrial nation, is relatively stable is also estimated to benefit us in the long term.

As far as traditional electric water-heaters are concerned, demand from the Nordic and other European markets remains stable, while the market for conventional domestic boilers continues to be sluggish. With more stringent legal requirements regarding energy savings in the production of hot water, we believe that the market for heat pumps used solely for heating hot water will expand, which we also regard as a good potential growth area.

Our expansion strategy, based on a combina-



Kjell Ekermo, Business Area Manager

tion of organic growth and acquisitions, remains firmly in place. Through our acquisitions of the North American heat pump manufacturers WaterFurnace and EnerTech Global we have created a robust platform on a new continent, which is fully in line with our strategy. An upturn in the economy and greater interest in renewable energy solutions give us good opportunities for future growth in North America,

Some companies are struggling in the tougher market situation, which generates more opportunities for acquisitions. One example of this is the acquisition of the operations in the French company Technibel, which has also given us a key expansion platform in one of Europe's largest heat-pump markets.

Important products for the future

In the long term we are convinced that our products will have an increasingly vital role in tomorrow's sustainable society based on a healthy environment, high quality, continual improvements in energy efficiency, a pleasant indoor climate and financial sense. Sweden is an example to the rest of the world in this ongoing development, and we aim to use our Swedish platform as a good reference in our international expansion strategy.

The NIBE Energy Systems business area holds a market leading position for heat pumps in Europe and North America and is one of Europe's major manufacturers of water heaters and other products for indoor climate comfort.

Mission statement

The mission of NIBE Energy Systems is to supply private homes and large properties with products that provide domestic hot water and ensure a comfortable indoor climate. The product range comprises both individual heating products and solutions for heating, cooling and heat recovery.

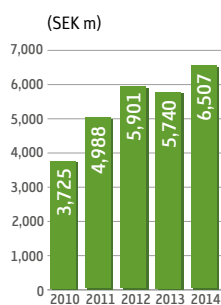
Business strategy

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

Objective

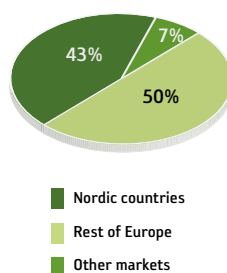
NIBE Energy Systems' objective is growth of at least 20% per annum, half of it organic, and an operating profit of at least 10% of sales over a complete business cycle.

Net sales

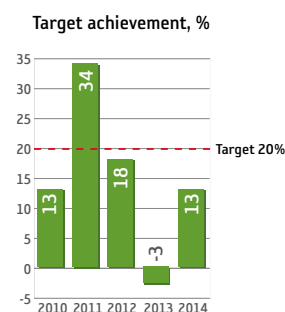


Net sales rose by 13.4% in 2014

Sales per region

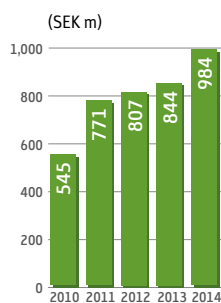


Growth targets



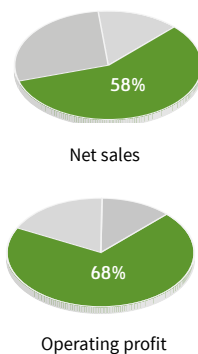
Growth over the past five years averages 14.7%

Operating profit

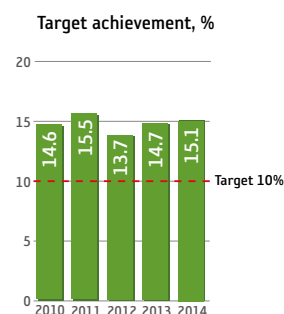


Operating profit rose by 16.6% in 2014

Contribution to Group

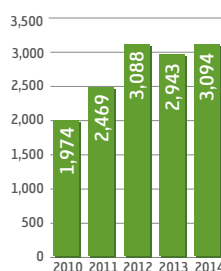


Operating margin target

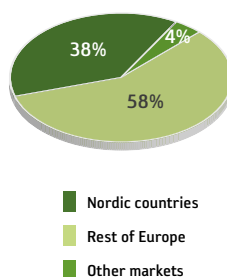


Operating margin over the past five years averages 14.7%

Average number of employees



Employees per region



2014

Net sales	SEK 6,507 m
Growth	13.4 %
Operating profit	SEK 984 m
Operating margin	15.1 %
Avg. no. of employees	3,094

Product range

The product range

comprises eight product areas:

- ◆ Heat pumps
- ◆ Water heaters and accumulator tanks
- ◆ Ventilation products
- ◆ District heating products
- ◆ Solar panels
- ◆ Domestic boilers
- ◆ Cooling equipment
- ◆ Commercial washing machines and tumble dryers



We sell sustainable energy solutions

Our ambition is for our products to be environmentally sound and sustainable. They are to combine unsurpassed technical performance, a high degree of innovation and excellent quality with modern design and a competitive price.

A large number of products 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 turnkey solution that combines energy efficiency with the best possible indoor climate.

The range is also being gradually expanded through new corporate acquisitions. For example, AIT and Genvex provide us with access to

a number of property solutions within heating, cooling and ventilation. Another example is Akvaterm, the Finnish manufacturer of accumulator tanks, which provides access to larger tanks that fit in well with our product concept for large properties. Our latest acquisitions in North America expand our range of heat pumps for airborne distribution of both heat and cool air, which dominate the North American market.

The acquisitions also mean that our products can be launched through several sales channels and on more markets than previously.

Continued high rate of launches

The high rate of product launches continued in 2014.



Alterra – alpha innotec's new generation of geothermal pumps

With several sizes in the new series it is easier for customers to select the right power class. The heat pumps run extremely quietly and are among the best in the market in terms of acoustic performance.



Optimal comfort and performance

WaterFurnace's new heat pump offers homeowners the latest technology available in the North American market. The heat pump has speed controlled compressor operation as well as speed controlled circulation pumps and fans. The design of the product optimises performance and generates high savings potential of more than 70% compared to alternative heating solutions.

A large number of locally developed and manufactured products have been introduced to the market within the following product areas:

- ◆ heat pumps (with a large number of accessories)
- ◆ electric and other domestic boilers
- ◆ water heaters (adapted for new ECO directives)
- ◆ accumulator tanks
- ◆ ventilation products
- ◆ district heating units
- ◆ cooling equipment products

New product areas

2015 is also set to be a big year for new product launches within most of our business areas. This further consolidates our position as a leading global company for sustainable energy solutions.

In addition to the introduction of more conventional products, we also plan to introduce hybrid solutions in which renewable types of energy are used in combination with gas;

this will strategically position us closer to the gas market.

After an initial step was taken into the air/air heat pumps market segment – which is a new segment for us – we will expand our range with several additional high-quality products.



Broadening the heat pump product range
A new generation of speed controlled ground-source/geo-thermal heat pumps and...



New generation of water heaters The Czech company DZD is at the forefront of technical development of high-quality water heaters and is the Czech market leader in this segment. The latest generation of water heaters launched in 2014 meet future energy saving requirements and standards. The products feature an intelligent function that controls water heating, which optimises energy consumption.



Metro Therm's new tap water heating pump The more stringent energy-saving requirements in Europe increase the market for heat pumps designed solely for domestic hot water. Utilising either the heat in the surrounding air of the room or reusing the outside air can produce domestic hot water in an energy-efficient way. The air is dehumidified at the same time that it generates heat in this process. The heat pump can also be connected to solar or other heat sources such as gas or district heating.



...a new generation of speed controlled outside air heat pumps in the monobloc category have been launched under the NIBE brand.



Innovative cooling system KKT's innovative Vario-Line cooling units automatically adapt their cooling capacity to each programme at any given time, which optimises performance and tailors the function to customers' needs in an economical way. The variable power range of the product model covers the interval of 6 to 28 kW.

Market trends

Global ambitions

Our aim in large parts of the world is to make more efficient use of energy and increasingly utilise renewable sources of energy.

Adopted measures and directives in Europe govern which targets each individual country needs to achieve by the year 2020. In North America, each state has its own objectives to fulfil, for example with regard to use of renewable energy. There is also an explicit global objective that takes us right up to the year 2050.

Having operated for many years in the traditional heating, ventilation and plumbing sector, we have now made a conscious decision to expand our business. The product range that we market today encompasses many elements of the HVAC sector, primarily energy-efficient products for heating, cooling, ventilation and hot water.

The transition from traditional heating plants using fossil fuels is underway, but is unfortunately happening at a fairly slow pace. The European heating market is still dominated by conventional gas boilers because the lower initial investment cost for the end-user largely remains the primary factor when choosing a product. In Germany for example, heat pumps still only constitute around 10% of the total heating market, despite the fact that, unlike gas boilers, heat pumps are classed as products that use renewable energy.

Reliance on gas boilers in the UK is even greater, but awareness of new, efficient energy solutions is rapidly increasing.

The North American market is dominated by airborne systems for distribution of heating

and cooling, but the trend for hydronic systems is positive. The ambition is to also increase the use of renewable energy instead of fossil fuels on this continent, which is currently entirely dominated by gas and oil.

We see no signs of a future change in the energy policy ambition and direction regarding renewable energy, which points to long-term greater use of our products.

Huge market potential

We estimate that there is particularly interesting sales potential for our range of products in the European and North American markets.

It is estimated that every year, an average of some five million items of heating equipment need to be replaced in single-family and two-family homes in the EU, Switzerland and Norway. In addition, during an average year around one million new heating units are installed in new builds of the same types of homes. In the current situation, which is affected by the weak trend in Europe, the market is closer to around five million heating units in total, and roughly 300,000 of these units are heat pumps designed for hydronic systems. In addition there is also a growing need to replace heating equipment in large properties. This means that there is huge potential for heat-pump solutions in the European market.

Within the heating market as a whole we remain a medium-sized player across much of Europe because we do not deal in gas-fired products.

Heat pumps are still only a small part of the heating market in North America and the use

of fossil energy sources dominates. There is therefore huge market potential.

More stringent energy-saving requirements in Europe also generate considerable market potential for heat pumps for domestic hot water.

We are growing our business all the time, but competition is intensifying, in particular from a significant number of non-European companies with their origins in the air-conditioning industry. Several major multinational groups of companies are also investing in energy-efficiency technology for reasons of economy and to enhance their environmental profile.

Tougher public sector requirements

Government authority requirements for ventilation and heat recovery in new builds are increasing the need for even more highly energy-optimised solutions. The process of harmonising standards and regulations throughout the EU is now underway, but much remains to be done in a situation where local standards and conventions still frequently dictate the technical specifications for the products that can be sold. In most cases, the need for local test institutes to verify and approve products hampers global companies' efforts to penetrate the market.

In North America restrictions in certain areas for drilling in rock and other approvals adversely affect the growth rate for geothermal heat pumps.

To accelerate the pace of energy efficiency improvements in housing and other properties, temporary subsidies are frequently introduced



Increasing the use of renewable energy is also a growing trend in North America. With their airborne systems for distribution of heat and cool air, the installations differ from the European market. The WaterFurnace 5 series with shared units can be installed where space is limited or when the heat pump is combined with other energy sources.

for some preferred heating option. Regrettably, however, such measures tend to lead to wild fluctuations in demand. All too often, consumer choice is dominated by the short-term availability of subsidies rather than by long-term considerations of the environmental impact of a particular type of product.

In view of the uncertainty surrounding the price of electricity, gas and oil, the heating industry in Sweden and many other European markets has focused its attention on greater energy efficiency and environmental adaptation.

Increased demands have also boosted interest in energy-efficient heating solutions for large properties as well. This has clear potential for the industry, but also requires considerable expertise in areas such as systems management and technical dimensioning. Recent corporate acquisitions have boosted our competitiveness in this area, as we can now offer a product range that includes property solutions for heating, as well as cooling and ventilation.

Market conditions

We already hold a market-leading position in the US, Canada, the Nordic region, Germany, Switzerland, Austria, the Netherlands, Poland and the Czech Republic, with a good presence in the heat-pump sector in a number of other European markets such as France and the UK.

Now, as we expand into new markets, our ambition is to gradually increase our market share in the segments we have chosen to prioritise.

The variation in demand in the European heat-pump market has continued. A persistently weak economic situation, financial uncertainty and low levels of new construction all adversely affected demand during a large part of the year.

Development of the five largest European heat-pump markets, France, Germany, Sweden, Switzerland and the UK, was relatively stable during the year. Meanwhile, market development in Eastern Europe remained weak.

The level of new construction, which has been at record-low levels in recent years, improved slightly in 2014, and production of new private homes is now displaying modest growth on markets that are significant for us, namely Sweden, Germany and the UK.

The North American market for heat pumps was gradually reinforced during the year as the economy improved and more new construction work took place.

The water-heater market is not particularly affected by economic fluctuations and is therefore stable. The market for district heating products, which is chiefly concentrated in

Denmark, Sweden, the UK, Germany and the Netherlands, remains relatively weak.

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

This is a segment that has huge potential for us both in Sweden and internationally. For this reason we are continually adapting our product range and organisation to tap into this important segment.

Distribution

Alongside our international expansion we have gradually built up comprehensive distribution arrangements for each market. Our 13 production units supply both their respective domestic markets and their export markets.

The customers on the export markets are sister companies within the business area or local importers/agents. Each operation has its own history and preferred distribution arrangement, but essentially the products are distributed either to wholesalers or direct to installation engineers. The local installer is often the end-user's closest contact and the person who ultimately sells and installs the product.

There may be different distribution arrangements on the same geographical market in cases where we are represented through several individual players. The businesses' history, product range and brands determine the choice of distribution method. Other partners that also participate in the sales process include architects, project managers, consultants and energy advisors.

Opportunities

- + Considerable market potential in Europe and North America
- + Strong brands
- + Broad range of products
- + Two of Europe's most modern heat-pump plants and a leading heat-pump manufacturer in North America
- + Two of Europe's and one of North America's most advanced R&D centres for heat pumps
- + Energy and environmental policies
- + Increased interest in renewable energy
- + Access to rational production in countries with lower labour costs
- + Expansion through acquisitions

Risks

- New laws, government decisions, energy taxes, etc. with an excessively 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
- Low gas and oil prices entail continued use of fossil energy sources
- Artificially high electricity prices in several markets



Interest in heat pumps in large properties is also rising in North America.

Enertech's new commercial heat pumps are designed to meet future needs in large properties such as public buildings, hospitals, retirement or care homes for senior citizens, commercial properties, large single-family houses and apartment blocks.

Product development

Product development process

The development of new market-adapted and competitive products is a highly significant success factor for our business.

To meet the international market's expectations in terms of energy-efficient, environmentally sound and cost-effective turnkey solutions for heating and indoor comfort, we are continually recruiting highly trained engineers with specialist expertise within our priority business areas.

International exchanges and partnerships between our various R&D businesses also have an increasing impact on the development of new products.

Despite the economic downturn of the past few years we have continued to expand our R&D resources and have further consolidated our reputation for technically competitive solutions in Europe. The North American acquisitions also add geographical breadth to our development resources and new expertise in the area of heat pumps for airborne distribution of heating and cooling.

We have also invested in and completed a brand new heat-pump laboratory at ait-deutschland in Kasendorf, which, along with the laboratories in Markaryd, is rated as the most modern in Europe.

The ongoing transatlantic cooperation in product development between our European and North American units aims to team cutting-edge European heat-pump technology with North America's traditional use of ducts to distribute both heating and cool air.

The development process can be divided into four key stages:

- ◆ Identification of market needs
- ◆ Implementation of the project
- ◆ Market launch
- ◆ Follow-up

Product development will be characterised by:

- ◆ improved efficiency and thereby reduced energy consumption
- ◆ maximised use of renewable energy
- ◆ improved control options (remote communication/control)
- ◆ convertibility (heating in winter/cooling in summer)
- ◆ recyclability and environmental adaptation
- ◆ continual improvements in design
- ◆ better economical turnkey solutions

Continuous improvement process

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

Market requirements vary, and the ambition is to meet different preferences with a basic concept that nevertheless offers the potential for market adaptations.

Our two specialist R&D centres for heat pumps in Sweden and Germany respectively are widely regarded as world-class units. New development resources in North America give us even greater flexibility to make market adaptations.



Smart Price Adaption, a further development of NIBE Uplink

The new function gives the heat pump information about electricity prices for the next 24 hours. The prices combined with expected heating and hot water needs then automatically control the heat pump and optimise its operation, contributing to lower energy costs and in the longer term, less climate impact.

Production plants

Manufacturing takes place in 14 production plants in various European countries and North America.

All of these plants maintain a continuous focus on the potential to rationalise and modernise their production processes through automation and mechanisation.

Continual, extensive investments are being made in the production plants in Markaryd, Kasendorf and Fort Wayne, which are the business area's three largest plants.

Aggressive investment programmes are also being implemented in Norway, Denmark and Finland.

Ongoing investment in our Eastern European units in the form of new machinery and

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

Manufacturing methods in the NIBE Group are evaluated regularly in order to optimise production processes and reduce environmental impact. The strategy is to build up a number of specialised manufacturing units.

Productivity work was further intensified in 2014 with specific projects at several of our production units.

Increased competition in a number of product areas, and the pressure on prices that follows in its wake, have led many companies

in the industry to move manufacturing operations to low-cost regions. However, thanks to its modernised, highly rational production facilities in both high-cost and low-cost countries, we believe that NIBE Energy Systems is well placed to assert itself in tomorrow's international market for heating, ventilating and air-conditioning solutions.



The acquisitions in North America in 2014 also added several new heat-pump manufacturing units to NIBE. The WaterFurnace production plant manufactures products for both private homes and large properties.

Carefully timed acquisitions

In recent years we have made a couple of major acquisitions in North America. The acquisitions were carried out during a promising period, based on the fact that we are now seeing increasing growth within several market segments. This is compensating for the current weaker growth in Europe.

We are also seeing major opportunities for using the acquired units as a platform for further development in the commercial and industrial element market in North America. We will gradually strengthen our sales resources to harness these opportunities and create a solid foundation for continued organic expansion.

With a greater international focus on energy efficiency improvements, the 2013 acquisition of the Danish Eltwin group is also deemed very timely. For many years Eltwin has been a well-established supplier of industrial electronics to the energy sector and has developed a unique range of products for control and enhanced efficiency in electric motors. Product development cooperation with other Group units is highly effective, and we are convinced that these products, combined with the other products in our range, will generate very interesting opportunities for growth. We also took additional steps in this direction in 2014 by acquiring two smaller units to the business; their products constitute an excellent complement to Eltwin's range.

A number of additional bolt-on acquisitions in 2014 helped us to increase our global market presence, for instance as we acquired our previous element distributor in Australia and our previous distributor of heating systems for the rail industry in Germany. These units will form the foundation of further expansion in their respective markets.

The end of the year saw the acquisition of Swiss company ASKOMA, which provides renewable energy solutions within heating and has operations in Switzerland and Malaysia. The Malaysian part of the business enables production in an additional Asian country besides existing production units in China, which is of considerable interest from production and marketing perspectives.

Energy efficiency improvement going global

In parallel with our acquisitions, we have continued to fulfil our objective of becoming a

global supplier with a more comprehensive range of measuring, control and heating products. This has taken place through intensive product development and the launch of new products for the international market. Our ambition is for our products to contribute to increasing energy efficiency and thereby also to achieving global sustainable development.

With dramatic growth in recent years we have established ourselves as one of the leading global players in our industry. Meanwhile, the structural changes we have implemented have resulted in improved profitability, and we have taken further steps towards achieving our operating margin target of 10%.

Competitive production

In 2013 we considerably extended our production facility in Poland to satisfy levels of demand for European quality production, with the advantage of lower labour costs. A decision has now been made for further expansion in Poland to also coordinate production capacity for control and regulation. This equips us well for future cost-effective expansion in this area.

Our Polish units have a strong competitive edge through a combination of good technical knowledge, advantageous cost levels and the perfect location in purely logistical terms.

Excellent foundation for continued expansion

Demand for heating elements in the international market generally picked up during the year, although there is still considerable variation between different markets and product areas.

We believe that the gradual improvement in the industrial economy on several of our markets and a general heightened interest in energy efficiency will have a positive impact on demand in coming years as well. We are also detecting some signs of recovery on markets that have experienced a weak performance for several years, such as southern Europe and the UK.

The slightly improved situation as regards demand, coupled with continued restructuring measures and capacity adjustments in our businesses, all create an excellent foundation for further organic expansion with improved profitability.



Christer Fredriksson, Business Area Manager

NIBE Element is one of the leading global manufacturers of components and solutions for measuring, controlling and heating applications.

Mission statement

NIBE Element's mission is to supply both manufacturers and users with components and systems within these areas.

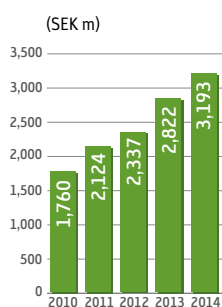
Business strategy

NIBE Element's goal is to rank among the world's leading suppliers. It will make acquisitions to increase the number of domestic markets in which it operates. Its strategy is to maintain a local presence and market a complete range. Beyond the domestic markets the main focus will be on medium to large-scale serial production. Unique special products will be marketed worldwide.

Objective

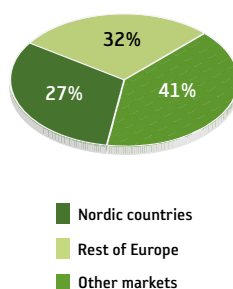
NIBE Element's objective is growth of at least 20% per annum, half of it organic, and an operating profit of at least 10% of sales over a complete business cycle.

Net sales

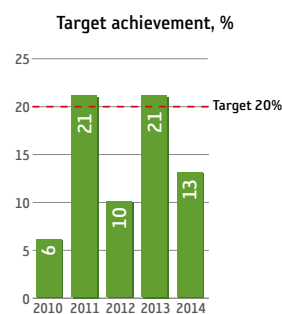


Net sales rose by 13.2% in 2014

Sales per region

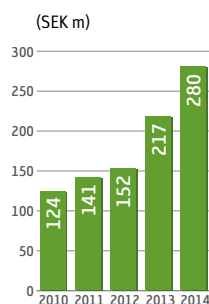


Growth targets



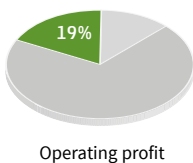
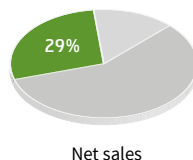
Growth over the past five years averages 14.0%

Operating profit

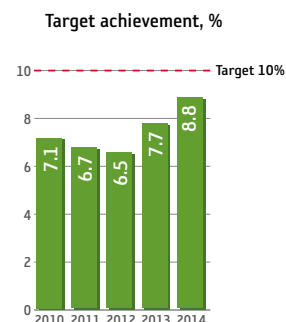


Operating profit rose by 29.3% in 2014

Contribution to Group

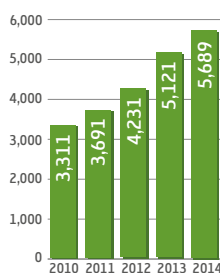


Operating margin target

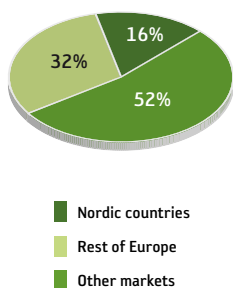


Operating margin over the past five years averages 7.5%

Average number of employees



Employees per region



2014

Net sales	SEK 3,193 m
Growth	13.2 %
Operating profit	SEK 280 m
Operating margin	8.8 %
Avg. no. of employees	5,689

Product range

The product range

encompasses a number of technologies that can be used in many applications

- ◆ Tubular elements
- ◆ Aluminium elements
- ◆ Foil elements
- ◆ Thick film elements
- ◆ PTC elements
- ◆ High-power elements
- ◆ Open spirals and band/tape/webbing
- ◆ Heating cables
- ◆ Ceramic elements
- ◆ Vacuum brazing
- ◆ Heat-pump technology
- ◆ Steering and control

Major sectors for our business include:

- ◆ Domestic appliances
- ◆ Commercial equipment, for example in catering and in drinks machines
- ◆ Indoor comfort sector, including heat pumps and water heaters
- ◆ Energy sector, including wind power and oil/gas
- ◆ Automotive industry
- ◆ Rail-based traffic
- ◆ Medical technology

We supply complete solutions

Our product range mainly comprises components and solutions for measuring, controlling and heating within a large number of application areas.

We have steadily expanded our product programme from having been a supplier of solely electrical tubular elements, to providing a number of different technologies, which generate optimum solutions for customers in various applications.

We have also developed our offering to supply turnkey solutions instead of just individual components. This is done by offering both fully assembled system products and optional measuring and control functions for various products. We are confident that this move is

the best way of providing competitive solutions for the customer. It also creates opportunities for increasing the size of the order and boosting our added value.

The trend is furthermore for extended collaboration with our customers, as we are able to offer testing and simulations as part of their product development process.

Products for energy efficiency

For resistors, which have a broad area of use, the trend towards more energy-efficient system solutions has opened up many new applications as the resistors are often integral features of these systems. Greater use of electric motors in place of hydraulic operation also generates an increased need for resistors. The



The acquisition of German company Wolff, which distributes heating systems for railways and tramways, will form a new platform for the industrial segment in Germany under the name Backer Wolff. One of many projects completed is a heating system for the tramway at Eibsee station, which is situated at the foot of Germany's highest mountain, Zugspitze.

(Image provided with permission from the Bavarian Zugspitze Railway)



In 2014 Jevis continued its strong development in the range of brake resistors for the international oil and gas industry. The product range has been further developed to include several types of water-cooled and air-cooled resistors.



product range is constantly being expanded so that we can offer more complete solutions.

Since electric motors are high energy consumers for many products and plants, they will also need to be made more efficient. Through Eltwin we are able to offer control functions for electric motors, which drastically reduces energy consumption. The acquisition of IC Electronic brings additional types of control electronics into the product range.

New solutions based on heat-pump technology have been launched on the market. These are used in our customers' products to achieve lower energy consumption in, for example, commercial dishwashers and tumble dryers.

Specialist technologies

In our units we also have access to certain specialist technologies, which can be used outside element and resistor applications. For example, vacuum-brazing technology, which is traditionally used in medical applications, can also be successfully applied in the production of plate heat-exchangers, primarily for heat pumps. Foil element technology, too, is developing in new directions, including use in a variety of aeriels and antennae.

Distribution

The element market can be divided into two main groups: OEM (Original Equipment Man-

ufacturer), where our product is used as a component in the customer's own product, and Industry, where our product is used primarily in the customer's own manufacturing process.

As one of the international leading players we are represented on five continents and can distribute our products to both these customer groups in a cost-effective and environmentally sound way, with good service and geographical proximity.



IC Electronic is a well-known soft starter manufacturer. Soft starters are used to start AC motors when the starting current is too powerful or when the power source cannot supply sufficient power. They also halve about 50% of the starting current, which is normally 6-8 times the operating power. The adjustment during start-up leads to less wear and tear of mechanical parts and thereby a longer useful life for the products.



Backer CZ produces flat printed heating elements, called thick film elements, that are suitable for heating flat surfaces or liquids over a flat wall. New products in the range consist of printed heating elements on tubes that can be used in applications to heat flowing liquids.



Backer's heat-pump modules are installed in various solutions to recover energy and improve working environments, for example for professional dishwashers in catering operations. The considerable heat-pump expertise in the catering can be harnessed in the development of this type of product.



For high-quality products such as components for laboratory equipment, Loyal uses vacuum-brazing technology in its manufacturing process.

Market trends

The new acquisition ASKOMA has an operation in Malaysia which gives NIBE access to production in an additional Asian country; this is of great interest from production and market perspectives.



Opportunities

- + Industry restructuring and expansion through acquisitions
- + Purchasing and production synergies
- + Energy technology is a globally expanding market
- + Position in 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 as one of the top front-runners among manufacturers in Europe, North America and Asia
- + Intensive product development
- + Increased growth opportunities with supply of solutions with measuring and control

Risks

- New technologies
- More competitors
- Price trends for raw materials
- Cost trends in our production countries
- Increased acceptance of low-price ranges
- Disproportionate product liability in the event of quality defects
- Sharp economic downturn in the engineering industry
- Changes in exchange rates
- Payment problems among certain customers
- Political risks in certain markets

Varying market structure

The market for our product areas tends to keep pace with a country's industrial development and thereby growth in GDP.

The situation as regards competition differs depending on the structure of the market. Mass-market products, such as various consumer products, are exposed to global competition. This has resulted in large-scale relocations of manufacturing operations for mass-produced products to countries with lower cost levels, mainly Asia. The medium-scale series for commercial users are subject to regional competition, while a large proportion of the industrial products are primarily exposed to local competition.

There is at present a clear tendency towards transferring production back to Europe and North America, which is largely due to the fact that costs between Asia and Eastern Europe/Mexico have levelled out. The strengthening of the dollar during the year is further accelerating the relocation to Eastern Europe. Many customers are also keen to avoid lengthy transportation for logistical and environmental reasons.

Varying customer conditions

Products that are sold to commercial customers are usually delivered from regional suppliers. Since customers are now increasingly part of larger corporate groups with central purchasing functions, it is important to market our products both at a regional and a local level.

For industrial products, our aim is to gradually increase the number of domestic markets with local production, so that we can deliver small series with short lead times and provide local technical support. Often these companies also develop their own products, specially adapted to local needs and conditions.

In some of our markets, where perhaps for cost reasons we have chosen not to set up our own manufacturing operations, we have instead established a presence in the form of sales and technical support offices. We market

our products by industry or country, depending on the size and structure of each industry.

For some market segments, such as comfort, domestic appliances, wind power and transport, we now have global marketing managers.

Heightened interest in improving energy efficiency

Over the past few years our operations have been increasingly affected by developments within the areas of energy and the environment. There is clearly a growing interest among our customers in making their products more energy efficient and eco-friendly, with a sustainability profile. These changes can present us with both opportunities and threats, however the opportunities outweigh the threats.

Market areas that have been affected and that will be affected positively by this development comprise the wind power sector, heat pumps, rail traffic and hybrid and electric vehicles. It is estimated that there will be a negative impact within electric domestic heating, although the replacement market will remain relatively strong.

Market conditions

The European market has continued to show a positive trend in overall volumes, while the order backlog has become increasingly shorter.

The North American and Asian markets have performed well, with stable growth within most market segments.

The domestic appliances sector was stable in Europe and grew in North America.

In industry, products related to energy production for gas, oil and wind power grew well. We have successfully launched several innovative products, strengthening our market position in this sector. However, the low oil prices risk impacting the market situation in future.

The transport sector (the automotive industry and rail-based traffic) focuses clearly on improving environmental characteristics and is continuing to develop well.

Product development

Sustainable product solutions

Many of our product developments and product launches are now linked to the increasingly tough requirements from society for products to be sustainable and eco-friendly. We work in close partnership with our customers to develop such products.

Requirements for the various industries and technologies differ hugely in terms of performance and standards. We have therefore invested in modern laboratories with well-developed testing facilities to ensure that the products satisfy standards and requirements.

Development process

Our development process can be divided into four stages:

Product development, which focuses on creating new products or equipping the product with additional functions, such as control or regulation. R&D work may also aim to im-

prove the properties of a product as regards temperature ranges, insulation, etc.

Product adaptation, which 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.

Process development, which is carried out with the aim of optimising the products as regards the choice of materials, quality and technical performance.

Production engineering development, which seeks to develop methods and machinery that will rationalise the manufacturing process and reduce environmental impact.

Examples of innovative development of products for sustainable solutions:

- ◆ Heat pump modules designed for recovering waste heat in commercial equipment
- ◆ Thick film elements for urea heaters in vehicles to reduce emissions
- ◆ Resistors to ensure an even power supply from wind turbines
- ◆ Battery heaters for hybrid vehicles
- ◆ Resistors for frequency converters to reduce electricity consumption
- ◆ Electronic control for water heaters to reduce electricity consumption
- ◆ Complete control of heating for railway points, which drastically reduces energy consumption
- ◆ Electronic control of electric motors
- ◆ Components and solutions for more efficient heat pumps

Production plants

Production is carried out at some 30 plants in Europe, North America and Asia. Local production constitutes an important and major element of our competitive strength for deliveries of small and medium-sized series with short lead times. Basing production plants on different continents and in different currency regions also gives us considerable flexibility to be able to relocate production based on applicable cost and currency developments.

For larger series and special products, production is based at specialist units.

Measures to increase efficiency and raise quality levels are continually being taken to enhance competitiveness. This is achieved both via investment programmes and continuous improvements.

Key aspects of our productivity efforts include performance-based wage systems and continually implemented time studies. Automation is also an increasingly important part of our work to boost productivity.



The manufacture of energy regulators and thermostats in our Chinese production unit, Backer HTS.

Aggressive future initiatives

We have been able to achieve our objective of continuing to be a stable player with good profitability despite the prevailing caution on the European stove market and difficult market conditions.

We are now the largest player in Europe regarding stoves and are implementing aggressive initiatives for the future.

Increased sales in a smaller market

The weakening of the European stove market continued in 2014 and this decline intensified in certain markets. The market was particularly challenging in the Nordic region, but larger markets such as Germany and France also experienced falling demand in the vast majority of product segments. Despite this, we have been able to increase our sales and market share. At the same time, our latest acquisition, Stovax, has developed very positively on the UK market. The acquisition also enabled us to increase our range of gas-fired and electrical products that are also in great demand outside Europe.

Well-developed network of distributors

Our strategy is that each brand will have its own independent sales organisation and dis-

tribution. We therefore have a large number of distributors – a major asset for us. To further bolster our market position, we are now earmarking even more resources for market communication and exposure in stores, above all for our largest and best known brands.

New ecodesign requirements

Our main product area consists of wood-stove products. Wood is a renewable and carbon-neutral source of energy. To minimise various emissions, however, it is important that all wood-burning products use clean and efficient combustion technology. We therefore welcome the new Ecodesign Directive that places the same demands on all markets in Europe. By 2022, all products must satisfy the new requirements in order to be sold in Europe. This is the first and very important step towards enabling further tightening of regulations in the future and to bring about the creation of products with even higher performance and even lower emissions. Virtually all our products already satisfy the coming requirements.

Investment in new laboratory

As market leader, our objective is for our product development to be right at the forefront



Niklas Gunnarsson, Business Area Manager

in terms of design and function, combustion technology and ease of use.

In 2014 we made a very important investment for the future in a completely new, state-of-the-art laboratory in Markaryd. It will constitute a vital part in our long-term focus on further refining the combustion technology used in our products and continually being able to launch interesting new products for the consumers of tomorrow.

New opportunities

We have built up a strong position in several countries – while the total available market is vast. We are not expecting a general improvement in the market situation for stove products in Europe during 2015; instead, our opportunities for further expansion consist solely of increasing our market share.

We do not compromise on our product development and market activities and instead we adjust production capacity and other fixed total costs to the prevailing demand. Teamed with efficient production units and high quality, this creates good conditions for continued healthy profitability in the business area.

The stove market is fragmented with a large number of players of various sizes and with varying degrees of profitability. After a few years of lower demand, the need for consolidation in the industry increases. With our strong financial position and extensive industrial expertise we have the opportunity to play an active part in this consolidation and we forecast many acquisition opportunities ahead.



Through our investment in a state-of-the-art laboratory in Sweden, equipped with the most modern and advanced measuring equipment, we are expanding our testing capacity and taking our product development to an even higher level to create the products of tomorrow.

NIBE Stoves is the European market leader in stove products.

Mission statement

The business area's mission is to supply the market with attractively designed, value-for-money stoves and chimney systems developed and manufactured with genuine concern for the natural environment.

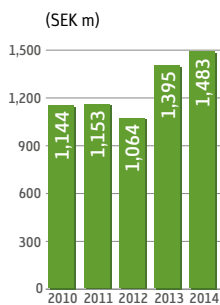
Business strategy

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

Objective

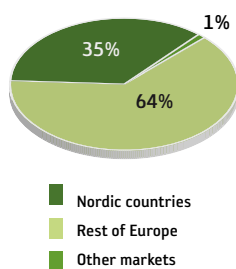
The business area's objective is growth of at least 20% per annum, half of it organic, and an operating profit of at least 10% of sales over a complete business cycle.

Net sales

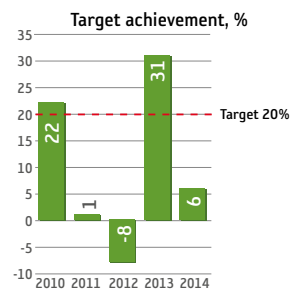


Net sales rose by 6.3% in 2014

Sales per region

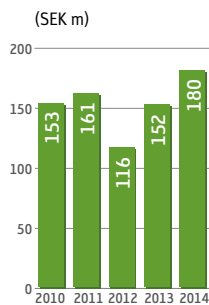


Growth targets



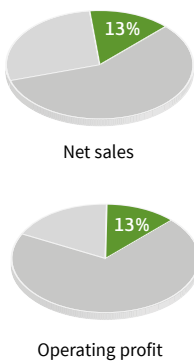
Growth over the past five years averages 9.6%

Operating profit

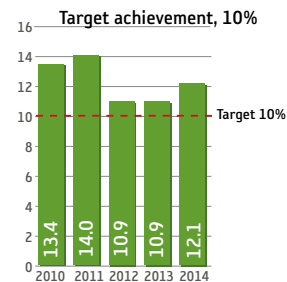


Operating profit rose by 18.4% in 2014

Contribution to Group

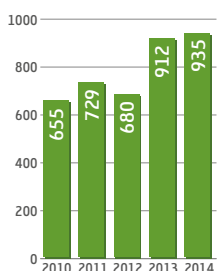


Operating margin target

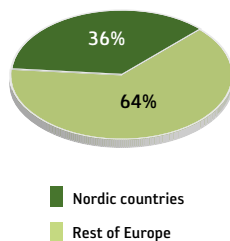


Operating margin over the past five years averages 12.2%

Average number of employees



Employees per region



2014

Net sales	SEK 1,483 m
Growth	6.3 %
Operating profit	SEK 180 m
Operating margin	12.1 %
Avg. no. of employees	935

Product range

The product range

comprises six product groups:

- ◆ Free-standing stoves, in steel or cast iron
- ◆ Inserts with a choice of surrounds
- ◆ Heat-retaining products
- ◆ Inserts for fireplaces
- ◆ Chimney systems
- ◆ Stove accessories

Contura

LOTUS
www.lotusovne.com

Nordpeis

STOVAX
THE BEST TECHNOLOGY

VARDE

GAZCO
THE BEST TECHNOLOGY

PREMODUL

Yeoman
A NATURAL WARMTH

TermaTech

Strong brands

Our strategy of marketing several different strong brands has proved to be a successful one. Each brand operates independently with responsibility for product development and sales, which creates high market penetration and considerable flexibility.

Strong product portfolio

All in all we have a strong and attractive product portfolio, chiefly within the segments of free-standing stoves and inserts with surrounds, designed for wood and gas. Both these product segments are also the largest in Europe.

Our ambition is to use new products to further reinforce the position we have achieved within each product area. In parallel we are expanding our range in new product areas to further increase our market share.

We do not currently hold a strong position within large, heavy heat-retaining products, but have for some time been investing in the development of a range within this category as well.

We have also supplemented our product portfolio through acquisitions. UK group Stovax has given us access to a large range of gas-fired and electric products, for example. Correspondingly, Danish TermaTech has



The Contura 500 was launched back in 2003 and has become one of Europe's best-selling models. An upgraded version was launched in 2014 including a new modern glass door and new handles that stay cool during heating.



Chicago made by Nordpeis is largely like a traditional brick or stone fireplace, but its modern design and the high position of the fire make it very practical to use and gives you a maximal view of the flames.

brought a complete range of accessories for stove products to NIBE.

We also supply chimney systems in several of our main markets, to offer customers complete solutions. In this product area it is important to be able to offer solutions that meet the widely varying requirements that exist in each country. We therefore have different chimney systems for different markets.

Products satisfy eco requirements

Wood provides renewable energy, and burning wood in a stove is therefore carbon-neutral. Moreover, choosing a product that uses good combustion technology minimises the environmental impact.

All our products within all brands satisfy both current and forthcoming known product requirements. In addition, many of the products also fulfil tougher but voluntary requirements, such as the Swan Ecolabel, a strong Nordic symbol for environmentally sound products.

Launches in 2014

During the year we launched slightly fewer new products, but launches made in previous years produced a full effect in terms of sales in the past year.

The broadening of our product range that we started a few years ago has also helped to increase our market share.

One key new product in 2014 was an upgrade of our by far most popular series of models of all time: the Contura 500.

Several new models in all brands will be launched in 2015, ready for delivery before the autumn season.



The Stovax Group's wide range of stoves and inserts for wood and gas as well as electric stoves mainly used for decorative purposes, have added new product categories to the business area.



Contura Ci4 FS is a small stove mainly developed for the UK market.



Lotus M-Jubilee in dark soapstone is a new free-standing stove that produces heat rapidly, but also features a heat-retaining function to provide a comfortable level of residual heat for a long time.



Bilbao by Nordpeis comes in an exciting design with a view of the fire straight through the fireplace, making it ideal to occupy a free-standing position in a room.

Market trends

Market affected by different factors

A number of factors affect demand for stoves, but the single most significant factor is general economic developments, which in turn impact on households' disposable income and scope for consumption. Another key factor is the energy price trend for oil, gas and electricity. When the prices rise there are benefits to installing an additional heat source to reduce heating costs.

Since these two factors almost always coincide, demand has a tendency to be fairly volatile. When the economy is strong, consumer purchasing power is greater and energy prices are higher. The reverse applies in a weaker economic climate.

New construction of private homes is another pivotal factor in relation to demand.

Regional restrictions on the use of primarily wood-burning products, or energy policy decisions such as various types of subsidies, also affect demand.

After several years of discussions in the EU regarding new ecodesign requirements, agreement has finally been reached on standard limits regarding efficiency and emissions, which will apply to local wood-fired stoves. All products that are sold in Europe must satisfy the new requirements by 2022, and in addition, an energy labelling system will be introduced. Virtually all our products already satisfy these coming requirements.

All in all it is very positive for the industry to receive clear guidelines for product development. In the long term this will mean an even clearer focus on better products with less climate impact. Tough requirements and standardised testing methods benefit both NIBE and the industry.

Varying levels of demand

The international market for stoves varies considerably between countries or between regions, both in terms of the appearance of

products and their properties. In general, the large domestic manufacturers in each country have in the past given their products their specific characteristics and designs. This has partly changed as interest in home furnishing has increased, and globalisation has meant that consumers are discovering other types of products besides those available on their domestic markets. It is primarily products with a more modern appearance, clean lines and timeless design that are attracting greater interest.

Different energy sources

There are different types of energy for use in stoves – the main ones being wood, gas and pellets. The European market for stoves mainly comprises traditional wood-fired stoves that are essentially sold on all markets.

Many gas-fired stove products are sold in the UK, Ireland and the Netherlands. This is due to a strong tradition of using gas, combined with a well developed network of gas pipelines. Almost all houses in the UK and Ireland have a brick chimney and there is often more than one fireplace per household.

Stove products adapted to use pellets dominate on the Italian market and are also in great demand in other Mediterranean countries such as France and Spain. The flames are not as attractive and relaxing as with a traditional wood-burning product, but the products still serve as an excellent additional source of heating during the colder months in southern Europe.

There are also electric stoves that are mainly used for decorative purposes, but they also produce a certain amount of heat.

Fragmented industry

The European stove industry is large, but very fragmented. There is a large number of small companies and there are even more different brands, but no strong global brands. This

means that there is a vast range of products, which makes it difficult to gain an overview.

Companies are often family-owned, with the owner also taking an active role in operations. Many changes have taken place in recent years, but there is still a major need for further consolidation in the industry – in which we have substantial opportunities of playing an active part.

Market conditions

We hold a strong position on our main markets, but the total market decreased in 2014.

Demand for stove products in the Nordic region continued to drop on all markets except in Denmark and we are experiencing the company's weakest level of demand to date.

In the UK, which is now our single largest market, demand has been stable in a slightly stronger economy than in many other European countries. Low gas prices have increased interest in gas-fired products, which also benefits our sales in this segment.

In Germany demand has decreased slightly, while the decline was substantial in France.

The weakening of the market in Europe can be explained to a varying extent by a generally weak economy and unusually warm weather in the key peak season. In addition, construction of new homes is at a historically low level, although some markets have experienced a certain increase.

Distribution

Stove products are mainly distributed via a well-established network of distributors, who showcase the products in suggested settings and offer a high level of customer service. The stores are often small, independent family-owned companies, and there are only a few specialist retail chains for stove products in Europe.

The other major distribution channel comprises building merchants or DIY chains. The products sold through this channel are generally simpler and more competitively priced. The division between these two channels varies somewhat between different markets.

With the vast array of products on the market, marketing and distribution methods will form an increasingly important feature of our continued success.

Demand for gas-fired products increased in several markets during the year, which benefited our own sales of Gazco brand products.



Product development

We have a long-standing tradition of product development and invest heavily in improving combustion technology in the products to optimise efficiency and minimise their environmental impact.

Product development, which is also a key aspect of our success concept, can be divided into three areas.

Design

A stove product often has a prominent place in the home, so it is important that it fits in with the rest of the furnishings. Design is therefore a key factor in how well a product will sell.

Customers also want to see as much as possible of the fire, which means that the products must have large glass surfaces exposing the flames from as many perspectives as possible.

We also place considerable emphasis on timeless design that will blend in to as many settings as possible, and we try to combine this with large glass surfaces to achieve the best view of the fire. We work with both in-house and external industrial designers as part of the product development process, and we endeavour to protect the design of new models, since our success owes much to the visual appeal of our products.

Combustion technology

All combustion involves emissions to a greater or lesser extent which impact on our environment and health. More requirements will be set on our products in future, which will necessitate even greater efficiency and even lower emissions.

Large glass surfaces make it difficult to attain good combustion while keeping the glass free from soot. This is a challenge for us and something that we focus on extensively during the development process.

Over several decades we have built up sub-



stantial knowledge of how different types of energy combust. We have recently stepped up our efforts and are continually investing considerable development resources in this area. We have also built one of Europe's largest and most modern laboratories for stove products, which was inaugurated at the end of 2014.

Functionality

Stove products are used frequently during the cold months of the year and we therefore place great emphasis on our products being reliable. We ensure this by conducting extensive tests on both the materials used and the final product.

For ease of positioning it is important that the products can be placed as close to the walls and ceiling as possible. We take account of this early on in the product development phase.

It is also essential for the product to be easy to use. We therefore work continually to make sure that products are simple to operate.

As part of efforts to reinforce Contura's international venture, a new showroom was opened in the UK during the year for training and greater technical support.

Production plants

The majority of our steel products are made at our modern and rational production plant in Sweden. This plant, which we estimate is probably the most efficient in our entire industry, is largely automated and based on a rational production flow, which boosts both productivity and quality in the end-product. There is a strong focus on minimising emissions and energy consumption during the production process, as we believe it is important to be able to manufacture quality products with the least possible environmental impact. We also believe that this will become an increasingly significant competitive advantage in the future.

Stovax has a sophisticated subcontractor system for production of its wood-burning products, while the gas-fired products are made at the company's own efficient UK-based production plant.

We have a production unit in Poland for concrete surrounds and processing of various types of stone material, as well as production of fireplace materials and heat-retaining products. This unit mainly supplies our own brands with components, but is also an OEM supplier to other manufacturers in the industry.

Opportunities

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

Risks

- New government energy policies often allow insufficient time to implement product adaptations
- Local restrictions on wood-burning products
- Low-price competition
- General economic climate

Administration Report

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Important events during the year

At the beginning of February, NIBE acquired operations in the French company, Technibel SAS, which has annual sales of approximately SEK 105 million. Technibel is solely a sales company for air conditioning products and heat pumps under the well-established Technibel brand. Operations come under the business area NIBE Energy Systems from February onwards.

At the end of August, NIBE acquired 100% of the shares in the North American heat pump company, WaterFurnace Renewable Energy Inc., which has annual sales of some SEK 800 million and an operating margin of approximately 17%. The total purchase price amounted to CAD 378.3 million, which is approximately SEK 2.4 billion. The company has been consolidated in business area NIBE Energy Systems from September onwards. The acquisition cost is still provisional.

At the beginning of November, NIBE acquired the remaining 90% of the North American heat pump company, Enertech Global LLC, which has annual sales of around SEK 245 million and an operating margin of approximately 10%. The company has been consolidated in the business area NIBE Energy Systems with effect from 1 November. The acquisition cost is still provisional.

At the end of December, NIBE acquired 100% of the shares in the Swiss heating element company, Askoma AG, which has annual sales of SEK 55 million and an operating margin of just over 10%. The company, which also has operations in Malaysia, offers a product range consisting mainly of components for heating, control and measurement for the energy market. The company has been consolidated in business area NIBE Element with effect from 1 December. The acquisition cost is still provisional.

During the year, five smaller acquisitions were also made comprising total annual sales of around SEK 45 million.

Remuneration

The Annual General Meeting determines the level of remuneration paid 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. On the basis of these guidelines, 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. For further details of remuneration for the year, please refer to Note 6.

The Board proposes that remuneration for 2015 should be determined according to the same principles as those adopted in 2014.

Our staff

It is our ambition to ensure that NIBE is perceived as an attractive employer offering great opportunities. We have a strong set of corporate values that the vast majority of people perceive as positive. These values are apparent in all our communications, 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 micromanaged, but are expected nevertheless to conform to clear ethical and commercial guidelines. These have been formalised in three brochures, *Våra Värderingar* [Our Values], *Våra Affärsprinciper* [Our Business Principles] and *Vårt Arbetssätt* [Our Approach]. Each has been translated into 14 languages and copies distributed to all co-workers.

Environmental issues

NIBE has production plants in Sweden, Norway, Denmark, Finland, Germany, UK, Switzerland, Poland, Czech Republic, Italy, Spain, Netherlands, Austria, Russia, China and Mexico. The most important environmental concerns related to the activities of the Group concern the use of energy, raw materials and chemicals in these plants, emissions to air and water, and the generation of waste. On the positive side, many of the Group's products contribute to 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-half 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 performance in the sustainability area in accordance with the Global Reporting Initiative (GRI) guidelines.

In Sweden our plants require a permit or a notification to operate



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under the Swedish Environmental Code. None of these manufacturing facilities plans to renew its permit or report any changes to its operations in 2015. 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.

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 2014. Certain breaches were, however, registered in Poland and Denmark, relating to factors that included noise and emissions into waste water and the atmosphere. Soil pollutants have been reported at three of the Group's sites (in Denmark and the Czech Republic). The authorities in Sweden have classed the Group's plants in Markaryd as "moderate risks" in terms of soil pollution. It is not possible, however, to estimate the extent of any future costs associated with these risks. In most cases, it has been confirmed that the NIBE Group cannot be held responsible.

For a more detailed account of the work NIBE does on sustainable development, please refer to pages 20-25 of this annual report.

Research and development

The NIBE Group carries out market-leading research and development work within each of its 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 any given market context. See also Note 9.

Future trends

Our corporate philosophy and our strong product programme, with their focus on sustainability and saving energy, are in tune with the times.

We are well-prepared for additional acquisitions.

Our internal and ongoing efforts to raise efficiency, combined with our rigorous cost control measures will guarantee continued healthy margins.

It is harder to judge how external factors such as economic trends, exchange rate uncertainties and the low price of oil at present will impact the Group, but we remain cautiously positive with regard to the year overall.

Ownership

NIBE's share capital is divided into 13,060,256 Class A shares and 97,193,382 Class B shares. Each Class A share carries ten votes at the Annual General Meeting and each Class B share carries one vote. For A shares, which represent approximately 57% of the votes, the company's articles of association prescribe an obligation to give existing shareholders first refusal of any shares offered for sale.

The company has two shareholders who each hold more than 10% of the votes, one of them a group of shareholders consisting of present and former directors with around 48% of the votes, the other Melker Schörling, with around 20% of the votes.

Proposal for appropriation of profits

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

Profit brought forward	SEK 1,057 million
Share premium reserve	SEK 1,753 million
Fair value reserve	SEK - 212 million
Net profit for the year	SEK 943 million
Total	SEK 3,541 million

The Board of Directors proposes issuing a dividend to shareholders of SEK 2.70 per share, equivalent to a total pay-out of SEK 298 million. A total of SEK 3,243 million will be carried over in the accounts: SEK - 212 million of this in the fair value reserve, SEK 1,753 million in the share premium reserve and SEK 1,702 million as profit brought forward.

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.

Corporate governance report

The corporate governance report on pages 89 - 92 is not part of the Administration Report.

Five-year review

Income statement					
(in millions of SEK)	2014	2013	2012	2011	2010
Net sales	11,033	9,834	9,192	8,140	6,512
Cost of goods sold	- 7,106	- 6,462	- 6,032	- 5,342	- 4,274
Gross profit	3,927	3,372	3,160	2,798	2,238
Selling expenses	- 1,977	- 1,739	- 1,709	- 1,429	- 1,159
Administrative expenses	- 707	- 580	- 543	- 527	- 410
Other operating income	142	126	131	149	127
Operating profit	1,385	1,179	1,039	991	796
Net financial items	- 93	- 62	- 34	- 50	- 51
Profit after net financial items	1,292	1,117	1,005	941	745
Tax	- 310	- 259	- 242	- 250	- 192
Net profit	982	858	763	691	553
<i>Net profit for the year attributable to non-controlling interest</i>	-	-	-	-	5
<i>Includes depreciation according to plan as follows</i>	<i>402</i>	<i>385</i>	<i>368</i>	<i>275</i>	<i>216</i>

Balance sheet					
(in millions of SEK)	2014	2013	2012	2011	2010
Intangible assets	9,731	6,154	5,598	5,642	1,188
Property, plant and equipment	2,078	1,889	1,881	1,898	1,276
Financial assets	367	155	152	141	59
Total non-current assets	12,176	8,198	7,631	7,681	2,523
Inventories	2,109	1,760	1,685	1,679	1,118
Current receivables	1,844	1,415	1,339	1,378	1,098
Investments in securities etc.	154	3	-	-	-
Cash and equivalents	1,827	1,591	934	1,007	410
Total current assets	5,934	4,769	3,958	4,064	2,626
Total assets	18,110	12,967	11,589	11,745	5,149
Equity	6,560	5,575	4,858	4,472	2,483
Non-current liabilities and provisions					
- non-interest-bearing	1,849	1,267	894	937	397
- interest-bearing	7,558	4,391	4,013	4,341	952
Current liabilities and provisions					
- non-interest-bearing	1,849	1,533	1,320	1,465	1,136
- interest-bearing	294	201	504	530	181
Total equity and liabilities	18,110	12,967	11,589	11,745	5,149

Statement of cash flows					
(in millions of SEK)	2014	2013	2012	2011	2010
Cash flow before change in working capital	1,327	1,255	1,038	856	794
Change in working capital	- 74	- 186	- 53	238	- 39
Cash flow from operating activities	1,253	1,069	985	1,094	755
Investments in existing operations	- 308	- 309	- 217	- 307	- 134
Operating cash flow	945	760	768	787	621
Acquisition of businesses	- 2,648	- 166	- 226	- 3,482	- 240
Cash flow after investments	- 1,703	594	542	- 2,695	381
Financing	2,095	271	- 366	3,465	- 175
Shareholders' dividends	- 259	- 220	- 221	- 164	- 122
Cash flow for the year	133	645	- 45	606	84
Cash and equivalents at the beginning of the year	1,591	934	1,007	410	349
Exchange difference in cash and equivalents	103	12	- 28	- 9	- 23
Cash and equivalents at year-end	1,827	1,591	934	1,007	410

Income statement over the past five years

Growth

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 5,751 million to SEK 11,033 million. This is the result of an aggressive acquisition strategy. Twenty companies and lines of business have been acquired.

Growth during this five-year period has averaged 13.9%. Organic growth has accounted for a rise in Group sales of 1.6% and acquired growth for 12.3% over the past five years.

Operating margin

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

The operating margin for NIBE Energy Systems over the past five years has averaged 14.7%. The operating margin for NIBE Elements during the period has averaged 7.5%, while the corresponding figure for NIBE Stoves was 12.2%.

The Group's operating margin over the five-year period has averaged 12.1% and return on equity has averaged 17.7%.

Balance sheet over the past five years

Over the past five years total assets have risen from SEK 4,794 million to SEK 18,110 million.

Intangible assets

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 future cash flows. The principles used by the Group for impairment testing are described in Note 2 to the accounts under the heading 'Goodwill and trademarks'.

Property, plant and equipment

Property, plant and equipment consists solely of land, buildings and machinery. The value of property, plant and equipment has increased by SEK 680 million over the most recent five-year period. Of this increase, approximately 41% has been added through acquisitions of companies and lines of business, and the remaining 59% through investments in existing businesses. These investments have been implemented largely in the Group's facilities in Markaryd, Sweden, where most of the production facilities for NIBE Energy Systems and NIBE Stoves are located, as well as in the Group's production plants in Poland and the Czech Republic.

Current assets

Inventories and current receivables (mainly trade receivables) account for approximately 22% of total assets. Normally, both of these items are directly related to sales and, therefore, growth.

Interest-bearing liabilities

Current and non-current interest-bearing liabilities and provisions consist of loans from banks and other financial institutions and pension provisions. Over the past five years, this has risen from SEK 1,519 million to SEK 7,852 million. This increase is attributable to new borrowing to finance the Group's major acquisitions in 2011 and 2014.

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%.

Non-interest-bearing liabilities

Non-current, non-interest-bearing liabilities and provisions consist mainly of deferred tax, provisions for additional considerations and guarantee provisions. These have grown from SEK 239 million to SEK 1,849 million over the past five years, chiefly as a consequence of additional considerations and deferred tax attributable to intangible assets that have arisen on the acquisition of other companies.

Current non-interest-bearing liabilities and provisions have grown by SEK 1,004 million during the period, from SEK 845 million to SEK 1,849 million, 78% of which represents accrued expenses and customary trade payables, which are both directly related to the expansion of the business.

Cash flow over the past five years

Cash flow before change in working capital

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

Working capital

Working capital, measured as current assets minus current liabilities, increased from 19.6% to 20.5% of sales over the five-year period. The average over the period was around 19%.

Investments in existing operations

On average, investments in existing operations over the past five years have corresponded to approximately 80% of depreciation according to plan. The explanation for this moderate level is a combination of the Group's organic growth and the fact that the majority of the Group's production facilities have adequate capacity for future growth.

Operating cash flow

The Group's operating cash flow has been positive over the past five years. This is due to the fact that the investment rate has been moderate, while the Group's operating capital has been given considerable attention in day-to-day work.

Acquisition of businesses

During the year, NIBE Industrier AB pursued an aggressive acquisition strategy. Twenty companies and lines of business have been taken over during the past five years: six of these are now within the NIBE Energy Systems business area, twelve in NIBE Element and two in NIBE Stoves. In 2011 the Group made its largest ever acquisition, taking over the Swiss listed company, the Schulthess Group AG. During 2012 and 2013, the pace of acquisitions was slower, though it increased again in 2014, with the acquisition of WaterFurnace Renewable Energy Inc. in North America. The company intends to continue to pursue an aggressive 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 – 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 28.9% and 31.9% of the year's profit after tax.

Consolidated income statement

(in millions of SEK)		2014	2013
Net sales	Note 3	11,033	9,834
Cost of goods sold		- 7,106	- 6,462
Gross profit		3,927	3,372
Selling expenses		- 1,977	- 1,739
Administrative expenses	Note 5	- 707	- 580
Other operating income	Note 10	142	126
Operating profit	Note 3 -10	1,385	1,179
Profit from financial investments			
Profit from participations in associates	Note 22	2	-
Financial income	Note 12	99	36
Financial expenses	Note 13	- 194	- 98
Profit after net financial items		1,292	1,117
Tax	Note 14	- 310	- 259
Net profit		982	858
Profit for the year attributable to			
Parent shareholders		982	858
Non-controlling interest		-	-
Net profit		982	858
<i>Includes depreciation according to plan as follows</i>		402	385
<i>Average number of shares</i>		110,253,638	110,253,638
<i>Net profit per share before and after dilution in SEK</i>		8.90	7.78
<i>Proposed dividend per share before and after dilution (SEK)</i>		2.70	2.35
Statement of comprehensive income			
Net profit		982	858
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains and losses in retirement benefit plans	Note 24	- 122	35
Tax attributable to other comprehensive income	Note 14	26	- 7
		- 96	28
Items that may be reclassified to profit or loss			
Cash flow hedges		- 13	- 5
Hedging of net investment		- 464	- 82
Exchange differences		727	120
Tax attributable to other comprehensive income	Note 14	108	19
		358	52
Total other comprehensive income		262	80
Total comprehensive income		1,244	938
Total recognised income attributable to			
parent shareholders		1,244	938
Non-controlling interest		-	-
Total comprehensive income		1,244	938

Comments on the income statement

Net sales

The sales target has been annual growth of 20%, preferably with half of this total generated organically and half by acquired business.

Group sales rose by SEK 1,199 million (12.2%) during the year to SEK 11,033 million (SEK 9,834 million).

Group net sales outside Sweden amounted to SEK 9,262 million (SEK 8,139 million), an increase of SEK 1,123 million (13.8%). This means that net sales abroad, which were strengthened by the fact that the majority of currencies strengthened in relation to the Swedish krona during the year, accounting for 83.9 % (82.8 %) of total net sales. Group sales in Sweden rose by 4.5% to SEK 1,771 million (SEK 1,695 million)

As acquired sales growth during the year totalled SEK 564 million (5.7%), this means that organic sales fell by SEK 635 million or 6.5%. Virtually all growth took place on the North American market.

Operating profit

The Group's target was to report average annual operating profit for each business areas equivalent to at least 10% of sales over a business cycle.

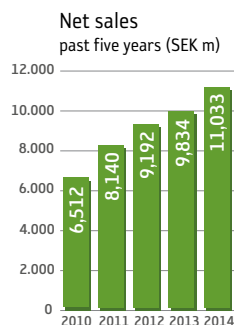
Group operating profit totalled SEK 1,385 million, an increase of 17.5% on the figure of SEK 1,179 million reported for the preceding year. The operating margin was 12.6% compared with 12.0% in 2013. Operating profit includes non-recurring items, among them capital gains from the sale of property, which had a net positive effect on operating profit of SEK 14 million. Profit for the year has been charged with acquisition expenses of SEK 29 million versus SEK 9 million last year, which were recognised as administrative expenses in the consolidated balance sheet.

Profit after net financial items

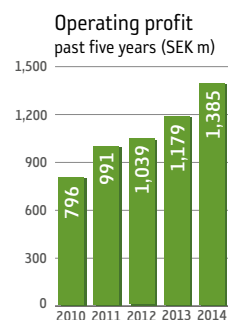
Profit after financial items rose by 15.6% to SEK 1,292 million (SEK 1,117 million) to yield a profit margin of SEK 11.7% (11.4%). Financial items generated net expense of SEK 93 million for the year, as against a net expense of SEK 62 million in 2013. The Group's interest-bearing liabilities at year-end amounted to SEK 7,852, as against SEK 4,591 million at the beginning of the year. The average interest rate during the year was 1.4% (1.6%). Net financial items include exchange gains and exchange losses.

Tax

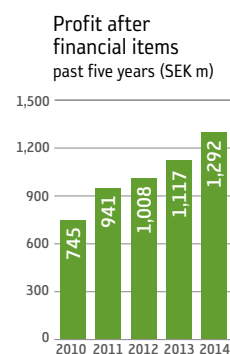
The tax expense for the year was SEK 310 million (SEK 259 million), which gives an effective tax rate of 24.0% (23.2%). The increase is due to the fact that a greater proportion of the Group's operations than previously has been allocated in North America, where tax rates in general are higher than they are in Europe.



Net sales rose by 12.2% in 2014



Operating profit rose by 17.5% in 2014



Profit after financial items rose by 15.6% in 2014

Performance per business area during the year

Quarterly data

Consolidated income statement (in millions of SEK)	2014				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	2,361	2,477	2,839	3,356	2,063	2,350	2,545	2,876
Operating expenses	- 2,165	- 2,205	- 2,422	- 2,856	- 1,918	- 2,096	- 2,188	- 2,453
Operating profit	196	272	417	500	145	254	357	423
Net financial items	- 16	- 20	- 25	- 32	- 10	- 14	- 19	- 19
Profit after net financial items	180	252	392	468	135	240	338	404
Tax	- 42	- 60	- 87	- 121	- 36	- 54	- 75	- 94
Net profit	138	192	305	347	99	186	263	310

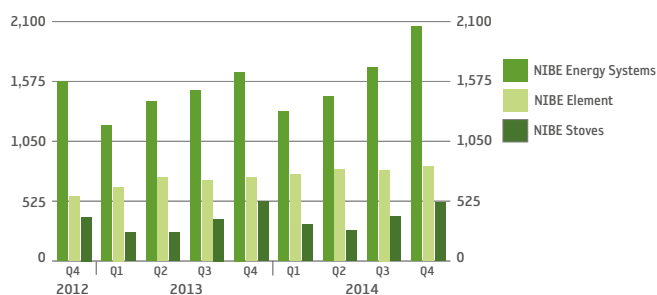
Net sales – by business area

NIBE Energy Systems	1,312	1,445	1,694	2,056	1,185	1,398	1,499	1,658
NIBE Element	759	804	798	832	650	735	704	733
NIBE Stoves	320	264	388	511	252	251	369	523
Elimination of Group transactions	- 30	- 36	- 41	- 43	- 24	- 34	- 27	- 38
Group total	2,361	2,477	2,839	3,356	2,063	2,350	2,545	2,876

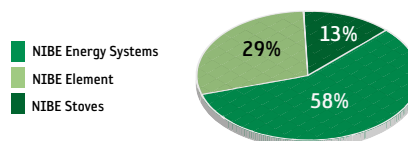
Operating profit – by business area

NIBE Energy Systems	127	212	299	346	101	205	265	273
NIBE Element	63	72	78	67	42	59	60	56
NIBE Stoves	15	4	63	98	9	2	38	103
Elimination of Group transactions	- 9	- 16	- 23	- 11	- 7	- 12	- 6	- 9
Group total	196	272	417	500	145	254	357	423

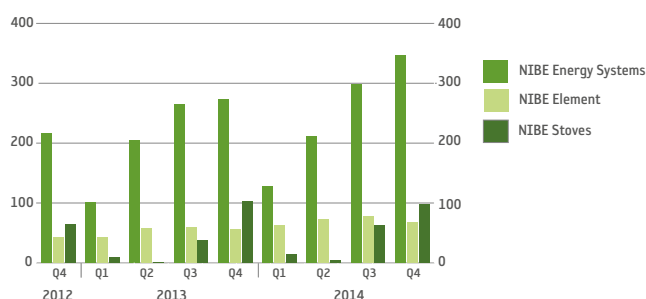
Sales by business area
Past 9 quarters (in millions of SEK)



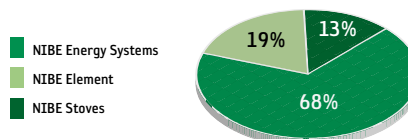
Business area contributions to sales



Operating profit by business area
Past 9 quarters (in millions of SEK)



Business area contributions to profit

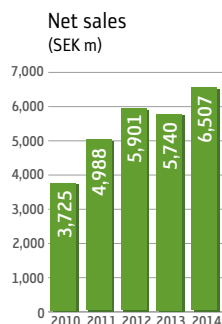


NIBE Energy Systems

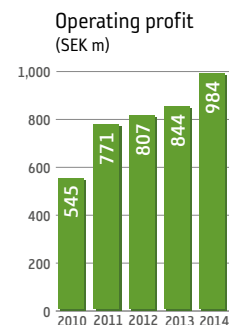
Invoiced sales totalled SEK 6,507 million compared with SEK 5,740 million for the preceding year. The increase in invoiced sales was SEK 767 million (13.4%), with acquired sales accounting for SEK 468 (8.2%) million of this sum, which means that organic growth was SEK 299 million (5.2%). During the past five years, sales rose from SEK 3,284 million to SEK 6,507 million.

Operating profit increased from SEK 844 million to SEK 984 million, which represents growth in profits of 16.6% and an operating margin of 15.1% (14.7%). Over the most recent five-year period, the equity/assets ratio has averaged 14.7%.

Indeed, several of NIBE Energy System's main heat pump markets in Europe did not display any actual growth during the year. The organic growth was largely due to intensified marketing efforts and a number of successful product launches.



Net sales rose by 13.4% in 2014



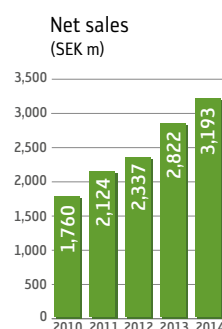
Operating profit rose by 16.6% in 2014

NIBE Element

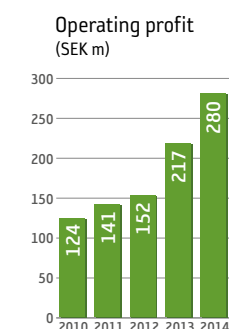
Invoiced sales totalled SEK 3,193 million compared with SEK 2,822 million for the preceding year. The increase in invoiced sales was SEK 371 million (13.2%), with acquired sales accounting for SEK 56 (2.0%) million of this sum, which means that organic growth was SEK 315 million (11.2%). During the past five years, sales rose from SEK 1,659 million to SEK 3,193 million.

Operating profit increased from SEK 217 million to SEK 280 million, which represents growth in profits of 29.3% and an operating margin of 8.8% (7.7%). Over the most recent five-year period, the operating margin has averaged 7.5%.

Demand for NIBE Elements' product was good during the year in the majority of the business areas' markets in both North America and in Europe and Asia, which is the principal reason for the satisfactory level of organic growth.



Net sales rose by 13.2% in 2014



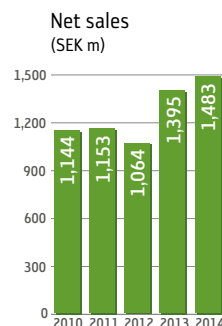
Operating profit rose by 29.3% in 2014

NIBE Stoves

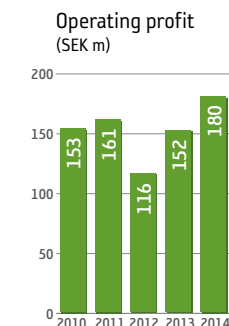
Invoiced sales totalled SEK 1,483 million compared with SEK 1,395 million in the preceding year. The increase in invoiced sales was SEK 88 million (6.3%), with acquired sales accounting for SEK 40 million (2.9%) of this sum, which means that organic growth was SEK 48 million (3.4%). During the past five years, sales rose from SEK 939 million to SEK 1,483 million.

Operating profit increased from SEK 152 million to SEK 180 million, which represents growth in profits of 18.4% and an operating margin of 12.1% (10.9%). Excluding the non-recurring favourable items of SEK 14 million, including a capital gain on a property sale, the operating margin for the year would have been 11.1%. Over the most recent five-year period, the operating margin has averaged 12.2%.

The organic growth must be seen against the background of weakening demand within most product segments, which means that NIBE Stoves increased its market share.



Net sales rose by 6.3% in 2014



Operating profit rose by 18.4% in 2014

Consolidated balance sheet

Assets

(in millions of SEK)	31 Dec 2014	31 Dec 2013
NON-CURRENT ASSETS		
Intangible assets		
Market positions <i>Note 15</i>	1,153	804
Brands and trademarks <i>Note 16</i>	1,177	648
Goodwill <i>Note 16</i>	7,095	4,454
Other intangible assets <i>Note 17</i>	306	248
Total intangible assets	9,731	6,154
Property, plant and equipment		
Land and buildings <i>Note 18</i>	1,218	1,116
Machinery and equipment <i>Note 19</i>	784	711
Construction in progress <i>Note 20</i>	76	62
Total property, plant and equipment	2,078	1,889
Financial assets		
Shares in associates <i>Note 22</i>	30	-
Investments held as non-current assets	4	46
Deferred tax assets <i>Note 14</i>	312	97
Other long-term receivables	21	12
Total financial assets	367	155
TOTAL NON-CURRENT ASSETS	12,176	8,198
CURRENT ASSETS		
Inventories		
Raw materials and consumables	876	702
Work in progress	130	118
Finished products and goods for resale	1,103	940
Total inventories	2,109	1,760
Current receivables		
Accounts receivable	1,567	1,192
Current tax assets	96	70
Other receivables	84	66
Prepaid expenses and accrued income	97	87
Total current receivables	1,844	1,415
Investments in securities etc.	154	3
Cash and equivalents	1,827	1,591
TOTAL CURRENT ASSETS	5,934	4,769
TOTAL ASSETS	18,110	12,967

Equity and liabilities

(in millions of SEK)	31 Dec 2014	31 Dec 2013
EQUITY		
Share capital <i>Note 23</i>	69	69
Contributed capital	1,820	1,820
Other reserves	- 86	- 348
Profit brought forward	4,757	4,034
Equity attributable to parent	6,560	5,575
TOTAL EQUITY	6,560	5,575
NON-CURRENT LIABILITIES AND PROVISIONS		
Provisions for pensions <i>Note 24</i>	339	184
Provisions for taxes <i>Note 14</i>	830	551
Guarantee risk reserve <i>Note 25</i>	398	154
Other provisions, non-interest-bearing <i>Note 25</i>	602	542
Bank overdraft facilities <i>Note 26</i>	162	151
Liabilities to credit institutions <i>Note 7</i>	7,073	4,073
Other liabilities, interest-bearing	1	1
Other liabilities, non-interest-bearing	2	2
TOTAL NON-CURRENT LIABILITIES AND PROVISIONS	9,407	5,658
CURRENT LIABILITIES AND PROVISIONS		
Liabilities to credit institutions	294	201
Accounts payable	767	714
Advance payments from customers	23	18
Liabilities to associates	1	-
Current tax liability	63	71
Other liabilities	316	207
Accrued expenses and deferred income <i>Note 27</i>	679	523
TOTAL CURRENT LIABILITIES AND PROVISIONS	2,143	1,734
TOTAL EQUITY AND LIABILITIES	18,110	12,967
Pledged assets <i>Note 28</i>	245	142
Contingent liabilities <i>Note 29</i>	2	1

Changes in equity

(in millions of SEK)	Share capital	Contributed capital	Other reserves ¹⁾	Profits brought forward	Equity attributable to Parent	Total equity
Equity 31 Dec 2012	69	1,820	- 428	3,397	4,858	4,858
Net profit for the year				858	858	858
Other comprehensive income for the year			80		80	80
Comprehensive income for the year			80	858	938	938
Dividend				- 221	- 221	- 221
Equity 31 Dec 2013	69	1,820	- 348	4,034	5,575	5,575
Net profit for the year				982	982	982
Other comprehensive income for the year			262		262	262
Comprehensive income for the year			262	982	1,244	1,244
Dividend				- 259	- 259	- 259
Equity 31 Dec 2014	69	1,820	- 86	4,757	6,560	6,560

1) Other reserves

(in millions of SEK)	Cash flow hedges	Hedging of net investments	Actuarial gains and losses	Exchange differences	Total other reserves
Other reserves 31 Dec 2012	1	212	- 66	- 575	- 428
Change during the year	- 5	- 82	35	120	68
Tax	1	18	- 7	-	12
Other reserves 31 Dec 2013	- 3	148	- 38	- 455	- 348
Change during the year	- 13	- 464	- 122	727	128
Tax	6	102	26	-	134
Other reserves carried forward, 31 Dec 2014	- 10	- 214	- 134	272	- 86

Comments on the balance sheet

Total assets

Consolidated total assets rose by SEK 5,143 million (39.7%) during the year from SEK 12,967 million to SEK 18,110 million. The principal reasons for the increase are the addition of assets and liabilities through the acquisitions made during the year, and exchange rate effects resulting from the weakening of the Swedish krona in relation to the majority of currencies in which the Group has assets and liabilities.

Working capital

Consolidated working capital excluding cash and bank balances increased during the year by SEK 612 million (37.2%) from SEK 1,645 million to SEK 2,257 million. As a proportion of net sales, operating capital grew from 16.7% to 20.5%. The increase is primarily due to the acquisitions made during the year. Since the balance sheets of the acquired units are included in their entirety, while their income statements are included from the acquisition date, the key ratio is misleading. Based on a pro forma income statement for the past 12 months, operating capital should, in fact, amount to 17.8% of sales, i.e. an increase of 1.1 percentage points over the preceding year.

Equity ratio and returns

The Group's equity ratio at the end of the year was 36.2% (43.0%). Equity totalled SEK 6,560 million (SEK 5,575 million).

The Group's return target is a return on equity of at least 20% in the long term. The return on equity in 2014 was 16.6% (16.7%). The return on capital employed was 12.1% (12.4%).

Just as with operating capital, these key ratios are misleading, since the balance sheets of the acquired units are included in their entirety, while their income statements are included from the acquisition date. Based on a pro forma income statement for the past 12 months, the equity ratio should, in fact, amount to around 36.4%, return on equity to around 17.2% and the return on capital employed to approximately 10.8%.

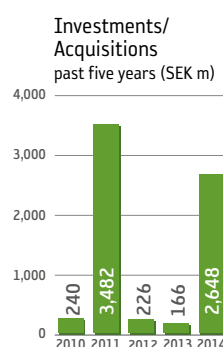
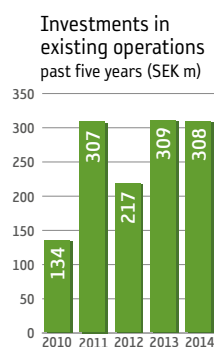
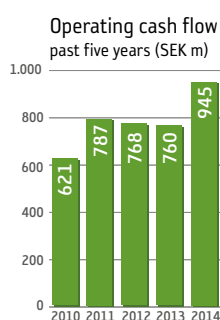
Interest-bearing liabilities

Interest-bearing liabilities at year-end amounted to SEK 7,852 million (SEK 4,591 million). The increase of SEK 3,261 million is mainly due to loan financing for the period's acquisitions.

Consolidated statement of cash flows

(in millions of SEK)	2014	2013
OPERATING ACTIVITIES		
Operating profit	1,385	1,179
+ depreciation/amortisation & impairment charged to this profit	406	387
+ capital losses / - capital gains	- 17	- 1
Total	1,774	1,565
Interest received and similar items	101	36
Interest paid and similar items	- 196	- 95
Tax paid	- 352	- 251
Cash flow before change in working capital	1,327	1,255
Change in working capital		
Change in inventories	- 130	39
Change in current receivables	- 95	- 73
Change in current liabilities	151	- 152
Cash flow from operating activities	1,253	1,069
INVESTING ACTIVITIES		
Investment in machinery and equipment	- 171	- 127
Investment in buildings and land	- 45	- 57
Investment in construction in progress	- 52	- 50
Investment in other intangible assets	- 69	- 75
Sale of land and buildings	34	2
Sale of machinery and equipment	4	6
Sale of other intangible assets	-	1
Change in non-current receivables and other securities	- 9	- 9
Investments in existing operations	- 308	- 309
OPERATING CASH FLOW	945	760
Acquisition of companies ¹⁾	- 2,648	- 166
Cash flow from investing activities	- 2,956	- 475
CASH FLOW AFTER INVESTMENTS	- 1,703	594
FINANCING ACTIVITIES		
Amortisation of non-current loans	- 213	- 218
Other changes in non-current liabilities and provisions	2,308	489
Shareholders' dividend	- 259	- 220
Cash flow from financing activities	1,836	51
Cash flow for the year	133	645
Cash and equivalents at the beginning of the year	1,591	934
Exchange difference in cash and equivalents	103	12
Cash and equivalents at year-end	1,827	1,591

¹⁾ For further information about the acquisition of companies, please refer to Note 30.



Comments on the balance sheet

Cash flow from operating activities

Cash flow after changes in working capital amounted to SEK 1,253 million (SEK 1,069 million).

Investments

Investment in Group acquisitions of subsidiary companies/lines of business totalled SEK 2,648 million. Other investment totalled SEK 308 million (SEK 309 million), allocated as follows:

(in millions of SEK)	2014	2013
Machinery and equipment	167	121
Properties	11	55
Construction in progress	52	50
Other fixed assets	78	83
Total	308	309

Consequently, cash flow after investment activities was SEK -1,703 million (SEK 594 million). Operating cash flow - i.e. after investments, but excluding acquisitions of subsidiary companies/lines of business - was SEK 945 million (SEK 760 million).

Credits from finance institutions and pension funds

(in millions of SEK)	2014	2013
Floating rate loans	7,367	4,275
Utilised portion of overdraft facilities with floating interest rate	162	151
Provisions for pensions	323	165
Total interest-bearing liabilities	7,852	4,591
Unutilised overdraft facilities	754	778
Other unutilised credits	152	2,552
Total credit available	8,758	7,921

The Group's total interest-bearing liabilities at year-end amounted to SEK 7,852 million (SEK 4,591 million). The average interest expense for the total of interest-bearing liabilities was 1.4% (1.6%). The Group's net liabilities, which consist of interest-bearing liabilities minus cash and equivalents and short-term investments, totalled SEK 5,871 million (SEK 2,997 million).

Key figures

		2014	2013	2012	2011	2010
Net sales	(in millions of SEK)	11,033	9,834	9,192	8,140	6,512
Growth	%	+ 12.2	+ 7.0	+ 12.9	+ 25.0	+ 13.2
Operating profit	(in millions of SEK)	1,385	1,179	1,039	991	796
Profit after net financial items	(in millions of SEK)	1,292	1,117	1,005	941	745
Net investments in fixed assets	(in millions of SEK)	3,098	912	478	3,815	406
Gross margin	%	16.2	15.9	15.3	15.6	15.5
Operating margin	%	12.6	12.0	11.3	12.2	12.2
Profit margin	%	11.7	11.4	10.9	11.6	11.4
Capital employed	(in millions of SEK)	14,411	10,167	9,376	9,338	3,616
Equity	(in millions of SEK)	6,560	5,575	4,858	4,472	2,483
Return on capital employed	%	12.1	12.4	11.8	16.0	22.2
Return on equity	%	16.6	16.7	15.9	20.0	23.4
Return on total assets	%	9.6	9.9	9.5	12.3	16.4
Capital turnover	times	0.71	0.80	0.79	0.96	1.31
Equity/assets ratio	%	36.2	43.0	41.9	38.1	48.2
Proportion of risk-bearing capital	%	40.8	47.2	46.5	43.0	50.9
Operating cash flow	(in millions of SEK)	945	760	768	787	621
Net debt/EBITDA	times	3.3	1.9	2.5	3.0	0.7
Interest coverage ratio	times	7.6	12.4	11.0	10.7	11.8
Interest-bearing liabilities/Equity	%	119.7	82.3	93.0	108.9	45.6
Average number of employees		9,726	8,983	8,006	6,895	5,945

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 22.0% (26.3% during 2010 - 2012) 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.

Capital turnover rate

Net sales divided by the average balance sheet total.

Equity/assets ratio

Equity 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/lines of business.

Net debt/EBITDA

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

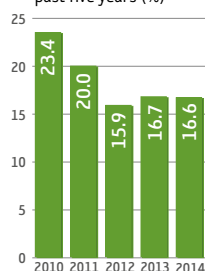
Interest coverage ratio

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

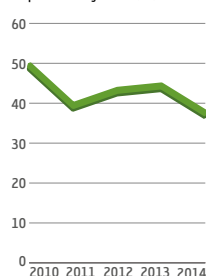
Interest-bearing liabilities/Equity

Interest-bearing liabilities as a percentage of equity.

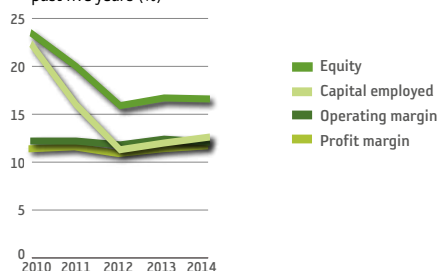
Return on equity past five years (%)



Equity/assets ratio past five years (%)



Returns and margins past five years (%)



Parent

Income statement

(in millions of SEK)		2014	2013
Net sales	Note 3	7	6
Administrative expenses	Note 5	- 51	- 36
Operating profit	Notes 3-10	- 44	- 30
Profit from financial investments			
Profit from participations in Group companies	Note 11	1,052	595
Profit from participations in associates	Note 22	1	-
Financial income	Note 12	172	66
Financial expenses	Note 13	- 238	- 104
Profit after net financial items		943	527
Tax	Note 14	-	- 1
Net profit		943	526
Net profit attributable to Parent shareholders		943	526
Statement of comprehensive income			
Net profit		943	526
Items that may be reclassified to profit or loss			
Cash flow hedges		1	-
Hedging of net investment		- 462	- 82
Tax attributable to other comprehensive income	Note 14	101	18
Total other comprehensive income		- 360	- 64
Total comprehensive income		583	462
Parent shareholders		583	462
Total comprehensive income		583	462

Statement of cash flows

(in millions of SEK)	2014	2013
OPERATING ACTIVITIES		
Operating profit	- 44	- 30
Interest received and similar items	172	66
Interest paid and similar items	- 260	- 101
Tax paid	- 1	- 1
Cash flow before change in working capital	- 133	- 66
Change in working capital		
Change in current receivables	- 150	- 50
Change in current liabilities	109	- 254
Cash flow from operating activities	- 174	- 370
INVESTING ACTIVITIES		
Change in non-current receivables and other securities	- 207	- 472
Cash flow from investing activities	- 207	- 472
OPERATING CASH FLOW	- 381	- 842
Investments in existing operations	- 886	- 241
Acquisition of lines of business	34	-
Cash flow from investing activities	- 1,059	- 713
CASH FLOW AFTER INVESTMENTS	- 1,233	- 1,083
FINANCING ACTIVITIES		
Profit from participations in Group companies	925	595
Amortisation of non-current loans	- 165	- 142
Other changes in non-current liabilities and provisions	963	1,349
Shareholders' dividend	- 259	- 220
Cash flow from financing activities	1,464	1,582
Cash flow for the year	231	499
Cash and equivalents at the beginning of the year	580	81
Cash and equivalents at year-end	811	580

Comments on Parent

Operations

Parent activities comprise Group executive management functions, certain shared Group functions and the financing of corporate acquisitions.

Operating profit

The parent's sales refer in their entirety to sales to Group companies, and amounted to SEK 7 million (SEK 6 billion) during the year. Administrative expenses consist primarily of personnel costs and purchased services such as auditing and expenses linked to the IPO.

Net financial items

The Group's expenditure on operating expenses, interest, amortisation and dividends to shareholders is financed primarily through dividends and Group contributions from subsidiaries.

Balance sheet

The Parent's balance sheet total for the year increased from SEK 8,840 to SEK 10,491 million. The principal reason is that a new subsidiary, NIBE Energy Systems WFE AB, with equity of SEK 1 billion, was established in connection with the acquisitions of North American businesses carried out during 2014. The new subsidiary was financed through loans.

Interest-bearing liabilities at year-end amounted to SEK 6,216 million (SEK 4,938 million), and the average interest rate on these liabilities amounted to 1.2% during the year. A significant proportion of the Parent's borrowings from financial institutions are in currencies other than the Swedish krona, as set out in Note 7.

Balance sheet

Assets

(in millions of SEK)		31 Dec 2014	31 Dec 2013
NON-CURRENT ASSETS			
Financial assets			
Shares in subsidiaries	Note 21	8,354	7,345
Shares in associates	Note 22	7	-
Receivables from Group companies		1,051	832
Investments held as non-current assets		4	9
Deferred tax assets	Note 14	61	1
TOTAL NON-CURRENT ASSETS		9,477	8,187
CURRENT ASSETS			
Current receivables			
Receivables from Group companies		185	57
Other receivables		5	4
Accrued expenses and accrued income		13	12
Total current receivables		203	73
Cash and equivalents		811	580
TOTAL CURRENT ASSETS		1,014	653
TOTAL ASSETS		10,491	8,840

Changes in equity

(in millions of SEK)	Share capital	Statutory reserve	Fair value reserves	Share premium reserve	Profits brought forward	Total equity
Equity 31 Dec 2012	69	75	212	1,753	1,011	3,120
Comprehensive income for the year			- 64		526	462
Dividend					- 221	- 221
Equity 31 Dec 2013	69	75	148	1,753	1,316	3,361
Comprehensive income for the year			- 360		943	583
Dividend					- 259	- 259
Equity 31 Dec 2014	69	75	- 212	1,753	2,000	3,685

Balance sheet

Equity and liabilities

(in millions of SEK)		31 Dec 2014	31 Dec 2013
EQUITY			
Restricted equity			
Share capital	Note 23	69	69
Statutory reserve		75	75
Total restricted equity		144	144
Non-restricted equity			
Fair value reserve		- 212	148
Share premium reserve		1,753	1,753
Profit brought forward		2,000	1,316
Total non-restricted equity		3,541	3,217
TOTAL EQUITY		3,685	3,361
UNTAXED RESERVES			
Tax allocation reserve		1	1
NON-CURRENT LIABILITIES AND PROVISIONS			
Provisions for pensions	Note 24	5	3
Provisions for taxes	Note 14	-	42
Other provisions, non-interest-bearing	Note 25	452	472
Liabilities to credit institutions	Note 7	5,074	3,781
Liabilities to Group companies		922	1,016
TOTAL NON-CURRENT LIABILITIES AND PROVISIONS		6,453	5,314
CURRENT LIABILITIES AND PROVISIONS			
Liabilities to credit institutions		220	141
Accounts payable		3	7
Liabilities to Group companies		52	3
Current tax liability		-	1
Other liabilities		66	1
Accrued expenses and deferred income	Note 27	11	11
TOTAL CURRENT LIABILITIES AND PROVISIONS		352	164
TOTAL EQUITY AND LIABILITIES		10,491	8,840
Pledged assets	Note 28	4	3
Contingent liabilities	Note 29	2,311	596

Risk management

As a global player, NIBE faces many commercial opportunities and risks of various types. Even though NIBE chiefly operates in markets with strong economies, demand for the company's products and services can be influenced negatively by a general downturn in economic activity or a decline in an individual country or individual segment. On top of this, there are risks such as changes in laws and regulations, possible shocks to the financial system, natural disasters, terrorism and so on. To counteract the effects of the various business risks facing the company, NIBE takes a proactive approach to risk management.

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

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 substantially globalised. In 2014 purchases of raw materials such as nickel, copper and aluminium were partially hedged through forward contracts.

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

Risks relating to disputes over patents and litigation

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 global 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. The risks are minimised by having control procedures for internal processes and manufacturing as well as for the use of components manufactured by other suppliers. The majority of Group companies are certified in accordance with ISO 9001. 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 to which the NIBE Group is exposed 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 below sets out several changes and illustrates the effect on consolidated results. The impact of the changes is calculated on the basis of the figures in the balance sheet and in the income statement for 2014.

	Basis for calculation		Change	Impact
Net sales (margin constant)	11,033 (in millions of SEK)	+/-	1.0 %	44 (in millions of SEK)
Operating margin (volume constant)	11,033 (in millions of SEK)	+/-	1.0 %	110 (in millions of SEK)
Material costs	4,523 (in millions of SEK)	+/-	1.0 %	45 (in millions of SEK)
Personnel costs	2,751 (in millions of SEK)	+/-	1.0 %	28 (in millions of SEK)
Interest-bearing liabilities (interest constant)	7,852 (in millions of SEK)	+/-	10.0 %	11 (in millions of SEK)
Interest rate % (interest-bearing liability constant)	1.4 %	+/-	1.0 percentage point	79 (in millions of SEK)

Risk	Risk description	Counteracting factors	Opportunities
Market risks	<p>Major macroeconomic fluctuations.</p> <p>New laws relating to energy.</p> <p>Change in energy taxes.</p> <p>Substantial geographical spread.</p>	<p>Huge global market.</p> <p>Frequent monitoring by market and product group facilitate rapid action.</p> <p>Flexible manufacturing allows rapid changes to ranges.</p> <p>Ranges with hybrid products which can be adapted to various energy sources.</p>	<p>Higher sales volumes as a result of increased global presence.</p> <p>Contributing to a sustainable society through our high-tech, sustainable products.</p> <p>Continued long-term and stable relationships with the industry.</p>
Product development risks	<p>Stringent standards from national or global legislation affecting energy, emissions and substances.</p>	<p>Continuous product development and launching products adapted to suit the market and legislation.</p> <p>Investments in modern test equipment for in-house measurements.</p> <p>Developing products from a life-cycle perspective taking account of the product's total impact.</p>	<p>Increased collaboration within the Group to monitor stakeholders' requirements.</p> <p>Strive for market leadership through innovation, technology and sustainability to create an attractive offer which satisfies the requirements and desired objectives of all stakeholders.</p>
Manufacturing risks	<p>The Group is hit by production stoppages as a result of external circumstances over which the Group has no influence.</p> <p>Sharp changes in raw material prices.</p>	<p>The production plants are constantly risk-assessed and action plans are drawn up and implemented.</p> <p>Manufacturing units invest continuously in new equipment and, in parallel, carry out comprehensive running maintenance on existing equipment.</p> <p>Sound procedures in the production process in relation to quality, safety and the environment.</p>	<p>High degree of continuous improvement benefits the production process and safety.</p> <p>Changes in raw material prices often coincide with greater demand, and this can be offset through higher sales.</p> <p>Switch production to another similar operation within the Group, as required.</p>
The supplier chain	<p>The Group's suppliers and business partners must comply with the same high standards of quality, working conditions, the environment and social responsibility, among others. Any shortcomings can have a negative impact on the Group's reputation.</p> <p>The use of a large number of suppliers can increase the risk of non-sustainable products.</p> <p>Problems at the distribution stage.</p>	<p>NIBE has clear business principles and values which all business partners must accept.</p> <p>Suppliers are to be monitored continuously, and any problems tackled immediately.</p> <p>Common approach to evaluating suppliers.</p>	<p>Continue to be a good partner, so that high quality and sustainability are promoted.</p> <p>Strengthen supplier relationships by regular monitoring and dialogue.</p> <p>Coordination of work with suppliers in the Group enables us to continue to be an important customer.</p>
Distribution risks	<p>Problems at the distribution stage, which includes retailers and wholesalers, can have a negative impact on customers.</p> <p>Increased carbon dioxide emissions through increased volume.</p>	<p>The distribution channels are checked regularly. Procedures are in place for following up and taking any required action.</p> <p>Coordination of transportation.</p>	<p>Continuous reinforcement of customer relationships.</p> <p>More efficient and more environmentally-friendly transportation.</p>
Price risks	<p>The end customer chooses the low price range.</p> <p>Changes in exchange rates which have a negative impact on the Group.</p>	<p>Continuous provision of information on the advantages of our products for the environment, sustainability and customer satisfaction counteract any interest in the low price range.</p> <p>A global presence counteracts the impact of exchange rate fluctuations.</p>	<p>Make customers even more aware of all the advantages of high quality NIBE products.</p> <p>Continued geographical spread/expansion.</p>
Acquisition risks	<p>The integration process and the synergy effects take longer than expected.</p> <p>Unforeseen events and discoveries in the acquired companies.</p> <p>Impairment needs.</p>	<p>The Group has well-proven procedures for examining and analysing potential acquisitions.</p> <p>Integration and synergy are to be achieved through very close cooperation with the acquired companies.</p> <p>In general, acquired companies will continue to be run as independent companies with their own management and identity.</p>	<p>Continued expansion through acquisitions which increase geographical spread, breadth and selection.</p> <p>Acquisitions provide coordination gains and contribute to sector structuring.</p>
Other risks	<p>Risks relating to finances, IT and sustainability.</p>	<p>A new Risk Management system was developed during 2014 and will be introduced in 2015.</p> <p>An e-learning system will be implemented in 2015 to fight corruption.</p> <p>A whistleblowing system was introduced during 2014.</p>	<p>Continuous follow up and developing the Group's Risk Management system.</p>

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 Energy Systems, NIBE Element and NIBE Stoves.

The Group has more than 10,000 employees and operates in 20 countries in Europe, North America, Australia 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 parent, NIBE Industrier AB, is registered and domiciled in Sweden. The address of the company's head office is Hannabadsvägen 5, Markaryd. The Company is listed on the Nasdaq OMX Exchange in Stockholm. Its activities consist of Group-wide functions, such as financing, currency transactions, corporate acquisitions, establishing new operations, financial control and other policy matters.

These consolidated financial statements were approved for publication by the Board on 26 March 2015.

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'. Changes to the standards and interpretations which came into force in 2014 have had no significant effect on the Group's financial statements with the exception of those listed below.

IFRS 12

Disclosures on participations and other companies have involved increased disclosures, see Notes 21 and 22.

A number of new standards and changes to interpretations of existing standards which will come into force in the next financial period have not been applied in preparing the Group's financial reports for the financial period 2014. None of these is expected to have any significant impact on the Group's financial reports.

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.

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 financial statements

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

The consolidated financial statements have been drawn up in accordance with the acquisition method. IAS 27 and IFRS 3 are applied in the consolidated financial statements.

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 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. Acquisition-related expenses are recognised when they arise.

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 22.0 (22.0) 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.

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 and joint ventures

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 in accordance with the equity method and in the parent in accordance with 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.

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

Impairment is recognised in accordance with the main rule in the Swedish Financial Reporting Board's recommendation RFR 2 'Accounting for legal entities'.

Under the main rule, a Group contribution which a parent receives from a subsidiary is recognised as a financial income in the parent. A Group contribution which the parent makes is recognised as a financial expense. 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 income

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 current tax, adjustments for the previous year's current 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 profit or loss. 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 in the hedge accounting of currency futures. The application of this standard 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 fulfil the requirements for hedge accounting, there is 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 in the 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, the effectiveness of the hedging must be continuously assessed, and all the hedge conditions documented in accordance with the requirements of 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. That portion that is ineffective is 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 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 profit or loss. See also the section on 'Translation risks' in Note 7 'Financial instruments and financial risk management'. The parent similarly recognises exchange rate fluctuations on borrowings in foreign currency, where the borrowings are used to hedge net investments, in the fair value reserve in equity.

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. Trademarks are measured at fair value on the acquisition date. 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 38, 'Business Combinations', which means that goodwill and assets with an indeterminate period of use are not amortised. An impairment test is, however, carried out annually, or more frequently if there are indications that an impairment need may exist, in accordance with IAS 36, in which the Group's carrying amounts on these assets are compared with the assets' estimated value in use based on their discounted future cash flows. The assets are valued by segment, i.e. by business area, which involves calculating future cash flows from each segment as a cash-generating unit. When the value in use is less than the carrying amount, the carrying amount is impaired to the level of the value in use. Accordingly, the assets are recognised at cost less accumulated impairment.

The NIBE Group prepares budgets for one year at a time. This means that the cash flows for the first year in the period of use of the assets is based on the budget approved by the Board. 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 organic sales growth,

working capital requirements and gross investment margins over the period of use.

– The organic sales growth for years 2–5 can be estimated with some degree of caution on the basis of the Group's historical experience. For subsequent years, a lower growth rate has been assumed, equivalent to the estimated long-term growth rate for the sector.

– The requirement for working capital during the period of use is estimated with the aid of the Group's historical experience and the assumed organic sales growth.

– The gross investment margin is based on the adopted budgets for each cash-generating unit.

– The discount rate is calculated by weighting the assessed required return on equity plus the standard tax rate and the estimated long-term interest level on the Group's interest-bearing liabilities.

Other intangible assets and property, plant and equipment

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 assets and property, plant and equipment are recognised at 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 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 assets	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 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 cost and current cost for raw materials, consumables 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 financial statements. 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.

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.

The fair value of financial instruments which are not traded in an active market

is determined using valuation techniques. In this process, market information is used as far as possible when this is available, while company-specific information is used as little as possible. If all the significant inputs required to establish the fair value of an instrument are observable, the instrument is classified in level two. If one or more of the significant inputs is not based on observable market data, the instrument is classified in level three.

NIBE recognises fair value for currency derivatives and raw material derivatives. These instruments are valued in accordance with level two. NIBE also holds financial assets classified as financial assets available for sale. The assets in this category consist of unlisted shares, the fair value of which cannot be determined with sufficient reliability. For that reason, they are valued at cost minus any impairment applied.

At the end of every reporting period, 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 2014, 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. Assets in this category are measured continuously at fair value with fair value changes in other comprehensive income to the extent that they do not involve an impairment that is assessed as significant or long term. Non-current liabilities have an expected term which is longer than one year, while current liabilities have an expected term of a maximum of one year. Accounts payable and other operating liabilities which have a short expected term are, therefore, normally recognised at fair 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. Property, plant and equipment 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 profit or loss.

Equity

Transaction expenses directly attributable to the issue of new ordinary shares or options are recognised net after the deduction of tax outside profit or loss as a deduction from the proceeds of the issue.

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.

Defined-benefit pensions

Defined benefit pension plans are plans for payment after retirement from employment other than defined contribution plans.

The Group's net obligations in respect of defined benefit plans are calculated separately for each plan through making an estimate of future payment which the employee earned through employment in both current and previous periods. This payment is discounted to present value. The discount rate is the interest rate at the end of the period on an investment grade corporate bond, including mortgage bonds, with a term which corresponds to the Group's pension obligations. When there is no active market for this type of corporate bond, the market interest rate for government bonds with the equivalent term is used instead. The calculation is carried out by a qualified actuary using the Projected Unit Credit Method. In addition, the fair value of any plan assets at the end of the report period is calculated.

The Group's net obligations consist of the present value of the obligations minus the fair value of plan assets adjusted for any asset limitations.

All of the components included in the cost for the period for a defined benefit plan are recognised in profit or loss.

The revaluation effects consist of actuarial gains and losses. The revaluation effects are recognised in other comprehensive income.

When the calculation leads to an asset for the Group, the carrying amount of the asset is limited to the lower of the plan surplus and the asset limitation calculated using the discount rate. The asset limitation consists of the present value of the future economic benefits in the form of reduced future contributions or cash repayment. In calculating the present value of future repayments or payments made, any minimum funding requirements are taken into account.

Changes or reductions of a defined benefit plan are recognised at the earliest when they change in the plan or the reduction comes into force or when the company recognises related reorganisation costs and compensation on termination. The changes/reductions are recognised in profit or loss.

The special employers' contribution is a component of the actuarial assumptions, and is recognised, for that reason, as a part of net obligations/net assets. The part of the special employers' contribution which is calculated on the basis of the Pension Obligations Vesting Act is recognised, for the sake of simplicity, as an accrued cost rather than as part of net obligations/net assets.

The tax on returns from pension funds is recognised on a current basis in profit or loss for the period to which the tax relates, and, for that reason is not included in the liability calculation. With funded plans, the tax is charged to the return on plan assets and is recognised in other comprehensive income. For unfunded or partially funded plans, the tax is charged to profit for the year.

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 assets and property, plant and equipment

Group management determines the estimated useful life, and thereby the associated amortisation/depreciation of the Group's intangible assets and property, plant and equipment. 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 trademarks

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'. Additional information, including a sensitivity analysis, is contained in Note 16.

Provisions

Further information in respect of provisions for the year for the guarantee risk reserve is shown in Note 25. 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 24.

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 THE BUSINESS AREAS

(in millions of SEK)	ENERGY SYSTEMS		ELEMENT		STOVES		ELIMINATIONS		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Sales										
Total net sales	7,642	6,893	3,830	3,394	1,630	1,561	- 2,069	- 2,014	11,033	9,834
Internal net sales	- 1,135	- 1,153	- 637	- 572	- 147	- 166	1,919	1,891	-	-
External net sales	6,507	5,740	3,193	2,822	1,483	1,395	- 150	- 123	11,033	9,834
Earnings										
Profit per business area	984	844	280	217	180	152	-	-	1,444	1,213
Unallocated costs									- 59	- 34
Operating profit									1,385	1,179
Financial income									101	36
Financial expenses									- 194	- 98
Tax for the year									- 310	- 259
Net profit for the year									982	858
Other information										
Assets	12,512	8,099	3,122	2,758	1,768	1,592	- 10,491	- 8,755	6,911	3,694
Unallocated assets									11,199	9,273
Total assets									18,110	12,967
Liabilities	1,361	1,068	632	548	249	206	- 393	- 289	1,849	1,533
Unallocated liabilities									9,701	5,859
Total liabilities									11,550	7,392
Investments	208	186	87	83	18	27				
Depreciation	249	240	98	92	55	53				

SEK 1,771 million (SEK 1,695 million) of consolidated net sales relate to customers in the Swedish market. Of the Group's non-current assets, SEK 781 million (SEK 731 million) are located in Sweden. Unallocated costs refer primarily to the cost of acquisitions and to Group-wide costs in the parent. Segment-based reporting has been amended compared with previous years. This means that liabilities in segments are now only recognised if they are operating liabilities. Comparative figures for previous periods have been adjusted correspondingly. The parent's sales refer in their entirety to sales to Group companies.

Note 4

INCOME STATEMENT CLASSIFIED BY TYPE OF COST

(in millions of SEK)	Group		Parent	
	2014	2013	2014	2013
Net sales	11,033	9,834	7	6
Change in inventories	82	5	-	-
Other operating income	142	126	-	-
	11,257	9,965	7	6
Raw materials and consumables	- 4,605	- 4,104	-	-
Other external costs	- 2,114	- 1,837	- 29	- 16
Personnel costs	- 2,751	- 2,460	- 22	- 20
Depreciation	- 402	- 385	-	-
Operating profit	1,385	1,179	- 44	- 30

Note 5

REMUNERATION OF AUDITORS

Group (in millions of SEK)	2014			2013		
	KPMG	Other auditors	Total Group	KPMG	Other auditors	Total Group
Audit assignments	7	2	9	5	3	8
Other audit-related fees	1	1	2	-	1	1
Tax advice	1	1	2	-	1	1
Other services	2	2	4	1	3	4
Total	11	6	17	6	8	14

During the year, the parent paid audit expenses of SEK 1 million (SEK 1 million), and expenses other than audit expenses of SEK 1 million (SEK 2 million).

Note 6

PERSONNEL COSTS, AVERAGE NUMBER OF EMPLOYEES AND NUMBERS OF MEN/WOMEN IN SENIOR POSITIONS

Salaries and other remuneration

(in millions of SEK)	2014	2013
Parent	14	12
Subsidiaries	2,209	2,001
Group total	2,223	2,013

(in millions of SEK)	2014		2013	
	Social security contributions	of which pension expenses	Social security contributions	of which pension expenses
Parent	8	3	7	3
Subsidiaries	478	127	443	112
Group total	486	130	450	115

SEK 1 million (SEK 1 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 3 million (SEK 3 million). The corresponding amount for the Group is SEK 6 million (SEK 6 million). The parent's outstanding pension obligations for the Board of Directors and the CEO amount to SEK 1 million (SEK 1 million).

Board and senior executives

(in thousands of SEK)	2014		2013	
	Salaries and other remuneration	Retirement benefit contributions	Salaries and other remuneration	Retirement benefit contributions
Arvid Gierow, Chair	450	-	400	-
Georg Brunstam	225	-	200	-
Hans Linnarson	225	-	200	-
Eva-Lotta Kraft	225	-	200	-
Anders Pålsson	225	-	200	-
Gerteric Lindquist, CEO	3,794	950	3,673	946
Other senior executives: 4 (4) individuals	11,252	3,478	10,690	3,062
Group total	16,396	4,428	15,563	4,008

Principles for remuneration and other terms of employment for senior executives

In accordance with the resolution adopted by the Annual General Meeting, the following principles applied during 2014 and the Board proposes that the same principles continue to apply for 2015.

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, section 2, 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 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, senior executives will be entitled to a variable bonus that is payable if set targets are achieved. The variable component shall be restricted to three months' salary. The possibility also exists to receive an additional month's salary on condition that this additional payment plus another monthly salary paid as a variable bonus is used to purchase NIBE shares. A further condition for entitlement to receive this additional month's remuneration is that the shares thus purchased are retained for at least three years. Under normal circumstances, shares acquired in this way shall be purchased on one occasion each year in February/March and the purchase shall be subject to the relevant insider trading regulations. The CEO shall not participate in any incentive programme.

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 CEO in the parent, for whom an agreement has been reached on severance pay amounting to one year's salary.

Pensions

The MD/CEO has an individual pension insurance arrangement that corresponds to ITP section 2 (supplementary pensions for salaried employees). For 2014, the premium corresponded to 19% of salary up to 30 income base amounts (a statistical amount used in Sweden for calculating benefits, etc.). For salary to the MD/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 section 2 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.

Gender distribution in the Group's Board/senior management team

	2014		2013	
	Prop. of	Men	Prop. of	Men
Board of Directors	6	5	6	5
Senior Management Team				
Parent	2	2	2	2
Subsidiaries	3	3	3	3
Group	5	5	5	5

Note 7

Salaries and other remuneration excluding social security contributions – by country for the Board/CEO, other senior executives and other employees

(in millions of SEK)	2014		2013	
	Board, CEO and senior executives	Other employees	Board, CEO and senior executives	Other employees
Parent	9	6	9	5
Subsidiaries in Sweden	7	429	7	421
Norway	-	131	-	139
Finland	-	145	-	134
Denmark ¹⁾ (2 and 2)	-	310	-	279
France	-	20	-	15
GERMANY ¹⁾ (1 and 0)	-	201	-	192
Poland ¹⁾ (1 and 0)	-	139	-	119
Czech Republic	-	60	-	55
Slovakia	-	-	-	1
Italy	-	10	-	9
The Netherlands	-	27	-	22
Belgium	-	2	-	2
UK ¹⁾ (3 and 4)	-	99	-	92
Spain	-	15	-	13
Russia	-	14	-	15
Austria	-	23	-	20
Switzerland ¹⁾ (2 and 0)	-	311	-	287
China	-	67	-	47
Australia	-	2	-	-
Mexico	-	111	-	96
USA ¹⁾ (1 and 0)	-	87	-	36
Group total	16	2,209	16	1,999

¹⁾ (of which commission in millions of SEK)

Average number of employees and gender distribution

	2014		2013	
	Number of employees	Of which men	Number of employees	Of which men
Parent	8	5	7	4
Subsidiaries in Sweden	1,189	973	1,186	980
Norway	218	176	219	168
Finland	438	326	429	331
Denmark	556	405	539	400
France	44	34	31	21
Germany	507	427	504	430
Poland	1,892	974	1,750	943
Czech Republic	605	356	567	338
Slovakia	-	-	-	3
Italy	38	22	35	21
The Netherlands	50	40	45	36
Belgium	2	2	2	2
UK	341	255	332	258
Spain	54	40	51	37
Russia	165	113	159	112
Austria	44	32	40	29
Switzerland	476	381	472	387
China	905	496	849	469
Malaysia	2	1	-	-
Australia	7	4	-	-
Mexico	2,011	851	1,695	765
USA	174	105	67	48
Group total	9,726	6,018	8,983	5,782

FINANCIAL INSTRUMENTS AND 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)	2014	2013
Accounts receivable, wholly or partly impaired		
- overdue by less than 3 months	67	51
- overdue by more than 3 months	40	39
Accounts receivable which have not been impaired		
- overdue by less than 3 months	280	215
- overdue by more than 3 months	46	34
Total overdue accounts receivable	433	339
Provision for bad debt losses	- 49	- 49
Total accounts receivable overdue but not impaired	384	290

Provision for bad debt losses

(in millions of SEK)	2014	2013
Provisions brought forward	49	36
Provisions in acquired companies	4	7
Established bad debt losses	- 9	- 10
Reversed provisions	- 10	- 3
Provisions for the year	13	19
Translation differences	1	0
Provisions carried forward	49	49

Profit for the year has been charged with SEK 9 million (SEK 13 million) in respect of bad debt losses which have arisen in the Group's receivables. 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 have a negative effect on 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 risks' 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 2014 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	22	-	- 1	-
CZK	- 5	-	-	-
DKK	20	-	-	-
EUR	126	1	- 1	-
GBP	132	1	-	-
CNY	- 3	-	-	-
HKD	- 9	-	-	-
JPY	- 17	-	-	-
MXN	- 176	- 2	-	-
NOK	115	1	-	-
PLN	- 83	- 1	-	-
RUB	6	-	-	-
USD	124	1	- 6	-
Total	252		- 9	

At the end of 2014 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 105 million (SEK 191 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 2014, represents an unrealised exchange loss of SEK 17 million.

The item 'Other receivables' in the consolidated balance sheet includes derivatives with positive fair values of SEK 0 million (SEK 7 million). The item 'Other liabilities' includes derivatives with negative fair values of SEK 15 million (SEK 11 million).

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

Currency	Flow Q 1	Flow Q 2	Flow Q 3	Flow Q 4	Average forward rate	Closing day rate	Unrealised gain 31 Dec 2014	Unrealised gain 31 Dec 2013
CHF	-	-	-	-	7.58	7.91	-	- 1
DKK	4	3	5	8	1.23	1.28	- 1	- 1
EUR	6	5	5	6	9.28	9.52	- 5	- 2
GBP	-	1	1	1	11.28	12.14	- 2	- 2
JPY	103	115	87	26	0.07	0.07	-	-
MXN	- 111	- 78	- 73	- 90	0.56	0.53	- 12	-
NOK	9	8	1	-	1.10	1.05	1	1
PLN	-	-	-	-	-	2.21	-	1
SEK	-	1	1	1	1.07	1.00	-	-
USD	1	-	- 1	- 1	7.32	7.81	2	-
Total							- 17	- 4
Of which recognised against invoice on the closing date							- 2	-
Of which recognised in other comprehensive income on the closing date							- 15	- 4

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 2014, 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	Net assets	Currency hedging	2014
CHF	4,259	- 2,559	1,700
CZK	315	- 126	189
DKK	915	- 168	747
EUR	1,072	- 76	996
GBP	691	- 517	174
HKD	81	-	81
MYR	3	-	3
MXN	124	-	124
NOK	469	- 78	391
PLN	375	-	375
RUB	103	-	103
USD	1,604	- 1,377	227
Total	10,011	- 4,901	5,110

If the Swedish krona falls in value by 1% against the named currencies, this means that the Group's equity is strengthened by SEK 51 million (SEK 47 million). If the Swedish krona rises in value by 1% against the named currencies, the reverse applies. Without currency hedging through financing in the same currency, the corresponding amount would have been SEK 100 million (SEK 82 million).

Currency	Net assets	Currency hedging	2013
CHF	4,053	- 2,422	1,631
CZK	339	- 126	213
DKK	803	- 154	649
EUR	1,161	- 76	1,085
GBP	546	- 451	95
HKD	43	-	43
MXN	124	-	124
NOK	485	- 85	400
PLN	304	-	304
RUB	149	-	149
USD	201	- 220	- 19
Total	8,208	- 3,534	4,674

Fair value of financial instruments

(in millions of SEK)	Group		Parent	
	2014	2013	2014	2013
Exchange gains and exchange losses on currency derivatives used for hedge accounting				
- recognised in profit or loss	- 5	12	-	-
- recognised in other comprehensive income	- 11	- 5	-	-
Gains and losses on raw materials derivatives used in hedge accounting				
- recognised in profit or loss	2	-	-	-
- recognised in other comprehensive income	- 2	-	-	-
Exchange gains and exchange losses in other financial assets and liabilities	- 20	- 6	- 15	7
Bad debt losses on accounts receivable	- 9	- 13	-	-
Total	- 45	- 12	- 15	7

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 other classes of financial assets and liabilities.

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. At the end of the year, the parent had loans in foreign currency as listed below.

Currency	2014	2013
CHF	2,482	2,404
CZK	126	127
DKK	168	154
EUR	76	76
GBP	517	451
NOK	78	84
USD	1,377	220
Total	4,824	3,516

If the Swedish krona rises in value by 1% against the named currencies, this means that the parent's equity is strengthened by SEK 48 million (SEK 35 million). If the Swedish krona falls in value by 1% against the named currencies, the reverse applies.

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 reporting 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. No instruments have been offset in the statement of financial position, therefore all instruments are recognised at their gross value. For a detailed account of the measurement process, see Note 2. In respect of other financial assets and liabilities in the Group, the carrying amounts represent a reasonable approximation of their fair value.

Assets 31 Dec 2014 (in millions of SEK)	Loan receivables and accounts receivable	Assets held for sale	Assets available for sale	Non-financial assets	Total carrying amount	Fair value
Intangible assets	-	-	-	9,731	9,731	
Property, plant and equipment	-	-	-	2,078	2,078	
Shares in associates	-	-	-	30	30	
Investments held as non-current assets	-	-	4	-	4	4
Deferred tax assets	-	-	-	312	312	
Other long-term receivables	21	-	-	-	21	21
Inventories	-	-	-	2,109	2,109	
Accounts receivable	1,567	-	-	-	1,567	1,567
Tax assets	-	-	-	96	96	
Other receivables	84	-	-	-	84	84
Prepaid expenses and accrued income	-	-	-	97	97	
Investments in securities etc.	-	154	-	-	154	154
Cash and equivalents	1,827	-	-	-	1,827	1,827
Total assets	3,499	154	4	14,453	18,110	

Assets 31 Dec 2013 (in millions of SEK)	Loan receivables and accounts receivable	Assets held for sale	Assets available for sale	Derivatives used for hedge accounting	Non-financial assets	Total carrying amount	Fair value
Intangible assets	-	-	-	-	6,154	6,154	
Property, plant and equipment	-	-	-	-	1,889	1,889	
Securities held as non-current assets	-	-	47	-	-	47	47
Deferred tax assets	-	-	-	-	97	97	
Other long-term receivables	12	-	-	-	-	12	12
Inventories	-	-	-	-	1,760	1,760	
Accounts receivable	1,192	-	-	-	-	1,192	1,192
Tax assets	-	-	-	-	70	70	
Other receivables	58	-	-	7	-	65	65
Prepaid expenses and accrued income	-	-	-	-	87	87	
Investments in securities etc.	-	3	-	-	-	3	3
Cash and equivalents	1,591	-	-	-	-	1,591	1,591
Total assets	2,853	3	47	7	10,057	12,967	

Equity and liabilities 31 Dec 2014 (in millions of SEK)	Financial liabilities valued at accrued cost	Derivatives used for hedge accounting	Non-financial assets	Total carrying amount	Fair value
Equity	-	-	6,560	6,560	
Provisions	-	-	2,169	2,169	
Non-current liabilities*	7,238	-	-	7,238	7,238
Current liabilities to credit institutions	294	-	-	294	294
Accounts payable	767	-	-	767	767
Advance payments from customers	23	-	-	23	23
Liabilities to associates	1	-	-	1	1
Tax liabilities	-	-	63	63	
Other liabilities	299	17	-	316	316
Accrued expenses and deferred income	679	-	-	679	679
Total equity and liabilities	9,301	17	8,792	18,110	

* of which SEK 4,169 million refers to loans in foreign currencies to hedge net investment in foreign operations.

Equity and liabilities 31 Dec 2013 (in millions of SEK)	Financial liabilities valued at accrued cost	Derivatives used for hedge accounting	Non-financial items	Total carrying amount	Fair value
Equity	-	-	5,575	5,575	
Provisions	-	-	1,431	1,431	
Non-current liabilities*	4,227	-	-	4,227	4,227
Current liabilities to credit institutions	201	-	-	201	201
Accounts payable	714	-	-	714	714
Advance payments from customers	18	-	-	18	18
Tax liabilities	-	-	71	71	
Other liabilities	196	11	-	207	207
Accrued expenses and deferred income	523	-	-	523	523
Total equity and liabilities	5,879	11	7,077	12,967	

* of which SEK 3,062 million refers to loans in foreign currencies to hedge net investment in foreign operations.

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 year-end amounted to SEK 7,852 million. The average interest rate was 1.4%. A rise in the interest rate of 1% on constant liabilities would have a negative impact on the Group of SEK 79 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.

Interest-bearing liabilities at year-end amounted to SEK 6,216 million. A rise in the interest rate of 1% on constant liabilities would have a negative impact on the parent of SEK 62 million.

Hedge accounting

During 2014 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 2014 outstanding contracts maturing in Q1 2015 totalled SEK 44 million with SEK 2 million in unrealised losses.
- 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 pages 54 & 62.

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 pages 58 & 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

(in millions of SEK)	Group		Parent	
	2014	2013	2014	2013
< 1 year	2,346	1,884	452	242
1 – 2 years	5,924	338	4,893	1,092
3 – 4 years	1,233	2,903	1,237	2,883
5 – 6 years	84	1,052	-	1,052
Total	9,587	6,177	6,582	5,269

The above cash flows are based on average interest rates on interest-bearing liabilities for 2014 and 2013 respectively. The effect of a change in interest rates is described above under the heading Interest rate risks.

Note 8

LEASING

During the year, Group expenses relating to finance leasing agreements totalled SEK 1 million (SEK 1 million). Leasing charges amounting to SEK 113 million (SEK 107 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, is distributed as follows:

(in millions of SEK)	Finance leases			Operating leases
	Payments	Interest	Present value	Nominal value
Due for payment within 1 year	2	-	2	94
Due for payment within 2 - 5 years	3	-	3	202
Due for payment within 6 years or more	-	-	-	127
Total	5	-	5	423

Non-current assets held through finance leasing agreements

(in millions of SEK)	Cost	Depreciation	Carrying amount
Equipment and fittings	4	1	3

Note 9

RESEARCH AND DEVELOPMENT COSTS

A total of SEK 278 million (SEK 224 million) is included under the heading 'Cost of goods sold' to cover the cost of research and development.

Note 10

OTHER OPERATING INCOME

(in millions of SEK)	Group		Parent	
	2014	2013	2014	2013
Profit on sale of non-current assets	21	3	-	-
Exchange gains	58	77	-	-
Reduced considerations	11	-	-	-
Other	52	46	-	-
Total	142	126	-	-

Note 11

PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

(in millions of SEK)	Group		Parent	
	2014	2013	2014	2013
Group contributions	-	-	106	70
Dividend	-	-	924	525
Capital gains	-	-	51	-
Impairment of participations in subsidiaries	-	-	- 29	-
Total	-	-	1,052	595

Note 12

FINANCIAL INCOME

(in millions of SEK)	Group		Parent	
	2014	2013	2014	2013
Interest income, Group companies	-	-	15	12
Interest income, other	8	6	3	2
Exchange gains	91	30	154	52
Total	99	36	172	66

Note 13

FINANCIAL EXPENSES

(in millions of SEK)	Group		Parent	
	2014	2013	2014	2013
Interest expense, Group companies	-	-	2	5
Interest expense, other	85	72	67	54
Exchange losses	107	24	169	45
Other financial expense	2	2	-	-
Total	194	98	238	104

Note 14

TAX

(in millions of SEK)	Group		Parent	
	2014	2013	2014	2013
Current tax for the year	324	293	-	1
Current tax attributable to preceding years	- 2	- 6	-	-
Deferred tax	- 12	- 28	-	-
Total	310	259	-	1

Tax in respect of items charged directly against other recognised income

(in millions of SEK)	Group		Parent	
	2014	2013	2014	2013
Defined-benefit pensions	- 26	7	-	-
Market valuation of currency futures	- 5	- 1	-	-
Market valuation of raw materials futures	- 1	-	-	-
Currency hedge	- 102	- 18	- 101	- 18
Total	- 134	- 12	- 101	- 18

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

(in millions of SEK)	Group		Parent	
	2014	2013	2014	2013
Pre-tax profit	1,292	1,117	943	527
Tax at current rate	284	246	208	115
Effect of change in tax rate for deferred tax	-	- 1	-	-
Non-deductible expenses	27	13	7	1
Non-taxable earnings	- 21	- 9	- 11	-
Dividends from subsidiaries	-	-	- 204	- 115
Adjusted tax for preceding years	- 2	- 6	-	-
Deficit deductions not carried fwd	5	2	-	-
Effect of foreign tax rates	17	14	-	-
Recognised tax expenses	310	259	-	1

Tax rates

The applicable tax rate has been calculated on the basis of the tax rate which applies to the parent, which is 22.0% (22.0%). See also page 55.

Due dates for deficit deductions which have not been brought forward

Accumulated deficit reduction which is not offset by recognised deferred tax assets amounted to SEK 245 million (SEK 199 million) for the Group. The due dates for deficit deductions are within the following intervals:

(in millions of SEK)	Group	
	2014	2013
Due for payment within 1 - 5 years	41	29
Due for payment within 6 - 10 years	102	77
Due for payment in 10 years or more	19	17
No due date	83	76
Total	245	199

Temporary differences

Temporary differences arise in the event that there is a difference between the carrying amount and the taxation value of the assets and liabilities. Temporary differences in respect of the following items have resulted in deferred tax liabilities and deferred tax assets.

Deferred tax assets

(in millions of SEK)	Group		Parent	
	2014	2013	2014	2013
Deficit deductions	20	17	-	-
Hedging of net investment in foreign operations	60	-	60	-
Provisions for pension obligations	64	35	-	-
Provisions for guarantee obligations	90	-	-	-
Other	78	45	1	1
Total	312	97	61	1

(in millions of SEK)	Deficit deduction	Hedging of net investments in foreign operations	Provisions for pension obligations	Provisions for guarantee obligations	Other	Total
Amount at start of year	17	-	35	-	45	97
Acquired companies	3	-	1	76	26	106
Recognised as income	-1	-	-	3	-3	-1
Recognised in other comprehensive income	-	60	26	-	2	88
Translation difference	1	-	2	11	8	22
Amount at year-end	20	60	64	90	78	312

Deferred tax liabilities

(in millions of SEK)	Group		Parent	
	2014	2013	2014	2013
Untaxed reserves	33	33	-	-
Temporary differences in non-current assets	768	449	-	-
Hedging of net investment in foreign operations	-	42	-	42
Other	29	27	-	-
Total	830	551	-	42

(in millions of SEK)	Untaxed reserves	Temporary differences in non-current assets	Hedging of net investments in foreign operations	Other	Total
Amount at start of year	33	449	42	27	551
Acquired companies	-	262	-	-	262
Companies sold	-	-1	-	-	-1
Recognised as income	-	-15	-	2	-13
Recognised in other comprehensive income	-	-	-42	-4	-46
Translation difference	-	73	-	4	77
Amount at year-end	33	768	-	29	830

Deferred tax liabilities in respect of temporary differences attributable to investments in subsidiaries are not recognised, since the parent can control the date and time of the reversal of the temporary differences.

Note 15

MARKET POSITIONS

(in millions of SEK)	Group	
	2014	2013
Cost		
Opening cost	965	822
Investment for the year	314	113
Reclassifications	-	11
Translation differences	132	19
Closing accumulated cost	1,411	965
Amortisation		
Opening amortisation	161	91
Amortisation for the year	81	67
Translation differences	16	3
Closing accumulated amortisation	258	161
Closing carrying amount	1,153	804

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

GOODWILL AND TRADEMARKS

Brands and trademarks (in millions of SEK)	Group	
	2014	2013
Cost		
Opening cost	648	558
Cost in acquired companies	1	1
Investment for the year	417	76
Translation differences	111	13
Closing accumulated cost	1,177	648
Carrying amount per business area		
NIBE Energy Systems	1,072	554
NIBE Element	25	23
NIBE Stoves	80	71
Total	1,177	648

Goodwill (in millions of SEK)	Group	
	2014	2013
Cost		
Opening cost	4,534	4,199
Cost in acquired companies	8	1
Investment for the year	1,997	296
Sales and retirements	-	- 2
Reclassifications	-	- 20
Translation differences	640	60
Closing accumulated cost	7,179	4,534
Amortisation		
Opening amortisation	80	79
Translation differences	4	1
Closing accumulated amortisation	84	80
Closing carrying amount	7,095	4,454
Carrying amount per business area		
NIBE Energy Systems	5,662	3,227
NIBE Element	962	786
NIBE Stoves	471	441
Total	7,095	4,454

Impairment tests

Impairment testing involves the calculation of value in use. The policies adopted by the Group are set out in Note 2, under the heading "Goodwill and trademarks".

Assumptions of the gross investment margins for each cash-generating unit are based on the approved budgets.

Significant assumptions in 2014 (2013)

Assumptions	Cash-generating unit		
	NIBE Energy Systems	NIBE Element	NIBE Stoves
Growth rate years 2-5, %	5.0 (5.0)	5.0 (5.0)	5.0 (5.0)
Growth rate year 6 and later, %	2.0 (2.0)	2.0 (2.0)	2.0 (2.0)
Working capital requirement for organic growth, %	15.0 (15.0)	18.0 (17.0)	18.0 (15.0)
Discount rate before tax %	6.7 (7.4)	7.1 (8.8)	6.9 (8.1)

The assumed organic growth rate is the same for all cash-generating units. Apart from the most recent years, which have been subject to economic turbulence, all units have a history of organic growth well above the assumed growth rate.

As in preceding years, the annual impairment test did not identify any impairment need.

Sensitivity analysis

A sensitivity analysis has been carried out in respect of the significant assumptions applied in the impairment test. The following assumptions have been used to test sensitivity.

- Organic growth in years 2-5 is two percentage points lower.
- The gross investment margin is two percentage points lower.
- The requirement for working capital is two percentage points higher.
- The discount rate is two percentage points higher.

None of the above assumptions resulted in an impairment need for any of the Group's cash-generating units.

Note 17

OTHER INTANGIBLE ASSETS

Rights of tenancy, patents, development costs, licences, etc.

(in millions of SEK)	Group	
	2014	2013
Cost		
Opening cost	459	339
Cost in acquired companies	13	11
Investment for the year	97	107
Sales and retirements	- 14	- 9
Reclassifications	5	2
Translation differences	27	9
Closing accumulated cost	587	459
Amortisation		
Opening amortisation	208	146
Sales and retirements	- 13	- 9
Amortisation for the year	71	66
Reclassifications	2	-
Translation differences	10	4
Closing accumulated amortisation	278	208
Impairment		
Opening impairment	3	3
Closing accumulated impairment	3	3
Closing carrying amount	306	248

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

(in millions of SEK)	Group	
	2014	2013
Cost of goods sold	58	51
Selling expenses	1	4
Administrative expenses	12	11
Total	71	66

Note 18

LAND AND BUILDINGS

(in millions of SEK)	Group	
	2014	2013
Cost		
Opening cost	1,605	1,510
Cost in acquired companies	62	-
Investment for the year	45	57
Sales and retirements	- 15	- 2
Reclassifications	8	24
Translation differences	72	16
Closing accumulated cost	1,777	1,605
Amortisation		
Opening amortisation	489	429
Amortisation for the year	57	52
Sales and retirements	- 2	-
Reclassifications	-	1
Translation differences	15	7
Closing accumulated amortisation	559	489
Closing carrying amount	1,218	1,116
of which, land	207	190
Closing carrying amount land and buildings in Sweden	303	301

Note 19

MACHINERY AND EQUIPMENT

(in millions of SEK)	Group		Parent	
	2014	2013	2014	2013
Cost				
Opening cost	2,349	2,271	1	1
Cost in acquired companies	29	23	-	-
Investment for the year	171	127	-	-
Sales and retirements	- 100	- 108	-	-
Reclassifications	32	25	-	-
Translation differences	92	11	-	-
Closing accumulated cost	2,573	2,349	1	1
Depreciation				
Opening depreciation	1,635	1,521	1	1
Sales and retirements	- 95	- 94	-	-
Depreciation for the year	194	200	-	-
Reclassifications	1	-	-	-
Translation differences	51	8	-	-
Closing accumulated depreciation	1,786	1,635	1	1
Impairment				
Opening impairment	3	2	-	-
Impairment for the year	-	1	-	-
Closing accumulated impairment	3	3	-	-
Closing carrying amount	784	711	-	-

Note 20

CONSTRUCTION IN PROGRESS

(in millions of SEK)	Group	
	2014	2013
Cost		
Opening cost	62	53
Expenses during the year	52	50
Re-allocations during the year	- 41	- 42
Translation differences	3	1
Closing accumulated cost	76	62

Note 21

SHARES IN SUBSIDIARIES

	Prop. of equity	No. of shares	Carrying amount in millions of SEK	(in millions of SEK)	2014	2013
				Cost		
				Opening cost	7,362	6,796
				Investment for the year	1,062	566
				Sales	- 13	-
				Reduced considerations	- 11	-
				Closing accumulated cost	8,400	7,362
				Impairment		
				Opening impairment	17	17
				Impairment for the year	29	-
				Closing accumulated impairment	46	17
				Closing carrying amount	8,354	7,345
ABK AS	50%	250	148			
Akvaterm Oy	70%	1,400	64			
Backer BHV AB	100%	37,170	186			
Backer EHP Inc	100%	100	217			
Bröderna Håkansson AB	100%	15,000	11			
CSJC Evan	100%	8,631	131			
Druzstevni z. Drazice - strojirna sro	100%	7	199			
Eltwin A/S	100%	500	152			
Jevi A/S	100%	1	30			
Kaukora Oy	100%	1,100	135			
Lotus Heating Systems A/S	100%	1,076,667	50			
Loval Oy	100%	768	40			
METRO THERM A/S	100%	3,400	181			
NIBE AB	100%	400,000	153			
NIBE Energy Systems France SAS	100%	100	3			
NIBE Energy Systems WFE AB	100%	100	1,033			
Nordpeis AS	100%	12,100	142			
SAN Electro Heat A/S	100%	13	18			
Schulthess Group AG	100%	10,625,000	4,856			
Springfield Wire de Mexico, S.A. de C.V.	100%	10,000	42			
Heating Group Ltd, UK	60%	119,340	449			
TermaTech A/S	100%	500	62			
Varde Ovne A/S	100%	4,009	31			
Wiegand, S.A. de C.V.	100%	15,845,989	21			
			8,354			

Shares owned via subsidiaries	Proportion of capital	Number of shares
ait-deutschland GmbH	100.00%	
ait-värmeteknik-sverige AB	100.00%	1,000
ait Schweiz AG	100.00%	250
Alpha-InnoTec Sun GmbH	80.00%	
Askoma AG	100.00%	200,000
Askoma SDN BHD	100.00%	500,000
Backer Alpe S. de R.L. de C.V.	100.00%	
Backer Calesco France SARL	100.00%	12,429
Backer ELC AG	100.00%	34,000
Backer Elektro CZ a.s.	100.00%	
Backer-ELTOP s.r.o.	100.00%	
Backer Facsa S.L.	100.00%	34,502
Backer FER s.r.l.	100.00%	
Backer Heating Technologies Co. Ltd	100.00%	
Backer Heating Technologies Inc	100.00%	100

Shares owned via subsidiaries	Proportion of capital	Number of shares
Backer OBR Sp. z o.o.	100.00%	10,000
Backer-Springfield Dongguan Co. Ltd	100.00%	
Backer-Wilson Elements Pty Ltd	51.00%	
Backer Wolff GmbH	100.00%	
Danotherm Electric A/S	100.00%	1,000
Eltwin Sp. z.o.o.	100.00%	100
Enertech Global LLC (10%)	100.00%	
Gazco Ltd	100.00%	30,000
Heatrod Elements Ltd	100.00%	68,000
Høiax AS	100.00%	1,000
Hyper Engineering Pty Ltd	100.00%	25,000
Hyper Technology and Trading Comp.	100.00%	1,000
Innotek A/S	100.00%	10
KKT Chillers Inc.	100.00%	1,000
KNV Energietechnik GmbH	100.00%	
KVM-Genvex A/S	100.00%	2,500
Lund & Sørensen AB	100.00%	1,000
Lund & Sørensen A/S	100.00%	500
Lund & Sørensen Electric Heating Equipment Accessory Co Ltd	100.00%	
Merker AG	100.00%	2,500
METRO THERM AB	100.00%	1,000
Meyer Vastus AB, Oy	100.00%	20
Motron A/S	100.00%	1,000
Naturenergi IWABO AB	100.00%	1,000
NIBE Beteiligungenverwaltungs GmbH	100.00%	
NIBE-BIAWAR Sp. z o.o.	100.00%	83,962
NIBE Energietechnik B.V.	100.00%	180
NIBE Energy Systems Inc	100.00%	100
NIBE Energy Systems Ltd	100.00%	100
NIBE Energy Systems Oy	100.00%	15
NIBE Foyers France S.A.S.	100.00%	370
NIBE Kamini LLC	100.00%	
NIBE Systemtechnik GmbH	100.00%	
Norske Backer AS	100.00%	12,000
Northstar Poland Sp. z o.o.	100.00%	3,134
RPN-Hall Oy	100.00%	1,000
Schulthess Maschinen AG	100.00%	7,500
Schulthess Maschinen GmbH	100.00%	
Shel NIBE Manufacturing Co Ltd	100.00%	1,000
Sinus-Jevi Electric Heating B.V.	100.00%	180
Sol & Energitechnik SE AB	100.00%	1,000
Stovax Ltd	100.00%	190,347
Stovax D1 Ltd	100.00%	1,000
Stovax Group Ltd	100.00%	397,800
Strukturgruppen AB	100.00%	1,000
Vølund Varmeteknik A/S	100.00%	1,000
WaterFurnace International Hong Kong Ltd	100.00%	27,300,000
WaterFurnace Int. Asia Pacific	100.00%	50,000
WaterFurnace International Inc.	100.00%	100
WaterFurnace Renewable Energy Corp.	100.00%	14,666,765

Details of subsidiaries	Corporate ID	Registered office	Details of subsidiaries	Corporate ID	Registered office
ABK AS	959 651 094	Oslo, Norway	NIBE Energy Systems Inc	99 03 68 191	Wilmington, USA
Akvaterm Oy	1712852-9	Kokkola, Finland	NIBE Energy Systems Ltd	5764 775	Sheffield, UK
ait-deutschland GmbH	HRB 2991	Bayreuth, Germany	NIBE Energy Systems Oy	9314276	Helsinki, Finland
ait-värmeteknik-sverige AB	556936-5033	Helsingborg	NIBE Energy Systems France SAS	501 594 220	Reyrieux, France
ait Schweiz AG	CH-100 3 017 337-2	Altishofen, Switzerland	NIBE Energy Systems WFE AB	556982-3262	Markaryd, Sweden
Alpha-InnoTec Sun GmbH	HRB 81 197	Saarbrücken, Germany	NIBE Foyers France S.A.S.	491 434 965	Lyon, France
Askoma AG	CHE 101 048 895	Thunstetten, Schweiz	NIBE Kamini LLC	1105 0100 00303	Dubna, Russia
Askoma SDN BHD	489344-W	Johor Bahru, Malaysia	NIBE Systemtechnik GmbH	HRB 5879	Celle, Germany
Backer Alpe S. de R.L. de C.V.	BAL0805266BA	Mexico City, Mexico	Nordpeis AS	957 329 330	Lierskogen, Norway
Backer BHV AB	556053-0569	Hässleholm, Sweden	Norske Backer AS	919 799 064	Kongsvinger, Norway
Backer Calesco France SARL	91379344781	Lyon, France	Northstar Poland Sp. z o.o.	570844191	Trzcianka, Poland
Backer EHP Inc	99-0367868	Elgin, USA	RPN-Hall Oy	1712854-5	Kokkola, Finland
Backer ELC AG	CH-400 3 033 814-4	Aarau, Switzerland	SAN Electro Heat A/S	42 16 59 13	Graested, Denmark
Backer Elektro CZ a.s.	60469617	Hlinsko, Czech Republic	Schulthess Group AG	CH-020 7 000 720-2	Zürich, Switzerland
Backer-ELTOP s.r.o.	44795751	Miretice, Czech Republic	Schulthess Maschinen AG	CH-020 3 923 223-4	Zürich, Switzerland
Backer Facsa S.L.	B-62.928.361	Aiguafreda, Spain	Schulthess Maschinen GmbH	FN 125340z	Vienna, Austria
Backer FER s.r.l.	REA: 173478	Sant'Agostino, (Ferrara) Italy	Shel NIBE Manufacturing Co Ltd	866 531	Hong Kong, China
Backer Heating Technologies Co. Ltd	4,40302E+14	Shenzhen, China	Sinus-Jevi Electric Heating B.V.	37106129	Medemblik, Netherlands
Backer Heating Technologies Inc	36-4044600	Chicago, USA	Sol & Energiteknik SE AB	556633-8140	Jönköping, Sweden
Backer OBR Sp. z o.o.	8358936	Pyrzyce, Poland	Springfield Wire de Mexico S.A. de C.V.	SWM710722KW3	Nuevo Laredo, Mexico
Backer-Springfield Dongguan Co. Ltd	4,419E+14	Dongguan City, China	Stovax Ltd	1572550	Exeter, UK
Backer-Wilson Elements Pty Ltd	ACN 100 257 514	Burwood, Australia	Stovax D1 Ltd	4826958	Exeter, UK
Backer Wolff GmbH	HRB 27026	Dortmund, Germany	Stovax Group Ltd	7127090	Exeter, UK
Bröderna Håkansson Värme AB	556108-0259	Höör, Sweden	Heating Group Ltd, UK	8299613	Exeter, UK
CJSC Evan	1065260108517	Nizhny Novgorod, Russia	Structurgruppen AB	556627-5870	Kungsbacka, Sweden
Danotherm Electric A/S	10 12 60 61	Rødovre, Denmark	TermaTech A/S	27 24 52 77	Hasselager, Denmark
DZD Strojirna s.r.o.	45148465	Benátky nad Jizerou, Czech Republic	Varde Ovne A/S	21 55 49 79	Vejle, Denmark
Eltwin A/S	13 99 24 44	Risskov, Denmark	Vølund Varmeteknik A/S	32 93 81 08	Videbæk, Denmark
Eltwin Sp. z o.o.	394767	Stettin, Poland	WaterFurnace International Hong Kong Ltd	1775445	Hong Kong, China
Enertech Global LLC (10%)	45-2301710	Greenville, USA	WaterFurnace Int. Asia Pacific	ACN 148 010 511	Victoria, Australia
Gazco Ltd	2228846	Exeter, UK	WaterFurnace International Inc	35-18737995	Fort Wayne, USA
Heatrod Elements Ltd	766 637	London, UK	WaterFurnace Renewable Energy Corp	BC 100 6504	Toronto, Canada
Høiax AS	936 030 327	Fredrikstad, Norway	Wiegand S.A. de C.V.	RFC WIE850624H79	Nuevo Laredo, Mexico
Hyper Engineering Pty Ltd	ACN 148 010 520	Victoria, Australia			
Hyper Technology and Trading Comp.	1939789	Hong Kong, China			
Innotek A/S	27 23 99 86	Kolding, Denmark			
Jevi A/S	12 85 42 77	Vejle, Denmark			
Kaukora Oy	0138194-1	Raisio, Finland			
KKT chillers Inc	83-0486747	Elk Grove, USA			
KNV Energietechnik GmbH	78375h	Schörfling, Austria			
KVM-Genvex A/S	21387649	Haderslev, Denmark			
Lotus Heating Systems A/S	26 11 04 75	Langeskov, Denmark			
Loyal Oy	0640930-9	Lovisa, Finland			
Lund & Sørensen AB	556731-8562	Mölnådal, Sweden			
Lund & Sørensen A/S	25 64 75 99	Vejle, Denmark			
Lund & Sørensen Electric Heating Equipment Accessory Co Ltd	120000400007673	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			
Motron A/S	26 41 80 97	Risskov, Denmark			
Naturenergi IWABO AB	556663-0355	Bollnäs, Sweden			
NIBE AB	556056-4485	Markaryd, Sweden			
NIBE	295717d	Vienna, Austria			
Beteiligungenverwaltungs GmbH					
NIBE-BIAWAR Sp. z o.o.	50042407	Bialystok, Poland			
NIBE Energietechnik B.V.	20111793	Willemstad, Netherlands			

Note 22

ASSOCIATES

Parent (in millions of SEK)							
Name	Corporate ID number	Registered office	Proportion of capital	Number of shares	Dividend	Carrying amount	
Produktionskonsult Väst AB	556713-5206	Gothenburg	50.0%	600	1	7	
Total					1	7	

Group (in millions of SEK)							
Name	Corporate ID number	Registered office	Proportion of capital	Number of shares	Profit participation	Proportion of equity	Carrying amount
Produktionskonsult Väst AB	556713-5206	Gothenburg	50.0%	600	2	2	8
Waterfurnace Shenglong HVACR Climate Solutions Ltd.	3302 0040 0074 4449	Ningbo, China	49.0%	-	-	- 2	22
Total					2	-	30

The holding in Waterfurnace Shenglong HVACR Climate Solutions is a joint venture.

Note 23

SHARE CAPITAL

	Quota value (SEK)	Class A shares	Class B shares	Total
At year-end	0.625	13,060,256	97,193,382	110,253,638

The dividend for 2014 proposed but not yet approved is SEK 2.70 per share. This corresponds to a total payout of SEK 298 million. See also under the heading 'Appropriation of profits' on page 51.

Each class A share entitles the holder to ten votes at the Annual General Meeting, and every B share to one vote. All shares carry the same entitlement to dividends.

At the end of 2014 the company had no outstanding convertible loans or options that could risk diluting the share capital. The situation was the same in the preceding year.

Note 24

PROVISIONS FOR PENSIONS

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 2014 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 9 million (2013: SEK 8 million). Alecta's surplus can be distributed to the policy holders and/or the insured. At the 2014 year-end Alecta's surplus in the form of the collective funding ratio was 143% (2013: 148%). 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. The assets are managed by fund managers which are separate legal entities. 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.

The estimated present value of the Group's defined benefit pension obligations has been based on the actuarial assumptions set out in the table below.

Actuarial assumptions 2014	Switzerland	Sweden
Discount rate on 1 January	2.20%	4.00%
Discount rate on 31 December	1.25%	3.00%
Expected salary increases	1.00%	3.00%
Expected inflation	0.80%	2.00%
Expected return on plan assets:		
- shares	1.75%	-
- interest-bearing securities	1.75%	-
- property, etc.	1.75%	-

Actuarial assumptions 2013	Switzerland	Sweden
Discount rate on 1 January	2.00%	4.00%
Discount rate on 31 December	2.20%	4.00%
Expected salary increases	1.00%	3.00%
Expected inflation	0.80%	2.00%
Expected return on plan assets:		
- shares	1.75%	-
- interest-bearing securities	1.75%	-
- property, etc.	1.75%	-

A sensitivity analysis has been carried out in respect of the significant assumptions applied and the impact that changed assumptions would have had on the Group's pension liabilities shown in the table below.

Sensitivity analysis	Impact on pension liabilities (MSEK)	
	of an increase	of a decrease
Discount rate - 0.5 percentage points	- 74	+ 86
Expected salary increases - 0.25 percentage points	+ 5	- 5
Expected inflation - 0.25 percentage points	+ 35	- 2

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.

(in millions of SEK)	2014			(in millions of SEK)	2013		
	Fund- ed plans	Unfund- ed plans	Total		Fund- ed plans	Unfund- ed plans	Total
Reconciliation of pension obligations				Reconciliation of pension obligations			
Present value at start of year	664	69	733	Present value at start of year	773	64	837
Present value in acquired companies	16	2	18	Present value in acquired companies	-	4	4
Premiums from employer	21	-	21	Premiums from employer	16	1	17
Interest on obligations	15	3	18	Interest on obligations	15	2	17
Premiums from employees	21	-	21	Premiums from employees	18	-	18
Benefits paid	-22	-2	-24	Benefits paid	-69	-2	-71
Actuarial gains (-), losses (+) during the period	116	13	129	Reversed provisions	-65	-	-65
Translation differences	66	6	72	Actuarial gains (-), losses (+) during the period	-38	-	-38
Present value at end of year	897	91	988	Translation differences	14	-	14
Reconciliation of plan assets				Reconciliation of plan assets			
Fair value at start of year	549	-	549	Fair value at start of year	625	-	625
Fair value in acquired companies	12	-	12	Fair value in acquired companies	12	-	12
Expected return on plan assets	13	-	13	Expected return on plan assets	-3	-	-3
Actuarial gains (+), losses (-) during period	7	-	7	Actuarial gains (+), losses (-) during period	20	-	20
Premiums from employer	20	-	20	Premiums from employer	12	-	12
Premiums from employees	21	-	21	Premiums from employees	-63	-	-63
Benefits paid	-22	-	-22	Benefits paid	-65	-	-65
Translation differences	49	-	49	Translation differences	11	-	11
Fair value at end of year	649	-	649	Fair value at end of year	549	-	549
Provisions for pensions				Provisions for pensions			
Retirement benefit obligations, present value	897	91	988	Retirement benefit obligations, present value	664	69	733
Plan assets, fair value	-649	-	-649	Plan assets, fair value	-549	-	-549
Provisions for pensions	248	91	339	Provisions for pensions	115	69	184
Pension costs recognised in profit or loss				Pension costs recognised in profit or loss			
Current contributions	1	-	1	Current contributions	16	1	17
Interest on obligations	15	3	18	Interest on obligations	15	2	17
Expected return on plan assets	-13	-	-13	Expected return on plan assets	-12	-	-12
Pension costs, defined-benefit plans	3	3	6	Pension costs, defined-benefit plans	19	3	22
Pension costs, defined-contribution plans			124	Pension costs, defined-contribution plans			93
Total pension costs in profit or loss			130	Total pension costs in profit or loss			115
Pension costs recognised in other comprehensive income				Pension costs recognised in other comprehensive income			
Actuarial gains (-), losses (+) in respect of				Actuarial gains (-), losses (+) in respect of			
- changed financial assumptions	107	13	120	- changed financial assumptions	-39	-	-39
- changed demographic assumptions	-	-	-	- changed demographic assumptions	-	-	-
- experience-based adjustments	2	-	2	- experience-based adjustments	4	-	4
Pension costs in other comprehensive income	109	13	122	Pension costs in other comprehensive income	-35	-	-35
Reconciliation of provisions for pensions				Reconciliation of provisions for pensions			
Opening balance	115	69	184	Opening balance	149	64	213
Provisions in acquired companies	5	1	6	Provisions in acquired companies	-	4	4
Pension costs, defined-benefit plans	3	3	6	Pension costs, defined-benefit plans	18	3	21
Pension costs in other comprehensive income	109	13	122	Pension costs in other comprehensive income	-35	-	-35
Benefits paid	-	-2	-2	Premiums from employer	-20	-	-20
Translation differences	16	7	23	Benefits paid	-	-2	-2
Closing balance	248	91	339	Translation differences	3	-	3
For 2015, expected pension costs for defined benefit plans are	34	2	36	Closing balance	115	69	184
Composition of plan assets				Composition of plan assets			
Shares	14			Shares	12		
Interest-bearing securities	531			Interest-bearing securities	459		
Property etc.	104			Property etc.	78		
Total plan assets	649			Total plan assets	549		

Parent

The parent's recognised pension liabilities amount to SEK 5 million (SEK 3 million) and are calculated in accordance with the Pension Obligations Vesting Act and not with IAS19.

Note 25

OTHER PROVISIONS

(in millions of SEK)	Group		Parent	
	Guarantee risk reserve	Other		
Amount at start of year	154	542	696	472
Provisions in acquired companies	210	13	223	-
Provisions during the year	53	92	145	30
Amount utilised during the year	- 45	- 25	- 70	-
Reversals in provisions	- 10	- 36	- 46	- 27
Reclassifications	-	- 65	- 65	- 65
Translation differences	36	81	117	42
Amount at year-end	398	602	1,000	452

Guarantees are normally provided for one to three years, but longer guarantee periods may be provided in individual cases. The guarantee risk reserve is calculated on the basis of the cost history of these commitments. Other provisions consist primarily of provisions for contingent consideration. It is anticipated that these will be largely settled within three years, and the majority are recognised in the parent's balance sheet.

Note 26

BANK OVERDRAFT FACILITIES

Credit facilities granted in the Group totalled SEK 915 million (SEK 928 million). The Group's overdraft was reduced during the year by SEK 13 million. The amount available to the parent was SEK 300 million (SEK 400 million). Bank overdraft facilities are included as part of the long-term agreements which the Group has with credit institutions.

Note 27

ACCRUED EXPENSES AND DEFERRED INCOME

(in millions of SEK)	Group		Parent	
	2014	2013	2014	2013
Accrued salaries	239	197	3	3
Accrued social security contributions	76	66	2	2
Other items	364	260	6	6
Amount at year-end	679	523	11	11

Note 28

PLEGDED ASSETS

(in millions of SEK)	Group		Parent	
	2014	2013	2014	2013
Floating charges	67	20	-	-
Property mortgages	89	57	-	-
Receivables	89	55	4	3
Shares in subsidiaries ¹⁾	-	10	-	-
Total pledged assets	245	142	4	3
¹⁾ Liabilities to credit institutions for which shares have been pledged as collateral	-	-	-	-

Note 29

CONTINGENT LIABILITIES

(in millions of SEK)	Group		Parent	
	2014	2013	2014	2013
Pension commitments not entered under liabilities or provisions	2	1	-	-
Contingent liabilities on behalf of other Group companies	-	-	2,311	596
Total contingent liabilities	2	1	2,311	596

ACQUISITION OF BUSINESSES

Waterfurnace Renewable Energy Inc.

On 22 August, NIBE acquired 100% of the shares in the North American heat pump company, WaterFurnace Renewable Energy Inc., which has annual sales of some SEK 800 million and an operating margin of approximately 17%. The total purchase price amounted to CAD 378.3 million, which is approximately SEK 2.4 billion. The purchase price consisted of 100% cash. The company has been consolidated in the business area NIBE Energy Systems from September onwards. The acquisition cost is still provisional.

WaterFurnace is a market leader in the production of geothermal heat pumps for heating and cooling installations in North America. The products are marketed under the brands WaterFurnace and GeoStar in North America, and WFI through a joint venture in China. Through the acquisition, the largest business area in the Group, NIBE Energy Systems, has gained a highly significant position in the vital North American market.

The consideration consists of the following (in millions of SEK)	Group 2014
Fair value of net assets acquired	701
Goodwill	1,714
Cash consideration	2,415
Cash and cash equivalents in acquired companies	- 52
Effect on the Group's cash and cash equivalents	2,363

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.

The acquired net assets are as follows: (in millions of SEK)	Group	
	Fair amounts	Acquired carrying amounts
Patent	5	23
Market positions	285	-
Brands	376	-
Other intangible assets	32	7
Property, plant and equipment	52	45
Financial assets	105	105
Current receivables	197	197
Inventories	64	64
Investments in securities etc.	53	53
Cash and equivalents	52	52
Provisions	- 437	- 208
Liabilities	- 83	- 83
Net assets acquired	701	255

The deferred tax liability attributable to acquired surpluses is recognised under Provisions, and is the reason that the fair value exceeds the acquired carrying amount. Acquired current receivables comprise SEK 205 million, of which SEK 197 million is expected to be settled.

Other acquisitions

At the beginning of February, NIBE acquired operations in the French company, Technibel SAS, which has annual sales of approximately SEK 105 million. Technibel is solely a sales company for air conditioning products and heat pumps under the well-established Technibel brand. Operations come under the business area NIBE Energy Systems from February onwards.

At the beginning of November, NIBE acquired the remaining 90% of the North American heat pump company, Enertech Global LLC, which has annual sales of around SEK 245 million and an operating margin of approximately 10%. The company has been consolidated in business area NIBE Energy Systems with effect from 1 November. The acquisition cost is still provisional.

At the end of December, NIBE acquired 100% of the shares in the Swiss heating element company, Askoma AG, which has annual sales of SEK 55 million and an operating margin of just over 10%. The company, which also has operations in Malaysia, offers a product range consisting mainly of components for heating, control and measurement for the energy market. The company has been consolidated in business area NIBE Element with effect from 1 December. The acquisition cost is still provisional.

During the year, five smaller acquisitions were also made comprising total annual sales of around SEK 45 million.

The consideration consists of the following (in millions of SEK)	Group	
	2014	2013
Initial considerations	341	266
Additional considerations	72	336
Total consideration	413	602
Fair value of net assets acquired	124	333
Goodwill	289	269
Consideration	413	602
Cash and cash equivalents in acquired companies	- 18	- 73
Consideration previously paid for partial acquisition	- 38	-
Additional considerations not yet paid	- 72	- 336
Effect on the Group's cash and cash equivalents	285	193

The size of the additional consideration is dependent on the future profit trends of the acquired units. The amounts specified are based on expected profit trends. 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 0 million (SEK 1 million).

The acquired net assets are as follows: (in millions of SEK)	Group	
	Fair amounts	Acquired carrying amounts
Market positions	28	-
Brands	42	-
Other intangible assets	3	-
Property, plant and equipment	42	42
Financial assets	17	17
Current receivables	46	46
Inventories	47	47
Cash and equivalents	18	18
Provisions	- 56	- 32
Liabilities	- 63	- 63
Net assets acquired	124	75

The deferred tax liability attributable to acquired surpluses is recognised under Provisions, and is the reason that the fair value exceeds the acquired carrying amount. Acquired current receivables comprise SEK 48 million, of which SEK 46 million is expected to be settled.



The Board of Directors' declaration

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 view 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 – 26 March 2015

Arvid Gierow
Chairman of the Board

Georg Brunstam
Director

Eva-Lotta Kraft
Director

Hans Linnarson
Director

Anders Pålsson
Director

Gerteric Lindquist
Managing Director & CEO

The Annual Report and the consolidated financial statements were, as shown above, approved for publication by the Board and the Managing Director/CEO on 26 March 2015. The consolidated balance sheets and income statements and the parent's balance sheets and income statements will be presented for approval at the Annual General Meeting on 11 May 2015.

Auditor's report

To the annual meeting of the shareholders of NIBE Industrier AB (publ) Corporate ID No. 556374-8309

Report on the Annual Report and consolidated financial statements

We have audited the Annual Report and consolidated financial statements of NIBE Industrier AB (publ) for financial year 2014. The Annual Report and consolidated financial statements of the company are included in the printed version of this document on pages 50-87.

Responsibilities of the Board of Directors and the Managing Director for the Annual Report and consolidated financial statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this Annual Report in accordance with the Annual Accounts Act and of the consolidated financial statements 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 an Annual Report and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on this Annual Report and these consolidated financial statements 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 Report and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report and consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Annual Report and consolidated financial statements, 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 Report and consolidated financial statements 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 Report and consolidated financial statements.

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 Report has 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 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2014 and of its financial performance and cash

flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act.

The statutory Administration Report is consistent with the other parts of the Annual Report and the consolidated financial statements.

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 Report and consolidated financial statements, 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 (publ) for financial year 2014.

Responsibilities of the Board of Directors and the Managing Director

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

Auditor's responsibility

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

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the Annual Report and consolidated financial statements, 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 – 26 March 2015
KPMG AB



Alf Svensson
Authorised Public Accountant

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 (1995:1554), 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. The current Code may be accessed on the Swedish Corporate Governance Board's website, www.bolagsstyrning.se. In addition, and likewise in accordance with the Code, NIBE also provides information via the company's website.

The corporate governance report is not part of the administration report. The company's auditors have examined the corporate governance report, and it is their opinion that the corporate governance report has been properly drawn up and that the statutory information in the Report is consistent with other parts of the Annual Report and consolidated financial statements.



Arvid Gierow
Chairman of the Board

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.

NIBE shares have also had a secondary listing on the SIX Swiss Exchange since August 2011. 21.116 On 31 December 2014 NIBE had 21,116 registered shareholders, excluding previous owners of the Schulthess Group AG 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 board members and senior executives' with a total of 24% of the capital and 48% of voting rights, followed by Melker Schörling who holds 11% of the capital and 20% of the voting rights, and eight institutional investors with a total of 20% of capital and 10% of voting rights, one of whom represents the previous shareholders of the Schulthess Group AG. Together these ten constellations of investors hold a total of 55% of the capital in the company and 78% 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 MD/CEO from liability.

The most recent AGM, held on 15 May 2014 in Markaryd, was attended by 451 shareholders. Those present represented 52% of the shares and 74% of the total number of votes in the company. The AGM was attended by the Board of Directors, the MD/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, the appointment or dismissal of directors of the company, or changes to the company's articles of association.

The 2014 AGM gave the Board of Directors a mandate to issue new class B shares, on one or more occasions and without regard to the shareholders' preferential rights, to be used to finance the company's acquisition of other companies or businesses. This mandate is valid until the 2015 AGM and is restricted to a maximum of 10% of the number of class B shares issued at the time of the AGM.

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. All financial information is also available on 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 Swedish and foreign financial analysts, the media and Aktiespararna, the Swedish Shareholders' Association.



The remarks by the CEO, Gerteric Lindquist, were much appreciated by those attending the AGM.



Enthusiastic young musicians from Markaryd's schools, who are sponsored by NIBE, performed at the AGM. The master of ceremonies at the Annual General Meeting, Benny Torstensson, HR Manager at NIBE AB.

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 2014 Board of Directors comprised 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 93 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 MD/CEO.

The Board of Directors oversees the work of the MD/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 Report.

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 MD/CEO, and is responsible for ensuring that other members of the Board receive the necessary 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.

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.

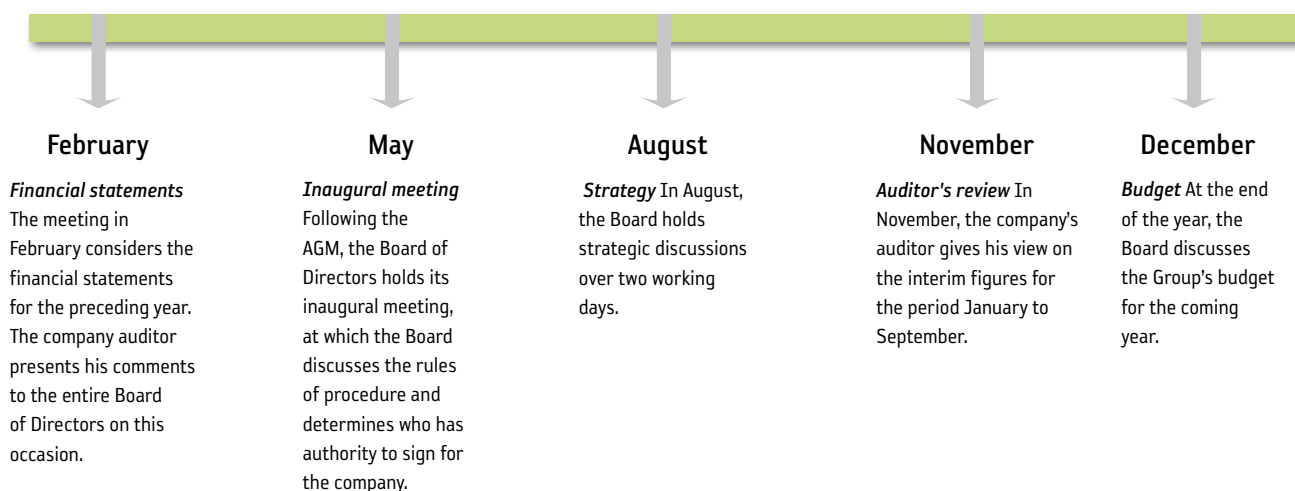
The company does not have a Nomination Committee (item 2.1 in the Code), a Remuneration Committee (item 9.1 in the Code) or an Audit Committee (item 7.3 in the Code). NIBE does not comply with the Code in respect of nominations because of the clear ownership structure with two principal shareholder constellations, 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 Swedish Companies Act and the Code.

The work of the Board during 2014

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 10 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

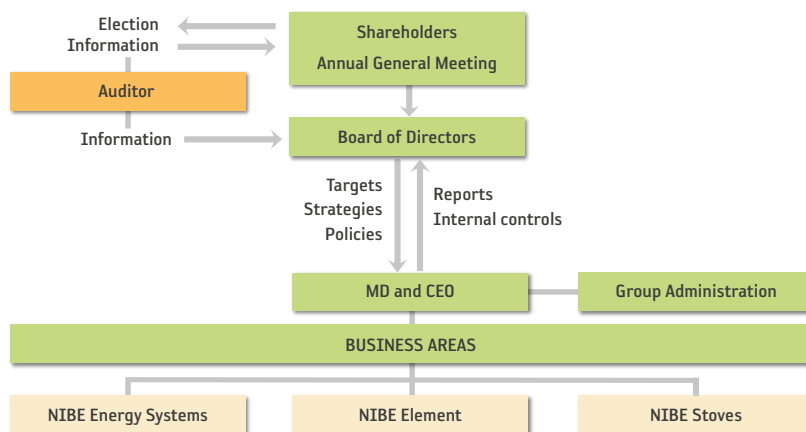


Group management

The CEO, who is also appointed by the Board of Directors as Managing Director of the parent, 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 MD/CEO. The work of the MD/CEO and of senior management is evaluated annually.

Financing, currency management, corporate acquisitions, new establishments, financial control, financial information, human resources policy, sustainability 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.

Remuneration 2014

The 2014 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 MD/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 Report and on NIBE's website www.nibe.com.

Remuneration to the Managing Director/CEO 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/CEO. 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.

Information on the fees paid to directors, as well as the salary and other remuneration paid to the MD/CEO and other senior executives can be found in Note 6 to the Annual Report.

Incentive programme

An incentive programme applies to certain key members of staff/senior executives, under which they are paid a variable bonus if set targets are met. The variable bonus is limited to a maximum of three months' salary. It is also possible for an additional month's salary to be paid on condition that this additional payment plus another monthly salary paid as a variable bonus or part of a variable bonus is used to purchase NIBE shares on the stock market. A further condition for entitlement to receive this additional month's remuneration is that the NIBE shares purchased are retained for at least three years. Under normal circumstances shares acquired in this way by members of staff shall be purchased on one occasion each year in February/March and the purchase shall be subject to the relevant insider trading regulations. No incentive programme is offered to the MD/CEO. Further information about the principles that apply for senior executives can be found in Note 6 to the Annual Report.

Severance pay

No severance pay or other benefits apply to the Chairman of the Board or to the directors, apart from the MD/CEO. The period of notice for the MD/CEO is six months in the event that the company gives notice. In addition to salary during the period of notice, the MD/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 MD/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.

Information on the retirement benefits of the Managing Director/CEO can be found in Note 6 to the Annual Report.



Once each year, the Board visits one of the companies within the Group. In November 2014, the Board visited DZD in the Czech Republic, a company within business area NIBE Energy Systems. DZD produces water heaters, but also sells heat pumps for both small houses and large buildings, and is a market leader in Eastern Europe. During 2014, a number of new products were successfully launched. These were very much in line with NIBE's vision, to create world-class solutions in sustainable energy.

Internal controls of financial reporting in 2014

Under 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. A summary of internal control procedures is presented each year as part of the board meeting that deals with the year-end financial statements. 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.

During 2014 a project aimed at reviewing and further reinforcing internal controls was implemented. It is our opinion that this review increases insight and awareness, provides explicit instructions and proposes a clear organisation in respect of internal controls. It is therefore the opinion of the Board that, because of the implementation of this review, there is no need for any separate internal control (item 7.4 in the Code).

External auditors

NIBE's auditors have been elected at the AGM to serve for a period of one year.

The registered public accounting firm, KPMG AB, with Alf Svensson as senior auditor, have held the position of the company's auditors since the AGM in 2013.

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, KPMG AB 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 Report.

The auditor's statement on the corporate governance report


To the annual meeting of the shareholders of NIBE Industrier AB (publ)
Corporate ID number 556374-8309

The Board of Directors and the Managing Director are responsible for the corporate governance report for 2014 on pages 89-92, and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance report, and on the basis of this and our knowledge of the company and the Group, we consider that we have sufficient grounds for our statement. Our statutory review of the corporate governance report has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices in Sweden

We consider that the Corporate governance report has been properly drawn up and that the statutory information in the report is consistent with other parts of the Annual report and consolidated financial statements.

Markaryd, Sweden – 26 March 2015
KPMG AB

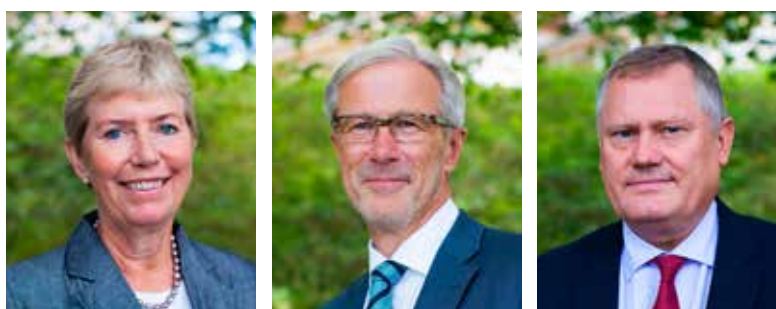


Alf Svensson
Authorised Public Accountant

Board of Directors



	ARVID GIEROW born 1943	GERTERIC LINDQUIST born 1951	GEORG BRUNSTAM born 1957
Elected to NIBE's Board of Directors	1997, chair 2003	1989	2003
Training and education	M.Sc. in Business & Economics	M.Sc. in Engineering and M.Sc. in Business & Economics	M.Sc. in Engineering.
Directorships	Director of MSAB.	MD of NIBE Industrier AB and NIBE AB.	CEO and director of HEXPOL AB. Director of DIAB Group AB and Beckers Industrial Coatings Holding AB
Experience	Employed in the AGA Group in Sweden and Latin America 1969-1985, Managing Director and CEO of Frigoscandia AB 1986-1995. Former directorships include Bong Ljungdahl, ALMI Företagspartner Skåne and SHB Stortorget Helsingborg.	More than 35 years' experience in international industrial operations. Including Exports Director at ASSA Stenman AB, now ASSA Abloy.	More than 30 years' experience in international industrial companies. Including CEO of Nolato AB, business area manager and member of the senior management team at Trelleborg AB, MD of Trioplast AB and various appointments within the Perstorp Group.
Fees	SEK 450,000	No fee payable	SEK 225,000
Present at Board meetings	10/10	10/10	10/10
Shareholding in NIBE Industrier AB	86,400 B shares.	1,504,560 A shares and 3,563,440 B shares.	400 B shares.
Independence	Yes	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.	Yes



	EVA-LOTTA KRAFT born 1951	HANS LINNARSON born 1952	ANDERS PÅLSSON born 1958
Elected to NIBE's Board of Directors	2010	2006	2010
Training and education	M.Sc. in Engineering and MBA.	B.Sc. (Electrical Engineering).	M.Sc. in Business & Economics
Directorships	Director of Boule Diagnostics AB, Opus Group AB, ÅF AB and Xano Industri AB.	Chairman of the Board of K. Hartwall OY, director Zinkteknik AB.	Chairman of the Board of Lammhults Design Group AB, Midway Holding AB and Trioplast AB.
Experience	Senior positions at companies in the manufacturing industry and medical technology, as well as research institutes. Including Regional Manager at Alfa Laval, head of division and Vice-President at Siemens Elema. Previous directorships include Biotage, Munters, Siemens, Svolder and ÅF.	A number of different appointments as Managing Director/CEO of Swedish international industrial companies for more than 30 years, including Enerotec Component AB, CTC AB and Asko Cylinda AB. Senior positions within the Electrolux Group, as well as MD and CEO of Husqvarna AB.	30 years' experience in international industrial companies. Including MD and CEO of Hilding Anders and divisional manager at Trelleborg AB and in PLM/Rexam. Worked at Gambro and the E.on Group.
Fees	SEK 225,000	SEK 225,000	SEK 225,000
Present at Board meetings	10/10	10/10	10/10
Shareholding in NIBE Industrier AB	1,000 B shares.	200 B shares.	5,000 B shares.
Independent	Yes	Yes	Yes

Group management

CEO and CFO



	GERTERIC LINDQUIST born 1951	HANS BACKMAN born 1966
Period of service	1988	2011
Training and education	M.Sc. in Engineering and M.Sc. in Business & Economics	M.Sc. in Business & Economics and MBA.
Position	MD/CEO of NIBE Industrier AB and NIBE AB.	Financial Director, NIBE Industrier AB.
Shareholding	1,504,560 A shares and 3,563,440 B shares.	2,300 B shares

Group management

Business Area Managers



	KJELL EKERMO born 1956	CHRISTER FREDRIKSSON born 1955	NIKLAS GUNNARSSON born 1965
Period of service	1998	1992	1987
Training and education	M.Sc. in Engineering.	M.Sc. in Engineering.	Engineer.
Position	Business Area Manager at NIBE Energy Systems	Business Area Manager at NIBE Element and MD of Backer BHV AB.	Business Area Manager at NIBE Stoves
Shareholding	109,685 B shares	375,840 A shares and 716,960 B shares	109,200 B shares

Auditor

	ALF SVENSSON born 1949
Elected	2013
Training and education	Authorised Public Accountant
Position	Senior Auditor
Accounting firm	KPMG AB



Group companies

NORDIC REGION

SWEDEN

NIBE Industrier AB	MARKARYD
NIBE AB	MARKARYD
ait-värmeteknik-sverige AB	HELSINGBORG
Backer BHV AB	SÖSDALA
Backer BHV AB/ Calesco Division	KOLBÄCK
Bröderna Håkansson	HÖÖR
Värme AB	
Lund & Sörensen AB	MÖLNDAL
METRO THERM AB	KALMAR
Naturenergi IWABO AB	BOLLNÄS
NIBE Energy Systems WFE AB	MARKARYD
Sol & Energiteknik SE AB	HUSKVARNA
Strukturgruppen AB	KUNGSBACKA

DENMARK

Danotherm Electric A/S	RØDOVRE
Eltwin A/S	RISSKOV
Innotek A/S	KOLDING
JEVI A/S	VEJLE
KVM-Genvex A/S	HADERSLEV
Lotus Heating Systems A/S	LANGESKOV
Lund & Sørensen A/S	VEJLE
METRO THERM A/S	HELISINGE
Motron A/S	RISSKOV
NIBE Wind Components	ESBJERG
SAN Electro Heat A/S	GRAESTED
TermaTech A/S	HASSELAGER
Varde Ovne A/S	VEJLE
Vølund Varmeteknik A/S	VIDEBÆK

FINLAND

Akvaterm Oy	KOKKOLA
Kaukora Oy	RAISIO
Loval Oy	LOVISA
NIBE Energy Systems Oy	VANTAA
Oy Meyer Vastus AB	MONNINKYLÄ
RPN-Hall Oy	KOKKOLA

NORWAY

ABK AS	OSLO
Høiax AS	FREDRIKSTAD
Nordpeis AS	LIERSKOGEN
Norske Backer AS	KONGSVINGER

EUROPE

FRANCE

Backer Calesco France Sarl	LYON
NIBE Energy Systems France SAS	REYIEUX
NIBE Foyers France SAS	REVENTIN

ITALY

Backer FER s.r.l.	S. AGOSTINO
REBA Div. Industrial Applications	MILANO

NETHERLANDS

NIBE Energietechnik B.V.	WILLEMSTAD
Sinus-Jevi Electric Heating B.V.	MEDEMBLIK

POLAND

Backer OBR Sp. z o.o.	PYRZYCE
Eltwin Sp. z o.o.	STETTIN
NIBE-BIAWAR Sp. z o.o.	BIALYSTOK
Northstar Poland Sp. z o.o.	TRZCIANKA

SWITZERLAND

ait Schweiz AG	ALTISHOFEN
Askoma AG	BÜTZBERG
Backer ELC AG	AARAU
Merker AG	REGENSDORF
Schulthess Group AG	WOLFHAUSEN
Schulthess Maschinen AG	WOLFHAUSEN

SPAIN

Backer Facsa S.L.	AIGUAFREDA
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UK

Gazco Ltd	EXETER
Heatrod Elements Ltd	MANCHESTER
NIBE Energy Systems Ltd	CHESTERFIELD
Stovax D1 Ltd	EXETER
Stovax Ltd	EXETER
Stovax Group Ltd	EXETER
Heating Group Ltd, UK	EXETER

CZECH REPUBLIC

Backer Elektro CZ a.s.	HLINSKO
DZ Drazice strojirna s.r.o.	B. NAD JIZEROU
Backer-ELTOP s.r.o.	MIRETICE

GERMANY

ait-deutschland GmbH	KASENDORF
Alpha-InnoTec Sun GmbH	THOLEY-THELEY
NIBE Systemtechnik GmbH	CELLE
Backer Wolff GmbH	DORTMUND

AUSTRIA

KNV Energietechnik GmbH	SCHÖRFLING
NIBE Beteiligungsverwaltungs GmbH	VIENNA
Schulthess Maschinen GmbH	VIENNA

OTHER COUNTRIES

AUSTRALIA

Backer-Wilson Elements Pty Ltd	BURWOOD
Hyper Engineering Pty Ltd	VICTORIA
WaterFurnace International Asia Pacific	VICTORIA

CANADA

WaterFurnace Renewable Energy Corp.	TORONTO
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CHINA

Backer Element	BEIJING
Backer Heating Technologies Co. Ltd	SHENZHEN
Backer Wind Components	TIANJIN
Backer-Springfield	DONGGUAN
Hyper Technology and Trading Comp.	HONG KONG
Lund & Sørensen Electric H. Equipment Acc. Co. Lt	TIANJIN
Shel NIBE Man. Co. Ltd	SHENZHEN
WaterFurnace International Hong Kong Ltd	HONG KONG

MALAYSIA

Askoma SDN BHD	JOHOR BAHRU
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MEXICO

Backer Alpe, S. de R.L.de C.V	TLAHUAC
Springfield Wire de Mexico S.A. de C.V.	NUEVO LAREDO
Wiegand S.A. de C.V.	NUEVO LAREDO

RUSSIA

CJSC Evan	NIZ. NOVGOROD
NIBE Kamini LLC	DUBNA

USA

Backer EHP Inc	MURFREESBORO, TN
Backer Heating Technologies Inc	CHICAGO, IL
Enertech Global LLC (10%)	GREENVILLE, IL
KKT chillers Inc.	ELK GROVE, IL
NIBE Energy Systems Inc	MURFREESBORO, TN
WaterFurnace International Inc	FORT WAYNE, IN



NIBE

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www.nibe.com · Corporate ID number: 55 63 74 - 8309

The complete annual report and AGM notice 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.