

NIBE

– world-class solutions in sustainable energy



Annual Report 2010

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Financial information

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

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

Annual General Meeting

The Annual General Meeting of shareholders will be held at NIBE in Markaryd in Sweden on Wednesday 11 May 2011 at 17.00 (5pm).

Dividend

The Board of Directors has resolved to propose that the Annual General Meeting approve a shareholders' dividend of SEK 1.75 per share for the financial year 2010, corresponding to a total payout of SEK 164.4 million. If this proposal is accepted, it is anticipated that the dividend will be despatched from Euroclear Sweden/VPC AB on Thursday, 19 May 2011.

Calendar

11 May 2011

First quarter report,
January – March 2011

Annual General Meeting

16 August 2011

Second quarter report,
January – June 2011

7 September 2011

Capital Markets Day in Markaryd,
Sweden

15 November 2011

Third quarter report,
January – September 2011

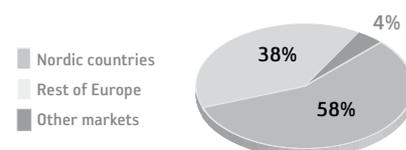
2010 at a glance

| | | | |
|---------------|------------------|------------------|-------------------------|
| Net sales | Operating profit | Operating margin | Employees (FTE average) |
| SEK 6,511.5 m | SEK 796.1 m | 12.2% | 5,945 |

| The year in figures | | 2010 | 2009 | Change |
|--|-------|---------|---------|---------|
| Net sales | SEK m | 6,511.5 | 5,751.2 | 13 % |
| Growth | % | 13.2 | - 1.0 | 1,420 % |
| Operating profit | SEK m | 796.1 | 631.3 | 26 % |
| Profit after net financial items | SEK m | 745.1 | 560.9 | 33 % |
| Investments in non-current assets | SEK m | 405.9 | 217.9 | 86 % |
| of which in existing plant & machinery | SEK m | 166.2 | 145.3 | 14 % |
| Gross margin | % | 15.5 | 14.6 | 6 % |
| Operating margin | % | 12.2 | 11.0 | 11 % |
| Profit margin | % | 11.4 | 9.8 | 17 % |
| Capital employed | SEK m | 3,615.5 | 3,709.0 | - 3 % |
| Equity | SEK m | 2,482.7 | 2,190.0 | 13 % |
| Return on capital employed | % | 22.2 | 16.8 | 33 % |
| Return on equity | % | 23.4 | 20.2 | 16 % |
| Return on total assets | % | 16.4 | 13.1 | 25 % |
| Assets turnover | times | 1.31 | 1.16 | 13 % |
| Equity/assets ratio | % | 48.2 | 45.7 | 6 % |
| Proportion of risk-bearing capital | % | 50.9 | 48.6 | 5 % |
| Operating cash flow | SEK m | 616.3 | 748.5 | - 18 % |
| Interest cover | times | 11.8 | 7.3 | 61 % |
| Interest-bearing liabilities/Equity | % | 45.6 | 69.4 | - 34 % |
| Average number of employees | | 5,945 | 5,519 | 8 % |

Please refer to page 55 for definitions.

Group sales by geographical region



- ▲ Net sales rose to SEK 6,511.5 million (2009: SEK 5,751.2 million)
- ▲ Profit after net financial items rose to SEK 745.1 million (SEK 560.9 million)
- ▲ Earnings after tax rose to SEK 553.1 million (SEK 412.1 million)
- ▲ Earnings per share totalled SEK 5.84 (SEK 4.36)
- ▲ The Board of Directors proposes a dividend of SEK 1.75/share (SEK 1.30/share)
- ▲ Acquisition of
 - Lotus Heating Systems A/S, Denmark
 - 50% stake in ABK AS, Norway
 - Lund & Sørensen A/S, Denmark

NIBE operations

NIBE Industrier is an international heating technology company. Operations are organised around three business areas – NIBE Element, NIBE Energy Systems and NIBE Stoves – all united under a shared vision: to create world-class solutions in sustainable energy. The NIBE Group has more than 5,900 employees and carries out business operations in Europe, North America and Asia. Each business area has its own operational management with responsibility for results. Issues that concern the Group as a whole, such as financing, corporate acquisitions, financial control and HR policy, are coordinated and regulated through the parent, which is a listed company.



NIBE is at the heart of every modern home.



NIBE Element

NIBE Element is the market leader in Northern Europe and a leading international manufacturer of components and systems for electric heating applications and for resistors. The market is composed of industrial users and users of components.

For more details about NIBE Element's operations, please see pages 31–36.



NIBE Energy Systems

NIBE Energy Systems is a market leader in the Nordic region and holds a leading position in Northern Europe in its main focus areas of heat pumps and electric water heaters for private homes and larger premises. The market is composed of the RMI sector (Renovation, Maintenance, Improvement) and the construction of new homes and other properties.

For more details about NIBE Energy Systems' operations, please see pages 37–42.



NIBE Stoves

NIBE Stoves is a market leader in the Nordic region for wood-burning stoves, and in the front rank of leading manufacturers in the rest of Europe. The market is composed of private homeowners in the new and existing housing market and in the holiday homes sector.

For more details about NIBE Stoves' operations, please see pages 43–48.



A strong 2010 – a good platform for continued growth

The Group grew its business by 13.2% in 2010 and organic growth for the year was 7.3%. In 2009, by comparison, sales fell by 1%, or by 2.9% if sales in acquired businesses are excluded.

In the Nordic countries demand has continued to show a steady improvement for all three of our business areas. Elsewhere in Europe, however, the situation differs considerably depending on the country and the segment, and the overall picture is of a wait-and-see market. In Asia and America, on the other hand, we have seen more positive developments in demand.

It gives me great satisfaction to confirm that all three NIBE business areas have continued to strengthen their positions in the market. This is thanks to our large-scale, long-term investments in product development and marketing. Our determination not to cut back during the economic downturn, but to seize the opportunity to increase and expand our activities in these areas, now means that we can start to reap the rewards.

In view of the fact that the bulk of both sales and earnings is concentrated in the second half of the year, we once again used the first six months of 2010 to build up our customary stocks of finished products and critical components. This ensured that delivery reliability during the second half of the year was, by and large, acceptable. As regards this coming year's stockbuilding activities, our objective is, however, to have somewhat larger stocks of certain types of heat pump by the midyear point.

Operating profit has improved by 26.1%, chiefly as a result of higher sales volumes, improved productivity and a firm grip on fixed costs. Nevertheless, despite intensive efforts to resist price increases on the components and materials used to manufacture our end-products, we are forced to concede that our costs for materials have risen slightly during the year. Also, exchange rate trends, when translated at Group level, have had a negative effect on sales and earnings.

Profit after net financial items improved by 32.8% compared with earnings in 2009. This is attributable to a significantly lower level of debt.

Well-invested production plants

Investments in existing operations totalled SEK 166.2 million, compared with SEK 145.3 million in 2009. While this means that the annual rate of investment was, for the second year in succession, well below the rate of depreciation according to plan of SEK 215.9 million, levels of quality and productivity at our production plants are, on the whole, very high, and these units are well prepared to meet the challenges that significant expansion will bring. We anticipate, therefore, that the rate of investment over the next few years will be more or less on a par with planned depreciation.

Robust finances

2010 has seen a marked improvement in our financial strength and our balance sheet. We have reduced net borrowing from SEK 1,169.9 million to SEK 723.2 million, while working capital as a percentage of sales has come down from 22.9% to 20.1% and the equity/assets ratio has increased from 45.7% to 48.2%.

Strategic acquisitions

The acquisition of Lotus Heating Systems A/S of Denmark follows the terms of the option agreement signed between the two companies in April 2008. As one of Denmark's leading suppliers of wood-burning stoves in sheet metal, Lotus further strengthens NIBE Stoves' market presence, particularly in Denmark and Germany.

During the year NIBE acquired an initial 50% stake in the Norwegian heat-pump supplier, ABK AS, as a prelude to taking over the remaining 50% of the shares during 2014. ABK is one of the front-rank names in air/air heat pumps in Norway and provides a very strong national platform on which to build sales of the entire NIBE Energy Systems heat-pump range.

The acquisition of Lund & Sørensen A/S, a Danish company with a subsidiary in China, not only reinforces NIBE Element's position in systems solutions for Nordic industry, but also gives a big boost to the business area's global standing in the windpower industry.

Early in 2011, Thermtec Ltd was acquired and its operations integrated into NIBE Element's existing UK operations, adding further strength to the business area's market position in the country.

The Element Division of Electrolux Professional AG in Switzerland was also acquired shortly after the start of the year, bolstering our position in the industrial segment in yet another market.

Sales for the acquisitions made during the past ten months total approximately SEK 550 million.

Strong corporate culture

Now that we appear to have put the severe financial meltdown of recent years behind us, people's faith in the future has been restored and the power of initiative has been unleashed once more.

It may well be worth remembering next time we are faced with an economic downturn that, despite all the doomsday scenarios, our civilisation repeatedly displays a truly unique capacity for survival and adaptation.

For our own part, we can confirm that NIBE, too, has demonstrated its resilience in contending with serious declines in the global economy. This is illustrated, for example, by the fact that throughout the economic slowdown our operating margin did not fall below 9.8% (2007) and annual return on equity was never less than 20.2% (2009).

It is fair to say that, as 2010 drew to a close, NIBE stood much stronger in all respects than it did when the downturn first hit in 2007.

Our cost and capital structures have been carefully analysed and judiciously adapted to current levels of demand and the size of our business. We have continued to maintain a firm focus on productivity and quality throughout the economic downturn, and this has meant

“ As 2010 drew to a close, NIBE stood much stronger in all respects than it did when the economic downturn first hit in 2007. ”

that we have been able to maintain levels of profitability and improve our competitiveness.

The intensification of research and development activities that I mentioned earlier has proved a decisive factor not only in maintaining sales, but actually increasing them.

All of this goes to prove the merits of the traditional values we hold dear here in the southern Swedish province of Småland. These lie at the heart of our way of working, where profitability is the number one concern as part of an ethos which, together with a long-term approach, common sense, simple solutions, honesty and perseverance, makes for an unbeatably strong corporate culture.

Creating sustainable value

In recent years public debate has increasingly centred on sustainability and sustainable value creation. It is a trend that NIBE can readily identify with, since our corporate culture and our products are both built on these values.

To ensure greater consistency and comparability in our sustainability reporting, we made the decision in 2010 to report our performance in accordance with the international standard, Global Reporting Initiative (GRI). The initial result, as you can read in more detail further into this annual report, is that we currently meet the criteria for GRI level C. Our long-term sights, however, are firmly set on achieving level A status.

Sales target for 2012 – SEK 10 billion

Our aim is to achieve sales of SEK 10 billion by the end of 2012 without compromising our healthy levels of profitability. This requires average annual growth of 24% in 2011 and 2012, which is slightly above our long-term goal of 20%.

The market for our products and the potential takeover candidates are both out there, and we have the financial strength that is needed to achieve this target. Taking into account the current strength of the Swedish krona, it is realistic to expect more than half of the



*Gerteric Lindquist
Managing Director/CEO*

intended growth in sales to derive from corporate acquisitions.

Bright prospects for 2011

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

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

Our own strengths, together with the continuing improvement in the economy and high energy prices, mean that we feel positive about the prospects for 2011.

Markaryd, Sweden – March 2011

*Gerteric Lindquist
Managing Director and Chief Executive Officer*

Important events during the year

First quarter



NIBE Railway Components established
NIBE Railway Components is established to coordinate activities between NIBE Element companies that work with components for rail traffic. The aim is to provide an effective platform for marketing the business area's entire range of products.



Successful trade fair in Stockholm
NIBE Energy Systems scores a resounding success at the *Nordbygg* trade fair in Stockholm, the most important Nordic meeting place for the construction industry. Among eleven new products on show is the NIBE F750, a unique exhaust-air heat pump that meets Sweden's strict new building regulations, BBR16.



Handöl 35T wins design award
The Swedish-designed Handöl 35T from NIBE Stoves is awarded the prestigious "red dot design award" for 2010.

Second quarter



ABK Days in Norway
The acquisition of ABK AS of Norway, experts in system solutions for energy efficiency and indoor climate comfort, strengthens NIBE Energy Systems' position in the Norwegian market. The annual ABK Days showcase the latest product innovations at a popular event that attracts many of the industry's leading professionals. 

NIBE Stoves acquires Lotus

NIBE Stoves utilises its option from 2008 to acquire the Danish company, Lotus Heating Systems A/S, and becomes the market leader in Denmark. Operations at Lotus continue to be run by the existing company management. 

NIBE Stoves establishes a foothold in Russia

As part of its plans to expand beyond the Nordic countries, NIBE Stoves takes the first steps in a long-term strategy for the Russian market by establishing a subsidiary and sales office in Dubna, not far from Moscow.



Third quarter



Rise in number of new builds

Economies in the Nordic region recover, and the modest rise in the number of new builds for private homeowners benefits all NIBE business areas. Elsewhere in Europe construction remains at historically low levels.



NIBE expands in Eastern Europe

Czech company DZD, which has gone from strength to strength over the past five years since being acquired by NIBE, now expands operations further as NIBE Energy Systems invests in a new production line in Luštěnice in the Czech Republic.



New product from NIBE Element

The first electronic junction box for heating water and other liquids is launched by NIBE Element in the autumn. Advanced electronics ensure greater control precision than traditional mechanical solutions can offer.

Fourth quarter



NIBE embarks on biggest ever heat-pump project

Towards the end of the year it became clear that NIBE Energy Systems is to be involved in the biggest ever geothermal heating project in Sweden (and one of the biggest in Europe): 500 homes in 52 apartment blocks in Stockholm will be heated by 26 geothermal heat pumps with a total effect of 1,300 kW. Utilising 3.5 million kWh of geothermal heat a year will reduce energy costs by around SEK 5 million a year.

Sweden retains RMI subsidy

Sweden's economy is acclaimed as one of the strongest in Europe. One of the reasons is said to be the government's RMI tax allowance that halves householders' bills for labour charges for home renovations and improvements. This has a positive effect on sales of products from NIBE Energy Systems and NIBE Stoves.



Europe paralysed by snow chaos

Far earlier than many of us can remember, winter tightens its grip on Europe. Snow and extreme temperatures cripple public transport, and many homes are left without power. Such severe winter weather drives demand for products from all three NIBE business areas.

NIBE Element acquires Lund & Sørensen

The acquisition of Danish company Lund & Sørensen further strengthens NIBE Element's industrial operations. With many of the world's wind turbine manufacturers among Lund & Sørensen's customers, the acquisition also gives NIBE Wind Components a real boost in the international market.



NIBE shares

NIBE Industrier AB's class B shares were floated on the Stockholm Stock Exchange's OTC list (now the Mid Cap list, NASDAQ OMX Stockholm) on 16 June 1997 following the issue of 1,170,000 new class B shares. The subscription price then was SEK 70 per share. This corresponds to SEK 4.38 per share following the splits carried out in June 2003 and June 2006.



Share capital

NIBE Industrier AB has a share capital of SEK 58.7 million, divided into 13,160,256 class A shares and 80,759,744 class B shares. The quota value (i.e. share capital divided by shares) is SEK 0.625. Every class A share carries ten votes at the Annual General Meeting and every class B share carries one vote. All shares carry the same entitlement to the company's assets and profits. At the end of 2010 the company had no outstanding convertible loans or options that could risk diluting the share capital.

Share performance and turnover

During 2010 the NIBE share increased in value by 49% from SEK 69.00 to SEK 102.75. The Carnegie Small Companies Index rose by 27% during the same period and the OMX Stockholm All-share Index (OMXS) by 23%. This means that, at the end of 2010 the market capitalisation of NIBE, based on the latest price paid, amounted to SEK 9,650 million. In 2010 a total of 18,905,873 NIBE shares were traded on the NASDAQ OMXS Stockholm: this corresponds to a share turnover of 20.1% 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 1.75 per share for the 2010 financial year, which equates to 30.0% of Group profit after tax.

Ownership

The number of shareholders has fallen slightly during the year. NIBE had 16,865 shareholders at the end of 2010, compared with 18,206 twelve months previously. The ten largest shareholders held 63.4% of the votes and 46.1% 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 by taking an active role in meetings with Swedish and foreign analysts, investors and the media.

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

Carnegie
Andreas Koski, tel +46 8-588 687 43

Danske Markets Equities
Carl Gustafsson, tel +46 8-568 805 23

Handelsbanken Capital Market
Jon Hyltner, tel +46 8-701 12 75

SEB Enskilda
Sebastian Lang, tel +46 8-522 295 32

Swedbank Markets
Peter Näslund, tel +46 8-585 918 23

Ålandsbanken
Christian Wallberg tel +46 8-791 48 24

Öhman Fondkommission
David Jacobsson, tel +46 8-402 52 72

Changes in share capital

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

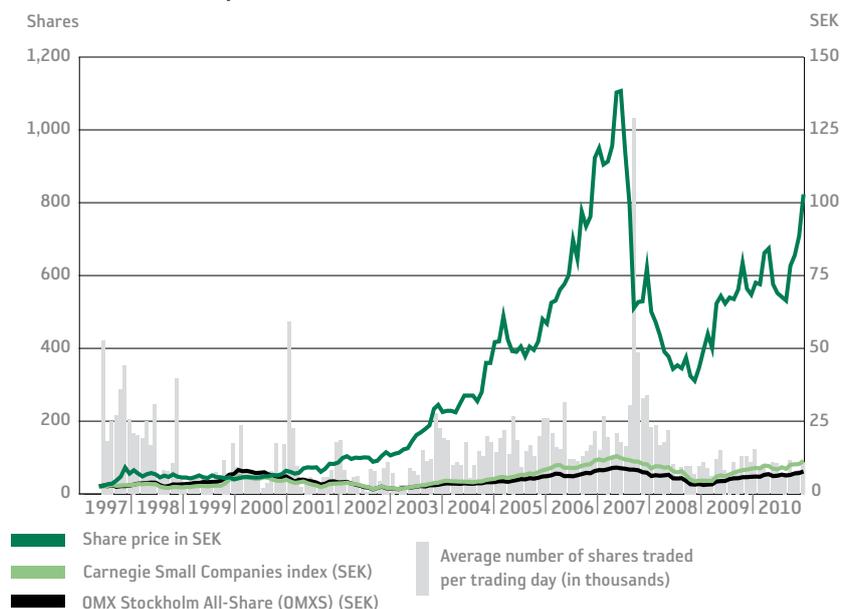
¹⁾ Private placing to existing shareholders at a subscription price of SEK 100 per share.

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

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

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

NIBE Share performance



Share data

| | | 2010 | 2009 | 2008 | 2007 | 2006 |
|---------------------------|-------|------------|------------|------------|------------|------------|
| Number of shares | | 93,920,000 | 93,920,000 | 93,920,000 | 93,920,000 | 93,920,000 |
| Year-end share price | SEK | 102.75 | 69.00 | 44.40 | 78.00 | 115.00 |
| EPS (after tax) | SEK | 5.84 | 4.36 | 3.94 | 3.35 | 3.74 |
| Equity per share | SEK | 26.34 | 23.24 | 20.04 | 16.48 | 13.67 |
| Proposed dividend | SEK | 1.75 | 1.30 | 1.15 | 1.15 | 1.15 |
| Price/equity | | 3.90 | 2.97 | 2.22 | 4.73 | 8.42 |
| Dividend yield | % | 1.70 | 1.88 | 2.59 | 1.47 | 1.00 |
| Total yield | % | 51.45 | 58.33 | -41.60 | -31.17 | 91.19 |
| Operating cash flow/share | SEK | 6.56 | 7.97 | 4.43 | -3.74 | 1.70 |
| Payout ratio | % | 30.0 | 29.9 | 29.2 | 34.3 | 30.8 |
| PE ratio (after tax) | | 17.6 | 15.8 | 11.3 | 23.3 | 30.8 |
| Market capitalisation | SEK m | 9,650 | 6,480 | 4,170 | 7,326 | 10,801 |
| EBIT multiple | times | 13.0 | 12.1 | 9.6 | 17.3 | 21.6 |
| EV/sales | times | 1.59 | 1.33 | 1.03 | 1.69 | 2.43 |
| Share turnover | % | 20.1 | 21.3 | 29.1 | 71.1 | 36.8 |

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

The year-end share price divided by the year-end equity per share.

Dividend yield

Dividend as percentage of year-end share price.

Total yield

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

Operating cash flow per share

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

Payout ratio

Dividend as a percentage of earnings per share.

PE ratio (after full tax)

Year-end share price divided by earnings per share.

Market capitalisation

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

EBIT multiple

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

EV/sales

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

Share turnover

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

Major shareholders

(Source: Euroclear Sweden share register 30 Dec 2010)

| Shareholders | No. of shares | Share of votes (%) |
|--|-------------------|--------------------|
| Current and former board members and senior executives ¹⁾ | 27,109,526 | 52.60 |
| Melker Schörling | 12,015,360 | 21.59 |
| Alecta Pensionsförsäkring | 7,500,000 | 3.53 |
| Lannebo Småbolag | 1,993,030 | 0.94 |
| NTC S/A Residents | 1,435,943 | 0.68 |
| Fondita Nordic Micro Cap | 890,000 | 0.42 |
| Lannebo Småbolag Select | 799,573 | 0.38 |
| Livförsäkrings AB Skandia | 799,216 | 0.38 |
| Handelsbanken Sv Småbolagsfond | 707,400 | 0.33 |
| Swedbank Robur Exportfond | 707,306 | 0.33 |
| Other holdings (16,837 shareholders) | 39,962,646 | 18.82 |
| Total | 93,920,000 | 100.0 |

¹⁾ Please refer to page 81 for details of the current Board of Directors.

Shareholder structure

(Source: Euroclear Sweden share register 30 Dec 2010)

| Shareholding | Shareholders | Stake (%) | No. of shares | Prop. of shares (%) |
|-----------------|---------------|--------------|-------------------|---------------------|
| 1 - 500 | 10,390 | 0.88 | 1,878,894 | 2.00 |
| 501 - 1,000 | 2,514 | 1.00 | 2,114,172 | 2.25 |
| 1,001 - 5,000 | 3,076 | 3.53 | 7,503,092 | 7.99 |
| 5,001 - 10,000 | 450 | 1.57 | 3,334,611 | 3.55 |
| 10,001 - 20,000 | 199 | 1.41 | 2,979,477 | 3.17 |
| 20,001 - | 236 | 91.61 | 76,109,754 | 81.04 |
| Total | 16,865 | 100.0 | 93,920,000 | 100.0 |

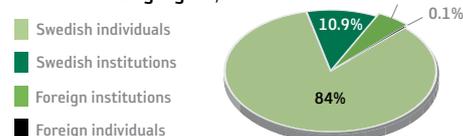
Shareholder categories

(Source: Euroclear Sweden share register 30 Dec 2010)

Share of capital, %

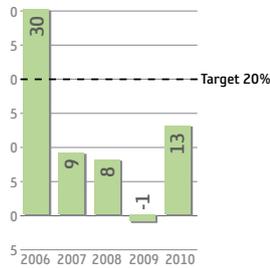


Share of voting rights, %



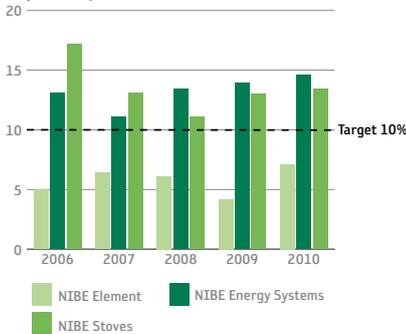
International expansion with Sweden as our base

Growth past five years (%)



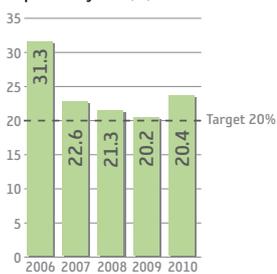
Growth over the past five years averages 11.3%

Operating margin past five years (%)



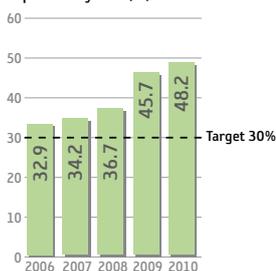
Average operating margin over the past five years: NIBE Element 5.8%, NIBE Energy Systems 13.3% and NIBE Stoves 13.6%

Return on equity past five years (%)



Return on equity over the past five years averages 23.2%

Equity/assets ratio past five years (%)



Equity/assets ratio over the past five years averages 39.9%

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 technology products and solutions through our three business areas: NIBE Element, NIBE Energy Systems and NIBE Stoves. This work builds on the NIBE Group's wide-ranging expertise in the fields of product development, manufacturing and marketing.

Objectives

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

The Group has four main financial targets.

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

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

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

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



Profitability

will be maintained through:

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

Competitiveness

will be improved through:

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

Co-worker commitment

will be further strengthened by:

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

Growth

will be maintained through:

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

Customer satisfaction and peace of mind

will be our constant goal through:

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

A holistic approach to environmental issues

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

Sincerity and an ethical attitude

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



The factors behind our success

Our management philosophy builds on eight principles which provide the impetus for continued profitable growth. These principles are the glue that holds the NIBE Group and all of its employees together. Creating an awareness of our management philosophy is crucially important when we recruit employees or acquire companies. At NIBE, we believe there should never be any doubt about the principles that underpin our work and permeate the working environment that new employees are joining.



1

Good profitability

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

2

High productivity

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

3

Aggressive product development

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

4

**Quality in everything
– focus on the customer**

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

“ Profitability is a measure of efficiency, and good profitability is the ultimate goal of every business. ”



5

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
- ▲ NIBE's successes must also benefit the customer in the form of value-for-money products.

6

Committed employees

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

7

Firm focus on three core businesses

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

8

A long-term approach

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

Profitable growth

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

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

Organic growth

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

Admittedly, we did not arrive at this figure as a result of any exact scientific theory: it was more an acknowledgment that organic growth of less than 5% is quite simply insufficient for good, sustainable profitability.

Since the overall underlying annual growth in demand in our three business areas is believed to be linked to GDP growth, this target means that we can never rest on our laurels, but must strive constantly to increase our share of existing markets and establish bridgeheads in new markets. Although the target may seem ambitious (and no one knows better than us just how ambitious it is!), it is not unattainable. This is demonstrated by the fact that over the past ten years NIBE has actually generated average year-on-year organic sales growth of 10%. This is attributable to a combination of aggressive product development, continuous improvements in productivity and systematic marketing measures.

Acquisition

We have concluded that, in the mature

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

The Group has acquired 30 companies over the past decade, representing average year-on-year growth through acquisitions of 8%

Acquisition criteria

NIBE is constantly analysing potential takeover candidates. Talks are always under way with a number of companies. The decisive factor behind any acquisition is that it must add new technology, new geographical markets and/or additional market share in existing markets.

The basic criteria are that the company must have strong brands and competent managers with a real entrepreneur-



ial spirit, and that it must offer further growth potential within the framework of NIBE's strategies. If these criteria are met, we can then be flexible about what phase the company is in purely in terms of profitability.

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

Acquisition model

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

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

Timeline for acquisitions and establishments

| | | | |
|-------------|--|-------------|---|
| 1949 | <i>Nils Bernerup establishes Backer Elektro-Värme in Sösdala, Sweden</i> | 2003 | Danotherm Electric A/S (80%) Backer Facsa |
| 1952 | <i>Nils Bernerup takes over Ebe-verken and establishes NIBE-verken in Markaryd, Sweden</i> | | Energietechnik B.V. (new establishment) METRO THERM A/S Finohm Sinus-Bobe Termos |
| 1994 | Backer OBR (32%) Backer Oy (new establishment) Contura | 2004 | NETEK Shel Calesco Foil Inc. (new establishment) Kaukora Avyttring Jøtul ASA (22%) |
| 1995 | Vølund Loval OY | | |
| 1996 | Pyrox TMV-Pannan | 2005 | Northstar AS K M Jensen |
| 1997 | <i>NIBE is floated on the stock market</i> NIBE Polska (new establishment) Backer OBR (68%) EPD | 2006 | Varde Ovne A/S Danotherm Electric A/S (20%) Naturenergi IWABO AB NIBE Energy Systems Ltd (new establishment) NIBE Foyers France S.A.S. (new establishment) DZ Drazice strojirna s.r.o. Heatrod Elements |
| 1998 | Br Håkansson Värme AB Lodam Energi JEVI A/S Calesco Foil AB | 2007 | Lübcke Rail A/S |
| 1999 | | 2008 | KNV Umwelt-gerechte Energietechnik GmbH CJSC EVAN (51%) TermaTech A/S NIBE Wärmetechnik AG (new establishment) Alpe |
| 2000 | Haato Varaajat Cronspisen AB Biawar Backer F.E.R Coates Backer CZ Eltop Praha | 2009 | Sol- & Energi-teknik SE AB CJSC EVAN (24%) Bencon |
| 2001 | Roslagsspisen Norells Sweden AB Svend A. Nielsen A/S Heise Systemtechnik GmbH | 2010 | NIBE Kamini LLC (new establishment) Lotus Heating Systems A/S ABK AS Lund & Sørensen A/S |
| 2002 | Jøtul ASA (22%) REBA | | |



Sustainable development is part of our corporate culture

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

Our Values

In 2010 we conducted a thorough review of the NIBE Group's values and policies relating to the environment, corporate social responsibility and business ethics. We drew particularly on relevant international guidelines and the recently published ISO 26000 standard, *Guidance on Social Responsibility*. The review resulted in a number of new guiding principles that we have brought together under the heading of "Our Values". These guiding principles clearly

state that NIBE takes responsibility for the impact that its business activities and products have on society and the natural environment.

By living Our Values we:

- ▲ contribute to sustainable development, including good health and social well-being;
- ▲ meet the expectations of our stakeholders;
- ▲ comply with the relevant laws and appropriate international codes of conduct;
- ▲ integrate the concept of corporate social responsibility into the work of the entire concern and apply it in our dealings with co-workers, customers, suppliers and other stakeholders.

Our values encompass guidelines across a range of subjects, which are described below. Readers with a particular interest in this area are also referred to our homepage and the downloadable document "Our Values".

Corporate governance

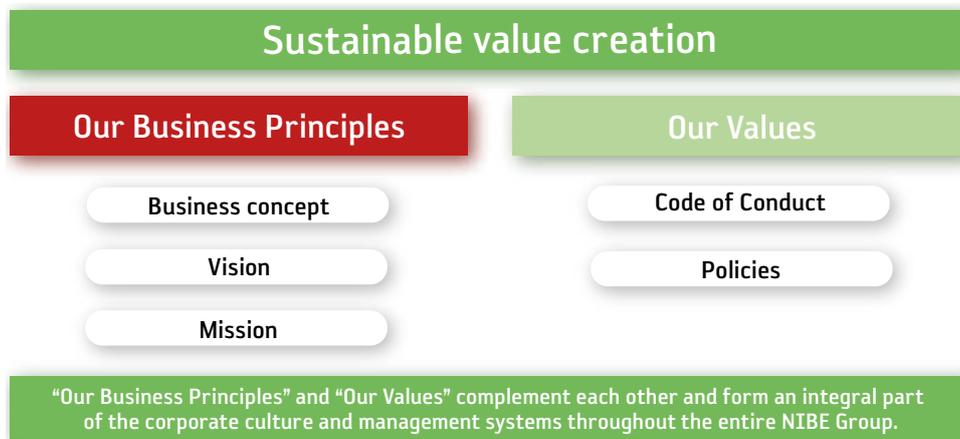
Effective corporate governance at NIBE is based on responsibility, transparency, ethical behaviour, respect for the law and dialogue with stakeholders.

Responsibility towards shareholders

Responsibility towards shareholders includes protecting shareholders' investments and endeavouring to ensure a sustainable and continually improving return on investments.



“ For a company with roots in the rural south of Sweden, sustainable development is a natural step to take. ”



Code of Conduct

The NIBE Group’s Code of Conduct, together with the rules for corporate governance and Group policies, constitutes the framework for our business activities. The Code applies to all company employees and directors, regardless of geographical location, and comprises the following key points:

Respect for human rights – the underlying principle here is 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 the Group’s manufacturing plants and to contribute to the personal and professional development of employees.

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

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

Requirements on suppliers – underlining the need to work with suppliers who

are prepared to comply with our code of conduct, quality criteria and business principles.

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

Social commitment – the underlying principle is, wherever possible, to become involved in the local community in the cities and regions where we are active.

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

Policies

The Code of Conduct establishes the NIBE Group’s fundamental values and provides a background to the main policies. Our policies on issues such as the natural and working environments, quality and communication form the basis for local management systems that are implemented in the various Group companies.

Sustainability report

Following a proposal from the board of directors, the NIBE Group has chosen to report its sustainability performance with reference to the Global Reporting Initiative (GRI). During 2010, we built up a system to collate detailed information

from all our production plants relating to the natural and working environments, social conditions and other parameters, such as business ethics and involvement in the local community.

The current report includes sustainability performance data from more than 97% of the Group’s production units, a very good result considering that the system was introduced only in 2010. The sustainability report includes a significant number of parameters and key data that together mean that NIBE meets the criteria for GRI application level C. (A self-assessment tool on the Group’s homepage explains how the GRI indicators are measured and reported.)

Global Reporting Initiative (GRI)

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

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



Creating sustainable value

Our Values Environmental responsibility Social responsibility Quality

Stakeholder dialogue

At Group level, communication with stakeholders is aimed chiefly at the capital markets, employees and authorities. At individual company level, communication takes place with employees, customers, suppliers, regulatory bodies and the company's neighbours. As far as the environment and corporate social responsibility are concerned, we have identified the following key stakeholder groups:

Customers

Since we manufacture products for electric heating apparatus, indoor climate comfort and solid-fuel stoves, our customers in industry, wholesalers, the construction industry and the retail trade frequently make demands of us with regard to the environmental impact of our products and production methods. In 2010, the majority of our production units reacted to these environmental demands, introducing environmental management systems, phasing out certain chemical substances and certifying compliance with European regulations such as RoHS, REACH and WEEE. The most important communication channel is direct contact with clients, for example in connection with R&D work or when cli-

ents review or evaluate our performance in the fields of quality control, environmental responsibility and social responsibility. Over the past year, customer reviews of our sustainability performance were conducted at roughly one third of our plants.

Employees

Internal communication on sustainability issues is channelled through Environmental and Safety Committees and via newsletters, staff magazines and noticeboards. Units that have introduced environmental management systems communicate with employees through these channels.

Authorities

It is relatively common for representatives of various authorities to visit our units to discuss matters relating to the natural and working environments.

Shareholders and investors

Investors are increasingly interested in sustainability assessments. Big institutional investors frequently combine a risk analysis assessment with environmental and social parameters, while various specialist funds choose to invest in companies that lead the way on sustainability. NIBE has, for example, been

audited by the Sustainable Value Creation Initiative, which published a report in 2010. The audit showed high levels of performance in some areas but pointed to a number of others where control mechanisms and reporting need to be improved.

Suppliers

We make requirements on our suppliers in terms of their own environmental and social performance. These are followed up through supplier assessments, questionnaires, flying inspections and audits. In 2010, roughly one in four of our plants carried out some form of follow-up on suppliers' sustainability work.

Society

Each of our production units is part of the local community and maintains regular contacts with local schools and universities. In 2010, almost 900 pupils and students visited our plants, and around a quarter of our units are involved in cooperation and development projects with local schools and universities. NIBE provides financial support for a raft of social activities, ranging from sponsoring sporting and cultural events to support for sick family members (China) or people with disabilities (Poland).



Practising what we preach

Our own premises boast one of the largest geothermal heating systems so far assembled that uses our products. Some 23,500 m³ of our new solid-fuel stove production facility is heated using geothermal heat pumps. What is unique about the system, a 540 kW installation consisting of nine separate geothermal heat pumps, is that it also provides free cooling. On hot days, the system is "reversed", and surplus heat

from the building is pumped down into the boreholes, recharging them for later use.

"The installation saves us around two million Swedish kronor a year compared with the cost of conventional heating and air conditioning," says Henrik Axelsson, Production Technology Manager at NIBE Stoves.

“ We have moved up a gear as far as the Group's environmental work is concerned. ”

Environmental responsibility

Our environmental policy commits us to a process of continual improvement in which we comply with legal and other requirements, make effective use of natural resources, reduce our impact on the environment, minimise risk and offer the market environmentally adapted products. We can point to many resounding successes in what we have achieved for the environment, but there are also areas where much still remains to be done.

Systematic environmental work

Environmental work is one of the cornerstones of NIBE's long-term commitment to sustainable development. The main emphasis here is on reducing the environmental impact of production facilities, but also on developing the positive environmental features already evident in many of the Group's products. Responsibility for environmental work is delegated to the business areas, where the managers for the individual companies and production units are responsible at local level.

A key tool in our environmental work is the ISO 14001 environmental management system. Work to introduce this system has been given high priority, and the aim is gradually to secure ISO certification for all units. At the time of writing, NIBE Energy Systems and NIBE Stoves (Sweden), Backer OBR (Poland), Metro Therm (Denmark) and Kaukora (Finland) are already certified, with three more units preparing for certification in 2011.

Environmental aspects

With production units in 14 countries, the Group identifies environmental and health and safety issues as a major concern. Production methods include metalworking, welding, casting, enamelling, painting and assembly. This means that the most significant direct environmental impacts of our activities are energy consumption, the use of metals and other raw materials, the management of chemicals hazardous to the environment and/or human health,

emissions of pollutants and greenhouses gases, and the disposal of waste products. The activities of our suppliers, the transportation of raw materials and finished products, and the in-service use of our products are examples

Environmental legislation

NIBE complies with environmental and labour laws and regulations in the countries in which it operates. The Group's plants in Sweden require a licence or a notification to operate under the country's Environmental Code, and compliance is monitored through measurements and regular inspections, with the results reported to the relevant regulatory authorities. Most units in other countries have an environmental permit for some or all of their activities. In 2010, approximately one third of our plants were inspected for compliance with environmental legislation and more than half for compliance with work environment legislation. The inspections revealed no serious breaches. Nevertheless, there is room for improvement in several areas, such as noise, the storage of chemicals and methods for investigating industrial injuries.

Operations are also affected by environmental legislation relating to the attributes of the products themselves, and we work continuously to meet the requirements of the relevant legislation.

Environmentally-related risks

In recent years, there has been an upsurge of interest in the introduction of new environmental legislation and other measures to prevent environmental degradation and rehabilitate damaged environments. This reflects greater awareness of the risks relating to climate change, the environmental impact of suppliers' activities, social conditions at suppliers' factories, and the danger that products may become less attractive to consumers if they cannot show sound environmental credentials. NIBE undertakes continuous assessments of these and associated risks.

New environmental legislation, particularly EU legislation, has a direct effect on the company's activities and products. The European Union's regulations on



The Kaukora factory in Finland has installed its own wind turbine to supply a limited amount of "green electricity" for its manufacturing activities.

chemicals, REACH and the Ecodesign Directive are typical examples. We monitor developments in these fields and adapt our activities as necessary.

Soil pollution has been confirmed at three plants, and further investigations and clean-up operations are being conducted. The costs involved have been relatively modest during the past year (< SEK 100,000).

Asbestos has been detected in some roofing materials and in certain installations in a handful of production plants. No known sources of PCBs have been detected.

There were no uncontrolled emissions or accidents in 2010 with a negative impact effect on the environment.

One of the Group's production facilities is at risk of flooding and has therefore been protected by a concrete embankment.



Reducing environmental impact

The NIBE range includes many products that are designed to reduce environmental impact and build on increased interest in energy and climate issues.

- ▲ A new generation of ground-source/geothermal heat pumps has been launched in recent years, and in 2010 exhaust-air heat pumps were also introduced to comply with new Swedish building standards. These products have been developed to further improve energy efficiency and reduce heating costs.
- ▲ After acquisition of the solar heating specialist Sol & Energiteknik, work is taking place to combine our innovations in geothermal technology with solar power to reduce consumers' heating costs even further.
- ▲ NIBE Energy Systems is taking part in the biggest ever geothermal heating project in Sweden (and one of the biggest in Europe): 500 homes in 52 apartment blocks will be heated by 26 geothermal heat pumps. Utilising 3.5 million KWh of geothermal

heat a year should reduce energy costs by around SEK 5 million a year.

- ▲ There is growing interest in the potential for combining heating and free cooling, especially among commercial enterprises, many of which have already installed a NIBE geothermal system capable of producing both heat and cool air.
- ▲ A number of wood-stoves from NIBE Stoves have been awarded the Nordic Swan mark in recognition of the fact that their environmental performance is even better than the criteria stipulate and that the entire production process takes place under environmentally adapted conditions.
- ▲ As a subcontractor to industry, NIBE Element often collaborates closely with its customers on development projects to create an end-product that combines an extended useful life with lower energy consumption.

Environment and economy

Many of the Group's environmental projects aim to reduce the use of natural

resources by reducing water and energy consumption or by making more effective use of certain materials.

The approaches adopted and the initial investments made vary from plant to plant, but experience has shown that, more often than not, what is good from an environmental point of view is also good from a financial point of view.

In 2010, NIBE invested some SEK 16 million in measures related to the natural and work environments. The biggest single investments were made in equipment to improve the work environment, energy efficiency measures, and measures to phase out the use of trichloroethylene in degreasing shops in Sweden and Poland. Other environmental and work environment costs for the year totalled SEK 14 million, half of this relates to the cost of waste management. Administration of natural and work environment activities accounted for approximately one third of the costs for 2010. Savings reported during the year arising from environmental improvements totalled some SEK 2 million.



Exhaust-air pump that complies with BBR 16

The new NIBE F750 exhaust-air heat pump meets the strict energy-efficiency criteria laid down in the new regulations (BBR 16) issued by the Swedish National Board of Housing, Building and Planning.

Richard Carlholmer, Commercial Product Manager for exhaust-air heat pumps at NIBE Energy Systems, says, "The NIBE F 750 has been specially developed to comply with the new requirements. It's packed with new technology and brings a whole new dimension to exhaust-air heat pumps."

As soon as we became aware that new building regulations were in the pipeline, work started on developing a brand new energy-efficient exhaust-air heat pump. The challenge was to design a heat pump effective enough to heat a split-level home with a floor area of 200m² in the Stockholm area (climate zone II) without additional electric heating.

Environmental performance

Energy consumption

Several energy-intensive processes, such as metalworking and heating materials in furnaces, are an essential part of our production line. Energy is also used for heating, lighting, compressors, ventilation and much more besides: 60% of our energy consumption in 2010 was indirect energy (mainly in the form of electricity purchased on the open market) and 40% was direct energy in the form of fuel oil, natural gas and propane. Overall energy use for the year totalled 114 GWh (2009: 102 GWh).

Increased production, more production plants and exceptionally cold winter weather in several countries

Raw materials and chemicals

Significant quantities of raw materials and components are used in the Group's plants every year. In addition to over 50,000 tonnes of metal, more than two thirds of which is stainless steel, iron or cast iron, several thousand tonnes of brass and magnesium oxide are used, all important components in NIBE Element's products.

We are keen to minimise our use of chemicals, both to reduce risks in our own operations and to reflect the environmental demands made on us by our customers. We use around 2,000 tonnes of plastics a year, mostly in the form of polyurethane insulation for

Emissions to air

Emissions of carbon dioxide gas (CO₂), which has a direct impact on the climate, can be traced to our use of fuel oil, natural gas, district heating and electricity. Total CO₂ emissions for 2010 were 27,700 tonnes (2009: 27,400 tonnes), of which more than 60% was in the form of indirect emissions deriving from the electricity that the Group purchased on the open market.

Emissions vary according to how electricity is produced. They are higher in countries where a large portion of the electricity is produced from coal than they are where electricity is generated by hydropower or nuclear fuels. Rising production volumes and more production plants have led to an increase in the amount of energy used, yet there has only been a marginal rise in our CO₂ emissions over the past few years. This is attributable, in part, to the phasing out of fuel oil and the installation of

Water consumption

The Group used approximately 273,000 m³ of water in 2010 (2009: 183,000 m³). The increase is explained by increased production volumes, but also by the fact that water consumption from all units in China is now also included in the figure. Closed systems for cooling water have been installed at several factories, reducing overall water consumption.

Waste management

The waste produced by the Group in 2010 totalled approximately 9,570 tonnes (2009: 9,790 tonnes), of which 783 tonnes were treated as hazardous waste. Despite the increase in production volumes, waste levels remain more or less constant thanks to efforts by many production plants to minimise waste. In 2010, more

than 70% of solid waste, mostly metals, was recycled. Approximately 14% of waste was reused as energy at external waste management plants, with only 7% going to landfill. The total cost of external waste management in 2010 was approximately SEK 6.8 million.

contributed to the increase in energy consumption. Total energy costs for the Group's manufacturing plants in 2010 were approximately SEK 75 million. Several of our units are working on or have already implemented energy-saving projects: fuel oil has been phased out at our plants in Sweden and Finland and replaced by heat pumps; several element-manufacturing companies have taken measures to reduce the energy consumption in their furnaces; and a number of plants have installed energy-efficient lighting and technology to recover heat from ventilation and cooling water.

electric water-heaters and other products. Other major materials include wood, concrete, soapstone, enamel and insulating materials. Although more than 90% of our paints and coatings are solvent-free, our factories also used approximately 250 tonnes of solvents in 2010. Trichlorethylene and other chlorinated hydrocarbons are still used to degrease metals, although modern solvent-free technology has recently been introduced at two production plants and further plants are now preparing to switch.

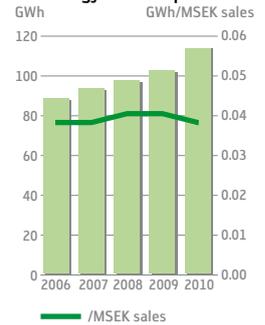
heat pumps at a number of facilities.

Transportation of raw materials, finished products and people also contributes to CO₂ emissions, but there are as yet no figures available for this. Measures have been taken at some plants to reduce the environmental impact of transport by coordinating shipments and generally raising the bar for our transport partners' performance in terms of environmental impact and health and safety.

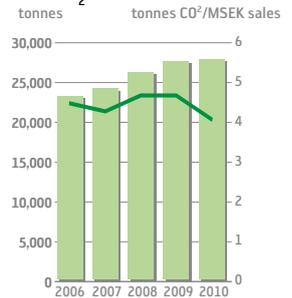
Other emissions to air during 2010 totalled approximately 10 tonnes of sulphur dioxide and nitric oxides (mostly from the use of fuel oil) and approximately 24 tonnes of volatile organic compounds (VOCs) from paints, coatings and solvents. The installation of purification plants and the use of solvent-free paints have helped to halve emissions of VOCs over the past four years.

Production facilities are connected to municipal or similar wastewater treatment plants. Measurements carried out at some facilities during the year confirm that emissions to water are below the permitted levels. The Group's total costs for water and wastewater treatment totalled SEK 3.4 million in 2010.

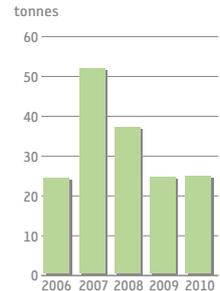
Energy consumption



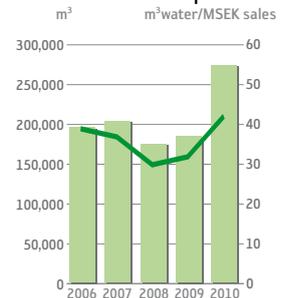
CO₂ emissions



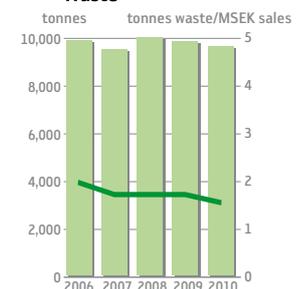
VOC emissions



Water consumption



Waste





Social responsibility

With operations in 20 countries and a workforce of more than 5,900, NIBE is very much an international company. One of our guiding principles is to integrate the concept of corporate social responsibility into the work of the companies in the Group and put it into practice in our dealings with employees, customers, suppliers and other stakeholders.

The NIBE workforce

In 2010, nearly 400 people were recruited or joined the Group through acquisitions. The average FTE workforce over the year was 5,945 (2009: 5,519), of whom 78% (78%) worked outside Sweden.

A constant focus on productivity in all areas means that we can maintain competitive production even in high-cost countries, though more than 20% of our total workforce is still employed in Sweden

An international enterprise

With growing numbers of employees outside Sweden, NIBE is becoming an

increasingly international employer. Our values and the factors behind our success are perceived as positive by the vast majority of people around the world regardless of their cultural background, and we work hard to communicate these when recruiting, in our information updates for co-workers and whenever new employees join the Group via company acquisitions.

In addition to maintaining competitive production plants in Sweden and other high-cost countries, we are also investing in manufacturing facilities in low-cost countries in Eastern Europe and in China and Mexico. This is where we manufacture products that are subject to the fiercest price competition, but these countries are also interesting growth markets.

Attractive employer

Because NIBE needs to attract, retain and develop people of the right calibre, we work hard to make sure we are perceived as an attractive employer and give our staff plenty of opportunity to develop. We set our sights high and demand a great deal of our employees.

In return, they enjoy freedom with accountability, a work ethos characterised by common sense and a straightforward approach to problem-solving, and excellent career opportunities. This stimulates interest in work and leads to a low incidence of sickness absence, low staff turnover – and a constant stream of applications from job seekers.

Sickness absence

Sickness absence in the Group averaged 4.8% in 2010, of which just over half, 2.7%, was long-term absence. Short-term absence remains low and has fallen somewhat in recent years, while long-term sick leave is largely unchanged.

Working environment

NIBE adopts a precautionary approach to work environment hazards such as exposure to noise, dust, hazardous chemicals, heavy lifting, repetitive strain and industrial injuries. We endeavour to provide a good working environment through high technical standards and preventive measures that include risk assessments, training and safety inspections. There are formal Safety Committees at 85% of our production facilities.

365 accident-free days in Sösdala

The element manufacturing company Backer BHV in Sösdala reported zero industrial injuries resulting in sickness absence in 2010.

How did you achieve such a good result?

"Since 2005, we've taken a systematic approach to preventing accidents and we're now starting to reap the rewards," says Johan Miram, site manager.

"To make employees aware of safety issues and achieve the results we want, we have been reporting risk factors, incidents and accidents for several years.

"Everyone shares the responsibility for reporting risks, major and minor alike. The objective is to receive reports about at least ten newly identified risks every month, and then to eliminate these risks.

"It is important to inform our employees and showcase the results of our preventive measures. It is also vital that safety work is vetted by management. That's why I personally follow up all reports and don't sign them off until I'm satisfied we've done a good job," Johan concludes.



“ Our Values apply to everyone at NIBE, no matter where in the world they work. ”



Risk analyses were carried out at around half our production facilities in 2010.

Workplace surveys were conducted at about ten sites and included assessments of exposure to dust, noise and solvents.

Workplace improvements were also made at several of our production facilities to help prevent work-related illnesses.

Accidents at work

A total of 214 accidents at work resulting in more than one day's absence were reported in 2010. The most common causes of injury were heavy lifting and repetitive strain, accidents involving machines and equipment, and injuries as a result of falling or slipping. Two occupational accidents involving contractors were reported during the year.

Training

Extensive training is carried out to make sure that we are well equipped with the skills and attitudes we need to meet the future. Training sessions are often led by our own instructors, who have a unique mix of expertise and experience. This approach is also cost-effective, as company-specific expertise comes into play. Training in environment, work environment and safety issues took place at about 90% of the production facilities in 2010 and averaged around six hours per employee.

We also enjoy fruitful cooperation on a wide variety of subjects with universities and colleges. NIBE offers interesting degree project placements and work placements as well as a popular trainee programme.

Salary levels/collective agreements

All the Group's production units are operated by Group companies. The units in developing countries are wholly owned subsidiaries run according to the same rules and values as the Group's other units. Rates of pay comply with national legislation, are pitched above the local minimum wages and fully reflect market conditions.

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

Human rights

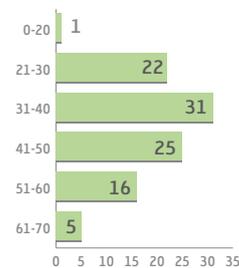
We encourage diversity and disassociate ourselves from all forms of discrimination. There were no reported cases of discrimination during the (reporting) year.

Diversity and gender equality

Work on equal rights within the Group is decentralised and conducted separately at each unit.

We will intensify our efforts to inform employees about our values in 2011.

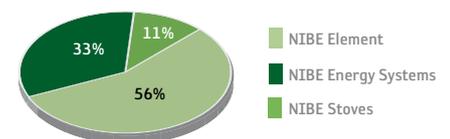
Age structure of the workforce (%)



Average number of employees past five years



Employees – by business area



| Key figures | 2010 | 2009 | 2008 |
|------------------------------|-----------|-------|-------|
| Average number of employees | 5,945 | 5,519 | 5,275 |
| – administrative staff | % 29 | 29 | 27 |
| – production staff | % 71 | 71 | 73 |
| – men | % 65 | 65 | 66 |
| – women | % 35 | 35 | 34 |
| Average age | years 39 | 39 | 39 |
| Average length of employment | years 7.7 | 7.8 | 7.7 |
| Workforce turnover | % 4.6 | 5.9 | 9.5 |
| Number of graduates | 636 | 587 | 574 |
| Employees | | | |
| – in Sweden | % 22 | 22 | 24 |
| – abroad | % 78 | 78 | 76 |
| Sickness, short-term | % 2.1 | 2.5 | 2.7 |
| Sickness, long-term | % 2.7 | 2.9 | 2.6 |



Developing quality at every stage

The quality of our products and services is a key factor behind our competitiveness and a strong reason for choosing NIBE. In 2010 we formulated a new Quality Policy that applies right across the organisation.

If we are to meet the quality needs, demands and expectations of our internal and external customers, our Quality Policy must be a common platform for all our work and the benchmark for every single employee. Equally important is that all employees view quality as their own personal responsibility and do their utmost to produce fault-free products and services.

Customer-oriented quality

Our ability to create value for our customers, to learn from our constant efforts to raise quality levels and to act quickly to make improvements is founded on the commitment of our managers to create a culture at NIBE that always places the customer centre-stage.

To ensure customer satisfaction and continuously fine-tune our quality control procedures, we carry out ongoing customer surveys in all our business areas. These surveys confirm that we

consistently exceed our customers' demands and expectations. However, we regularly take new initiatives to achieve further long-term improvements in areas such as delivery reliability, product performance, product quality and customer support. We believe that these improvements will be crucial to our ability to continue growing in an increasingly competitive market.

Quality assurance

Quality assurance work is undertaken within the parameters of integrated quality management systems that meet ISO 9001 specifications for process structures that lay the foundations for a clear, customer-oriented development. At present, 85% of our production units are ISO 9001 certified. Product development is quality-assured by preventive measures that involve strict controls on the work carried out, with verification and validation from the earliest stages of the development process. The aim is for new products not only to be of high quality and meet legal requirements and criteria for personal safety, but also to exceed the needs and expectations of users. Our customers and suppliers are also involved throughout the development process.

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

The very highest quality is also a key prerequisite for products from NIBE Energy Systems, especially in the case of hi-tech functions and components that must always perform flawlessly for the end-user. Components are tested for compliance with our specifications before they leave our suppliers' premises and we then test them repeatedly during our own manufacturing processes to guarantee the quality of the end-product. Finally, we carry out additional, extensive functional tests prior to despatch to ensure that the products we supply to our customers meet all functionality requirements.

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

We work very closely with our suppliers and sub-contractors to safeguard



Continual improvement – part of everyday work

Staff from our production management, quality, purchasing, innovation and service departments meet regularly as part of the work of continual improvement. These meetings have become an important part of solving the day-to-day problems that arise.

"There's been a very positive mood in the organisation since we found what we feel is a systematic approach to the challenge of continual improve-

ment. In particular, meeting regularly like this facilitates cooperation, sharpens the focus on what needs to be looked at and helps the organisation as a whole to be more reactive," says Per Hansson, Unit Manager for the Heat Pump Centre in Markaryd, Sweden.

The work of solving practical problems has picked up speed over the past year as many units have instigated similar joint staff meetings.

“ Product development work is speeding up and products are becoming even better and more responsive to future needs. ”

the quality of components and sub-assemblies. We also require them to follow certain guidelines and assess their performance in terms of quality and environmental and social responsibility.

Continual improvements

Sustained improvement work is crucial both to improving efficiency and delivery reliability and to enhancing quality and customer satisfaction, and we are constantly seeking ways to react more quickly to our customers' needs. The work itself varies from unit to unit, but high priority is always given to problem-solving and to creating new best-practice methods through skills enhancement initiatives. We set quantifiable quality targets and seek to continually improve by establishing new objectives. In addition, we regularly benchmark our performance against that of our competitors in order to learn from others and to ensure that we remain a market leader in our three chosen segments.

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

Existing products are improved and new ones developed to secure our future position in the market by raising customer expectations with regard to quality, dependability and product safety.

Product liability

We carefully evaluate every product's impact on health and safety at every stage of its life cycle, from development to disposal, and the results form the basis for improvements. There have been a number of instances during the past year when measures have been taken in connection with our duty of product liability.

All NIBE products are delivered with the relevant information about product functionality, servicing and safety. Where appropriate, we even provide training for our customers to ensure that product installation and servicing are to a high standard. NIBE is also required to meet the demands of a number of EU Direc-



Extensive inspections and checks of all products are made before despatch to ensure flawless functionality and guarantee safety.

tives and international safety regulations, and we make sure that we do this by confirming our compliance with the relevant standards in the manufacturer's assurance.

No serious breaches of health and safety legislation, product information regulations or product labelling standards were reported in 2010, and no fines or penalties were imposed.

Market communication

The Group's marketing departments

are responsible for making sure that all marketing activities and communication in the form of advertising, sponsorship and PR conform to the laws and regulations governing these areas.

NIBE has formulated a policy for communicating with various stakeholders that reflects the applicable laws, standards and the Group's Code of Conduct. We monitor developments closely to make sure, for example, that we do not sell any products that are prohibited in certain markets.

Business Areas

NIBE Element NIBE Energy Systems NIBE Stoves

NIBE – always there to help

In this modern world of ours, NIBE is there for everyone, regardless of nationality, age, gender, location or circumstances, with products that create warmth, comfort and well-being round the clock.



The kitchen is at the heart of family life

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



The floor is the best place to play

Water-borne underfloor heating and energy-efficient heat pumps from NIBE Energy Systems mean that children can scamper around barefoot indoors all year round.



The outlook is fine

When you leave home on a cold winter's day, NIBE is with you, too – with engine pre-heaters and frost-free mirrors that use products and technology from NIBE Element.



Efficient heat pumps

An efficient geothermal heat pump from NIBE Energy Systems provides an energy-saving solution to domestic heating, helping to improve family finances while taking good care of the environment for future generations.



With children in the family

The washing machine is on virtually every day. The water in the washing machine and the air in the tumble-dryer are both heated by elements from NIBE Element.

“ A pleasant indoor climate all year round makes everyday life at home more enjoyable. ”



Round-the-clock comfort all year long

A pleasant indoor climate all year round makes life more harmonious and enhances the feel-good factor. Concept solutions from NIBE Energy Systems provide good ventilation with energy recovery, heat in winter, cool air in summer and plenty of hot water whenever it's needed.

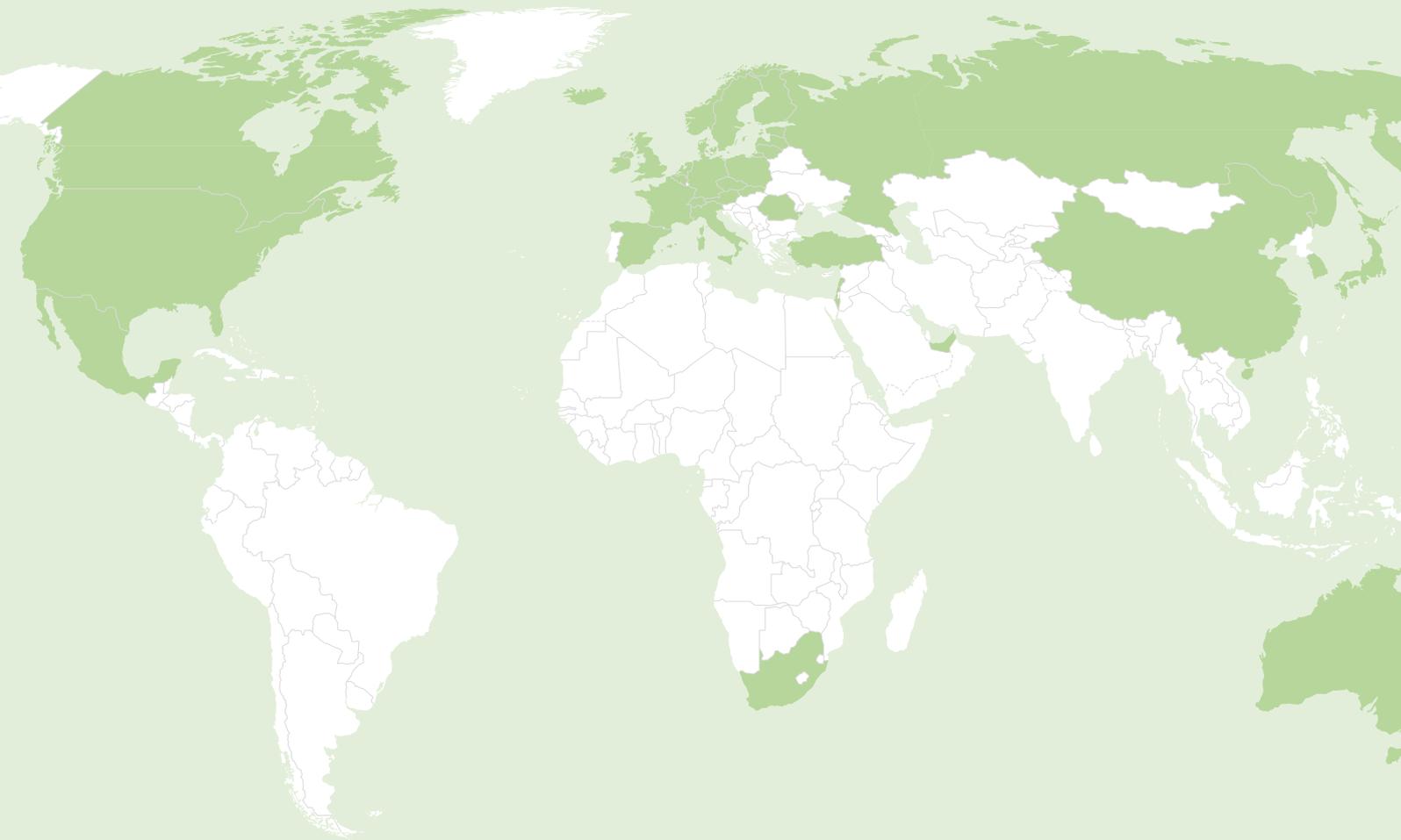
Warming homes and hearts

NIBE Stoves' environmentally responsible and highly efficient stoves warm hearts as well as homes. Stoves that use fuel from renewable energy sources also save money while helping to save the environment.

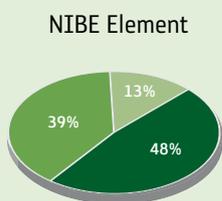


NIBE – world-class solutions in sustainable energy

NIBE business areas have commercial operations on three continents through their own companies and importers

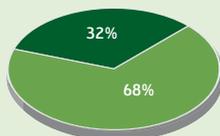


Sales by geographical region



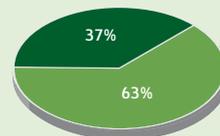
- Nordic countries
- Rest of Europe
- Other markets

NIBE Energy Systems



- Nordic countries
- Rest of Europe
- Other markets

NIBE Stoves



- Nordic countries
- Rest of Europe
- Other markets

NIBE Element

| | |
|-----------------------------|---------------------|
| Net sales 2010 | SEK 1,759.7 million |
| Growth | 6.1% |
| Operating profit | SEK 124.5 million |
| Operating margin | 7.1% |
| Average number of employees | 3,311 |



Christer Fredriksson, Business Area Manager

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

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

The range is being gradually extended to include the entire process for measuring, controlling and heating.

The range includes a number of technologies that can, in principle, be used both for heating elements and for resistors across a broad spectrum of applications:

- ▲ tubular elements
- ▲ aluminium elements
- ▲ foil elements
- ▲ thick film elements
- ▲ PTC elements
- ▲ high-power elements
- ▲ heating cables
- ▲ ceramic elements.

Strategy

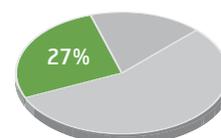
NIBE Element's goal is to rank among the world's leading manufacturers. To do this, it will make appropriate acquisitions to increase the number of domestic markets in which it operates. In these domestic markets it will maintain a local presence and sell a complete range: here, the product programme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

Objective

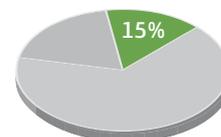
NIBE Element's objective is growth of at least 20% per annum, half of it organic, and an operating profit of at least 10% of sales over a complete business cycle.

Contribution to Group

Net sales



Operating profit



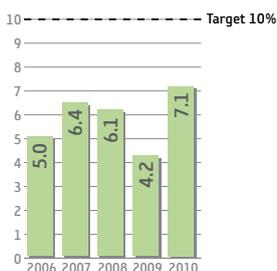


Objective fulfilment
Growth (%)



Growth over the past five years averages 6.3%

Objective fulfilment
Operating margin (%)



Operating margin over the past five years averages 5.8%



NIBE Railway Components presented the Group's entire product range for the rail industry at the 2010 Innotrans Fair in Berlin..

The year in brief

Demand from the segments in which NIBE Element is active increased gradually throughout the year. The white goods and automotive industries, two segments from which we started to note a rise in orders back in autumn 2009, have continued to develop in a positive direction. At the same time, there are signs of recovery in several other areas, particularly in the market for professional equipment. In contrast, activity levels in project-based business, like that linked to the offshore and windpower industries, remain much lower than they were before the economic downturn.

In geographical terms, markets in Northern and Central Europe, together with those in Asia and North America, have developed positively, while demand in Southern Europe and the UK has been significantly weaker.

Throughout the year we have continued to focus on product development and our strategy has been to market products with increased system content that can be expected to deliver good, long-term growth.

As part of a special investment to develop and market a broad range of products for the rail industry, a number of products have been launched and resources allocated to the NIBE Railway Components

project. This includes products for use on board the trains themselves as well as rail infrastructure products, such as systems for heating switch points.

At a time when several of our major customers are reassessing their future production structures, we see our own corporate structure with manufacturing units in a number of countries and continents as a clear competitive advantage.

The prices of most raw materials have continued to rise during the year and this, together with continued turbulence in the currency markets, is creating market situations and competitive situations that are difficult to handle in a number of segments.

In November 2010 NIBE acquired the operations of the Danish industrial company, Lund & Sørensen A/S, with operations in Denmark and China. The company, which supplies system solutions for industry in the Nordic countries and for the windpower industry worldwide, has 35 employees and annual sales of approximately SEK 90 million.

After the turn of the year NIBE acquired Thermtec Ltd, a UK heating element manufacturer and well-established supplier to the country's domestic industries. Thermtec, which has 20 employees and annual

“ Increased demand and improvements in internal efficiency have led to better profitability. ”

sales of approximately SEK 20 million will be integrated into NIBE Element's existing operations in the UK.

In January 2011 an agreement was signed to acquire the Element Division in Electrolux Professional AG of Switzerland. The division has 36 employees and annual sales of approximately SEK 75 million and is one of the leading suppliers of electric elements to the industrial sector in Switzerland.

Outlook for 2011

The main focus for 2011 will be on continuing to develop product areas related to sales of system products to the professional sector and for project-based operations. We believe that demand from these sectors will rise somewhat during the year.

It is assumed that the product groups related to infrastructure investments, which were the very last to be affected by the downturn in the economy, will show some signs of recovery as the climate for investments improves in 2011. Sales of consumer-oriented volume products tend to reflect the state of the economy more directly, so we are also counting on stronger demand from this segment. Overall, therefore, we expect to see a slight increase in demand for the business area in 2011.

Our decisions in recent years to transfer production abroad have been fully justified, as this has led to improvements in both competitiveness and flexibility. Access to low-cost production in Poland, the Czech Republic, China and Mexico enables us to adapt to fluctuations in exchange rates and differences in cost trends on three continents, while optimising our logistics at the same time. The big swings in exchange rates that took place in 2010 and have continued at the start of 2011 have led our customers to transfer production between countries. We have followed suit, partly to maintain geographical

proximity to our customers, but also to adapt manufacturing operations to changes in production costs.

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

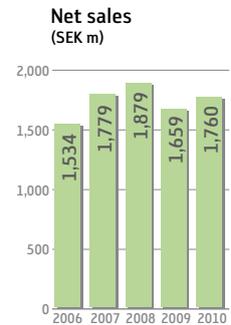
There is currently a great deal of uncertainty about future raw material prices. These prices have, however, already rocketed over recent months, so we may well need to adjust the prices of our products in the months to come.

Market

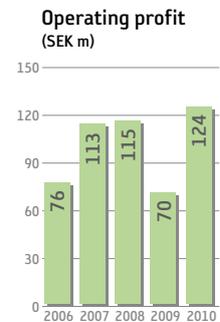
The market for components and systems for electric heating tends to keep pace with industrial development and growth in GDP. As a result, our order books showed a steady improvement during 2010 as the economy began to recover in several of our markets.

Many markets are showing considerable interest in alternative energy production and more efficient energy use, which is still fueling growth in these segments. However, as sales in these segments are now even more dependent than before on various government grants and energy-saving incentives, it is difficult to accurately forecast demand from year to year. Our goal remains to gradually increase the number of "domestic" markets by establishing local operations capable of manufacturing small series and providing local technical support. Often these companies also develop their own products, specially adapted to local needs and conditions.

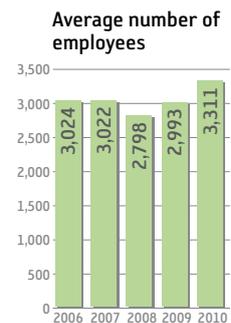
In certain major markets, either because of the prohibitive cost of setting up our own manufacturing operations, or simply because we prefer to adopt a cautious approach, we have chosen a presence in the form of a sales office instead. Today we have sales offices in the USA, Germany and France.



Net sales rose by 6.1% in 2010



Operating profit rose by 76.8% in 2010



Distribution

Consumer or other industrial customer



INDUSTRIAL CUSTOMER
Components used in products



OEM

INDUSTRIAL CUSTOMER
Used in own manufacturing processes



INDUSTRY





We also have a regional sales office in Shanghai, to focus predominantly on the Chinese engineering and energy industries. Our acquisition of Lund & Sørensen has also given us a sales office in Beijing that specialises in working with the windpower sector.

The process of structural change differs from industry to industry, and in certain segments the pace has accelerated in recent years. It has become common for manufacturers in particularly price-sensitive segments – such as household appliances and, to some degree, white goods – to establish production facilities in China or purchase “off-the-shelf” products designed, developed and produced by Chinese manufacturers. This has put increased pressure on prices and volumes in Europe. In the washing machine and electric oven segments, however, the situation is less clear-cut. The trend is towards specialisation in production plants in Western Europe while simultaneously expanding capacity in Eastern Europe.

It seems likely that changes in exchange rates and cost levels over recent years will have an impact on the way that certain of our customers allocate various parts of their production to different regions of the world. There is already a marked trend towards transferring production from China to Mexico. Payroll costs are now roughly the same in the two countries, and when taking into consideration other factors such as logistics costs and the risk of plagiarism and counterfeiting, Mexico is already emerging as a better choice in the eyes of many US customers.

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

When it comes to equipment for pro-

fessional use, the trend is different once again. Production continues in existing units, but there is increased interest in buying complete systems from sub-contractors. We are meeting this trend with a broader range of products and increased resources for developing and manufacturing complete systems.

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

Industry trends

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

As far as products for professional users are concerned, the situation has been more stable and profitability has been satisfactory. The widespread trend towards expanding product programmes and increasing the content of deliveries means that many companies are now supplying systems that are more complete than they used to be. Consequently, growth in these segments has been relatively good across the industry, and although the downturn in the economy has eaten into profitability for these segments over the past few years, it is expected that the situation will improve as things start to return to normal.

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

Several competitors have followed our lead in establishing production units in low-cost countries in Eastern Europe, Mexico and China, but recent years have also seen increased compe-

tion in Western Europe, particularly from the Chinese, who are slowly but surely expanding exports of their own products.

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

Products

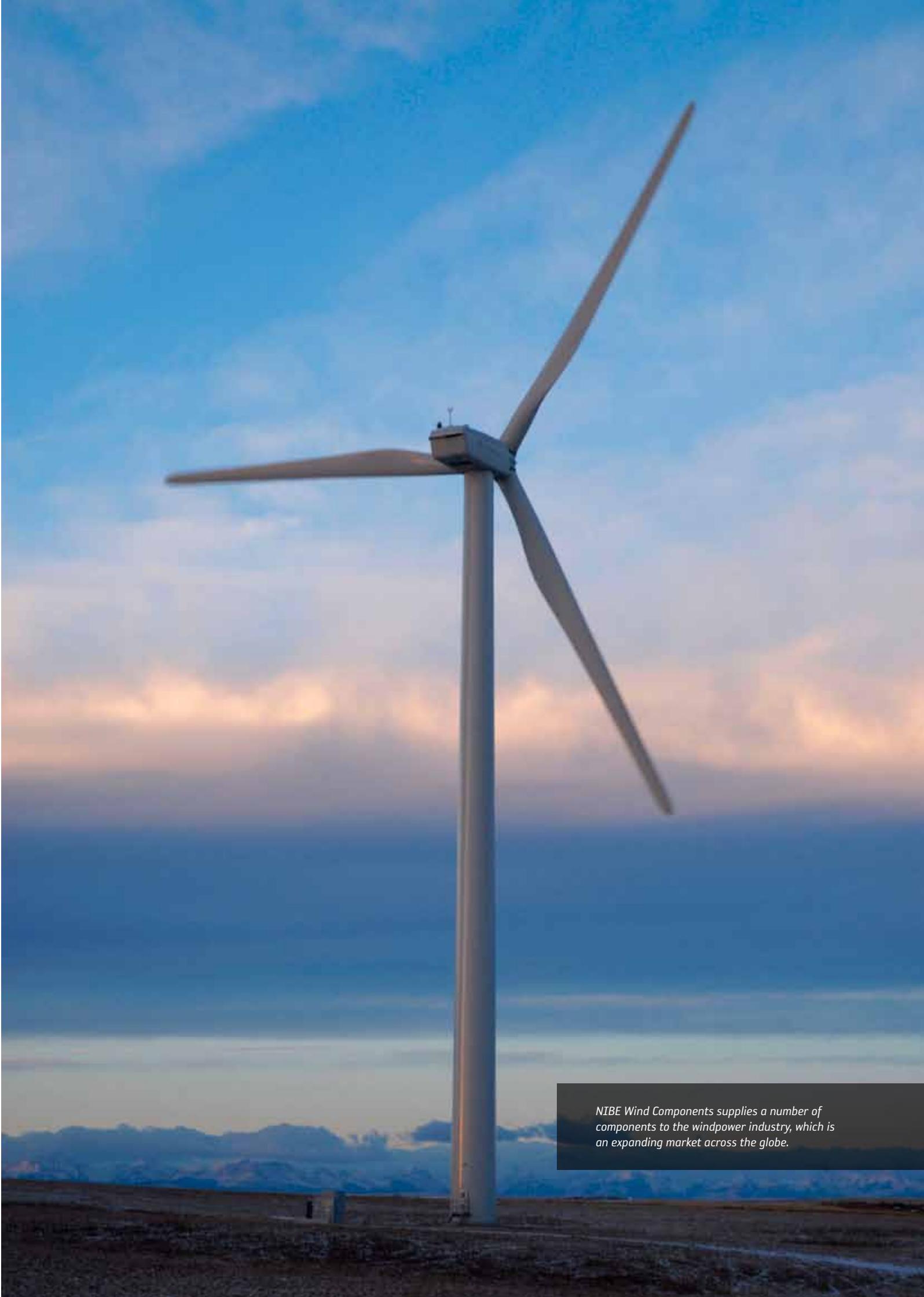
Tubular elements, which remain the most widely used technology, are found in numerous applications from mass-produced washing machines to one-off process heaters for the offshore industry. The basic technology has long remained unchanged, but the products themselves have been perfected over the years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

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

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

Thanks to the acquisition of the Danish company Lund & Sørensen, we have broadened our product portfolio and added extra competence to our resources in the areas of electrical measurements and control equipment.

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



NIBE Wind Components supplies a number of components to the windpower industry, which is an expanding market across the globe.



In some instances, technologies within the business area can be used for applications other than electric heating. One example is the resistors used for power electronics in elevators and railway equipment, where both traditional tubular elements and ceramic elements have already demonstrated their capabilities. Another is the vacuum-soldering technique employed for elements used in medical technology applications and which now also forms part of the production process for plate heat-exchangers used in various water-heating applications. Foil element technology, too, is developing in new directions with the addition of, for example, aerial functions.

Last year also saw the introduction of a production line for manufacturing heating cables that are used in the construction industry and for various cooling applications.

Development process

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

- ▲ Product development focuses on new types of elements or embedded functions, such as control and regulation. R&D work also aims to improve the properties of heating elements as regards temperature ranges, insulation, etc. In 2010 we developed new thermostats, specially adapted to offer all-round solutions for water-heating applications.
- ▲ Product adaptation is usually conducted in close collaboration with customers to arrive at a solution that suits their specific needs, or, if required, to assume responsibility for the entire system, as with the introduction in 2010 of complete new system solutions for providing heating in high-speed trains.
- ▲ Process development is carried out with the aim of optimising production as regards the choice of materials, the quality and the technical performance of a product.
- ▲ Production engineering development seeks to develop methods and machinery that will rationalise the manufacturing process and reduce environmental impact. During the

year, new methods have been developed and installed to integrate quality control into the production process through the introduction of what is known as a “vision system”.

Production

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

Many of our production units now use our standardised business system, which facilitates coordination and integration between the various production units.

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

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

Opportunities and threats



- + Industry restructuring and expansion through acquisitions
- + Purchasing and production synergies
- + Position on the various domestic markets provides opportunities to market a broader range of products
- + Strong brands
- + Rational, flexible production
- + Access to rational production in countries with lower labour costs
- + Market position as one of the leading manufacturers in Europe
- + Intensive product development
- New technologies
- Increased competition
- Development in price of raw materials
- Cost trends in our production countries
- Low-price competition
- Product liability in the event of series faults
- Sharp downturn in demand from the engineering industry as a whole
- Changes in exchange rates
- Payment problems among certain customers

NIBE Energy Systems

| | |
|-----------------------------|---------------------|
| Net sales 2010 | SEK 3,725.1 million |
| Growth | + 13.4% |
| Operating profit | SEK 544.7 million |
| Operating margin | 14.6% |
| Average number of employees | 1,974 |



Kjell Ekerma, Business Area Manager

NIBE Energy Systems is the largest manufacturer of domestic heating products in the Nordic countries and a market leader in Northern Europe in its main focus areas of heat pumps and water-heaters. The mission of NIBE Energy Systems is to supply homes and buildings with products that provide domestic hot water and ensure a comfortable indoor climate. Over the years the range has developed from fairly basic heating products to hi-tech solutions for heating, cooling, ventilation and heat recovery.

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

The range comprises eight product areas:

- ▲ heat pumps
- ▲ domestic boilers
- ▲ pellet burners
- ▲ district-heating products
- ▲ solar panels
- ▲ water-heaters with direct or indirect heating
- ▲ instantaneous water-heaters
- ▲ subcontracted production of pressure vessels with corrosion protection.

Strategy

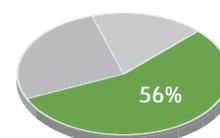
NIBE Energy Systems' strategy is to consolidate its position as market leader in Northern Europe and to develop its position in other European markets. The number of "domestic" markets will gradually be increased by acquisitions, the establishment of subsidiaries, or the use of other established sales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

Objective

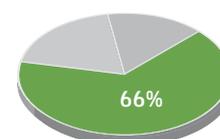
NIBE Energy Systems' objective is growth of at least 20% per annum, half of it organic, and an operating profit of at least 10% of sales over a complete business cycle.

Contribution to Group

Net sales

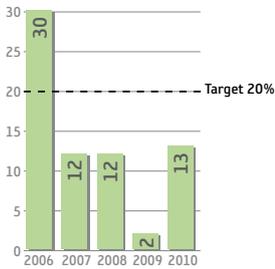


Operating profit



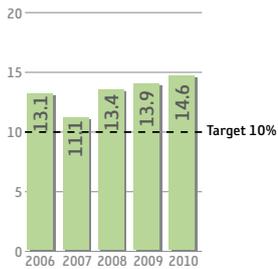


Objective fulfilment
Growth (%)



Growth over the past five years averages 13.6%

Objective fulfilment
Operating margin (%)



Operating margin over the past five years averages 13.3%

The year in brief

As a whole, the Swedish heat-pump market remains more or less stable allowing for certain variations in demand in the different product segments. The market for ground-source and geothermal heat pumps continued to expand throughout 2010, most noticeably in the fourth quarter. In contrast the market for air/water heat pumps has continued to contract. However, the increased number of new private homes being built has had a positive effect on the market for exhaust-air heat pumps. During the year we have increased our share of the market in all product segments.

In the wake of stagnating economies in a number of European countries, reductions in grants or subsidies for products using renewable energy, and a deterioration in the underlying conditions for building new homes and apartments, the European heat pump market, including the domestic markets in Germany and France, contracted in 2010. Nevertheless, we have succeeded in offsetting the effects of this by improving our market share and increasing sales in the Nordic countries, Holland and Russia.

Interest in energy-efficient solutions and products that can use renewable energy remains generally strong throughout Europe, particularly for owners of and tenants in large properties.

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

Our new generation of heat pumps has continued to score successes in all the markets where we are represented. The new concept – a high-performance product combined

with easy-to-use functions and an intuitive interface in modular units – is now being applied successively to all our other heat pump models. Our other product segments are also being continuously upgraded and several new products have been launched during the year, including solar heating systems and system solutions for large water heaters.

In April an agreement was signed for a two-stage acquisition of ABK AS, a well-established heat-pump supplier in the Norwegian market. Initially NIBE has acquired a 50% stake in the company, prior to purchasing the remaining 50% of the shares in 2014. Collaboration with ABK AS has been highly positive during the autumn and strengthened our position in the Norwegian market.

Outlook for 2011

Our international expansion is making an ever greater impact on operations as we systematically market ourselves as a reliable supplier of complete, high-performance solutions.

Product development, manufacturing and the rest of our organisation are increasingly being adapted to our ongoing internationalisation, which we hope will provide an even broader and firmer platform for the business area to stand on.

We believe that the international market for ground-source/geothermal heat pumps and air/water heat pumps will continue to grow. We are also seeing increased international interest in exhaust-air heat pumps and other products that use energy from renewable sources, such as solar panels.

In addition to heating during the winter months, there is an ever more acute need for cooling during the summer months, especially in Southern Europe.



“ Intensified product development activities have resulted in our most successful product launches to date. ”

In many markets government grants for energy-saving conversions have been reduced or withdrawn in recent years. However, support of some kind is still available in most European countries and it is highly probable that the future will bring further financial incentives to support similar initiatives. There has also been a marked increase in interest from politicians outside Europe, for example in the USA, in promoting the use of environmentally sound heating solutions.

Never before have we had such a strong and comprehensive range of products. We have stepped up our investments in product development and this is now also beginning to result in ever more frequent product launches in our priority markets.

The successful concept behind the new generation of geothermal/ground-source heat pumps is being gradually introduced into all the other segments of our heat-pump range, and several new models will be rolled out during the first half of 2011, with the initial launch timed to coincide with the industry's biggest European trade fair, ISH, in Frankfurt in March.

We believe that both the Nordic and other European markets for electric water-heaters and district-heating products will remain stable, while the market for conventional domestic boilers will decline.

After last year's stagnation in the market for solar energy systems, primarily as a result of ailing economies and reductions in state grants, the situation is expected to improve once more as the economy begins to pick up. We are convinced that this is a segment in which we can strengthen our market presence throughout Europe.

Before the summer we will also, as previously agreed, acquire the remaining 25 percent of the shares in the Russian company, EVAN.

Assuming that the global economy continues to improve, our general impression is that there are good opportunities for continued expansion, particularly in markets outside Sweden.

Market

Sweden

The Swedish market, which is NIBE Energy Systems' operational base, can be divided

into two segments: the construction of new single-family homes and the home improvement or RMI sector (Renovation, Maintenance, Improvement), which currently accounts for the lion's share of sales.

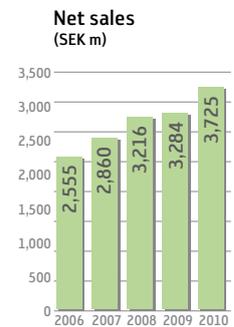
The RMI sector has expanded as consumer interest in investing in and renovating homes has increased. This is a trend that has been underpinned by the popularity of the government's tax allowance for invoiced work carried out on RMI projects. Consumers' eagerness to reduce their heating bills while improving indoor comfort provides the perfect scenario for a heat-pump installation. The most common and economical alternative is to replace the existing heating system – a domestic boiler – with a ground-source/geothermal heat pump. Demand for this type of solution rose relatively steeply during the year. In contrast, the market for air/water heat pumps, which is a smaller segment in the RMI sector than ground-source/geothermal pumps, continued to contract.

The electric water-heater market, which is also predominantly RMI-oriented, remained stable during the year.

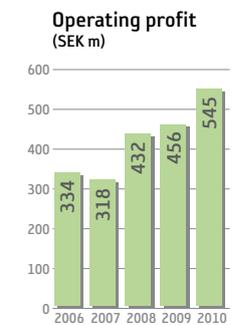
Around 8,000 new private homes were built in Sweden in 2010, compared with some 7,000 in 2009. This is a relatively low level by both historical and international standards, but the figure for 2011 is expected to be somewhat higher on the back of a continuing improvement in the economy. The vast majority of new, single-family homes are fitted with a heating system based on exhaust-air heat pumps that recover energy from spent air evacuated from the building. Following the introduction of new building regulations that necessitated certain adjustments to this type of product, we are now able to offer unique product innovations for new builds.

The second major alternative for new builds is district heating. However, as this is more or less confined to urban areas, it tends to be favoured mainly by the owners of large, new properties.

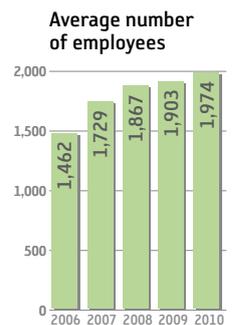
Parallel with the market for single-family homes, the continuously expanding market for multi-occupancy dwellings and other premises has huge potential for us both in Sweden and abroad. For this reason we are adapting our product range and our organisation to tap into this important segment.



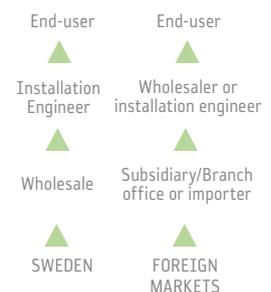
Net sales rose by 13.4% in 2010



Operating profit rose by 19.5% in 2010



Distribution





Foreign markets

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

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

We are already the market leader for heat pumps in the Nordic region, Poland, the UK and the Czech Republic, as well as in a number of other European markets. Now, as we expand beyond these regions, we are also gradually increasing our market share in priority segments.

Within the heating market as a whole we remain a medium-sized player across much of Europe, as we do not deal in gas-fired or oil-fired heating products, which are still predominant in many continental countries. We are growing our business all the time, but the competition is intensifying. Large international companies are showing an interest in energy-efficient heating solutions that shield consumers from the rapid rise in oil and gas prices, and several are investing in new production facilities to meet increased demand for alternative heating solutions.

After three years of very strong expansion from 2006 to 2008 the French market for heat pumps has nosedived over the past couple of years as state grants for heat-pump installations have been slashed and economic growth has been weak. Even so, France remains the largest market in Europe for heat pumps for water-borne systems, although other nations rapidly closed the gap in 2010. Alongside our existing sales channels via a local importer, we are now also working to establish a presence of our own in the important French market.

Demand from the German heat-pump market has also slowed over the past two years, chiefly as a result of changes to the system of grants and subsidies and the fact that the construction of new, single-family homes has plummeted to a historically low level. The German domestic heating market is still dominated by gas-fired boilers, which, while they provide a cheaper solution in the short-term, clearly fail to meet future demands for using energy from renewable sources.

In many of the other foreign markets where we are active, sales levels remain stable and interest in heat-pump solutions is growing. While this is good news for our expansion plans in Europe, recent falls in the numbers of new homes being built across most of the continent will inevitably have a temporary impact on growth.

While the water-heater market as a whole remains more or less stable, it is encouraging to report that sales of our district-heating products, which are directed mainly at the markets in Denmark, Sweden, the UK, Germany and the Netherlands, began to show signs of recovery during the year.

Industry trends

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

Product design and distribution channels differ from country to country, but most markets show a clear trend towards more energy-efficient, environmentally adapted solutions. At the same time, requirements for ventilation and heat recovery in newly built properties are becoming more stringent, and there is a clear ambition in most markets to reduce energy consumption. The process of harmonising standards and

regulations for the entire EU is now under way, but much remains to be done in a situation where local norms and conventions still frequently dictate the technical specifications for the products that can be sold.

In a number of markets, government authorities are imposing measures designed to reduce the total amount of energy needed for heating domestic properties. Regrettably, measures in the form of short-term subsidies for different heating options often create an imbalance: consumer choice is governed by the focus of the grants and subsidies rather than by more objective considerations of the inherent features and properties of the product itself.

Sustained price spirals for electricity, gas and oil have had a negative impact on the industry's interest in heating alternatives based on these energy sources, both in Sweden and many other European markets.

Interest in energy-efficient heating solutions for large properties, however, is growing both in Sweden and elsewhere. This has clear potential for the industry, but also requires considerable expertise in areas such as systems management and technical dimensioning.

Increased competition and, in its wake, increased pressure on prices in a number of product segments have led many companies to transfer manufacturing to low-cost regions. However, with modern, highly rational production facilities in a number of countries, it would appear that NIBE Energy Systems is well placed to assert itself in tomorrow's European market.

Products

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

During the year a number of new products were launched in several



A comfortable indoor climate all year round makes homes and offices more welcoming and pleasant to live and work in. All-round solutions from NIBE Energy Systems combine good ventilation with effective energy recovery to heat premises in winter and cool them in summer.



product areas, reinforcing market perceptions of NIBE Energy Systems as a leading European name in these fields.

The first six months of 2011 will see further launches of new products that build on the success of our unique concept for a brand new generation of high-performance ground-source/geo-thermal heat pumps.

At the same time, work is also under way on a large number of products that can be used as components in existing and new product solutions.

Development process

To satisfy market demands for improved energy efficiency and environmentally sound, cost-effective solutions for heating and indoor comfort, NIBE Energy Systems is investing more than ever in product development.

As part of our ambition to develop all-round solutions that meet every imaginable customer need with regard to hot water and a pleasant indoor climate, we are convinced that our future product range must be characterised by:

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



Continuous improvements in product development are essential if we are to achieve the goals we have set ourselves for the integration of innovative solutions into high-quality, eco-friendly, easy-to-use products with an appealing design. Continually reinforcing our team with highly trained engineers who possess the necessary key skills is essential for success in this respect.

A substantial portion of our development resources is allocated to the heat-pump business, where much of the work is innovation-driven. Market requirements are highly varied and the ambition is to meet different wishes with a standardised basic concept that nevertheless offers the potential for market adaptations. Our specialised R&D centre for heat pumps in Markaryd is considered to be world-class.

The technology for domestic boilers, pellet burners, water-heaters and district-heating substations is well es-

tablished, and resources here focus on developing high-quality, cost-efficient, environmentally adapted products. Design, too, has become an increasingly significant consideration for end-users.

Despite the economic downturn of the past few years we have continued to expand our R&D resources, further consolidating our reputation for technically competitive solutions for the European heating market.

Production

NIBE Energy Systems has ten production plants in Sweden, Denmark, Norway, Finland, Poland, the Czech Republic, Russia and Austria, all of which focus continuously on rationalising production and modernising their processes by investing in new machinery and production equipment.

The plant in Markaryd, Sweden, which is NIBE Energy Systems' largest, has seen major investments over recent years.

Ongoing investment in our Polish, Czech and Russian units in the form of new machinery and premises is aimed at rationalising the manufacture of products for both the domestic markets and segments in other priority markets subject to fierce price competition.

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

Opportunities and threats

- + A very large market outside the Nordic region
- + Strong brands
- + Broad range of products
- + One of Europe's most modern heat pump plants
- + Highly sophisticated in-house product development
- + Political decisions on energy and the environment
- + Access to rational production in countries with lower labour costs
- + Increased interest in renewable energy
- + Expansion through acquisitions



- New laws, government decisions, energy taxes etc. with a short-term perspective
- Increased competition
- New technologies outside our current areas of expertise
- Low-price competition
- New distribution channels
- Global economic downturn

NIBE Stoves

| | |
|-----------------------------|---------------------|
| Net sales 2010 | SEK 1,144.2 million |
| Growth | + 21.8% |
| Operating profit | SEK 152.8 million |
| Operating margin | 13.4% |
| Average number of employees | 655 |



Niklas Gunnarsson, Business Area Manager

NIBE Stoves is the market leader for wood-burning stoves in the Nordic region and a player in the absolute front rank of the European wood-stove market. NIBE Stoves' mission is to supply the market with attractively designed, value-for-money solid-fuel stoves and chimney systems developed and manufactured with genuine concern for the natural environment.

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

The range comprises seven different product groups:

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

Strategy

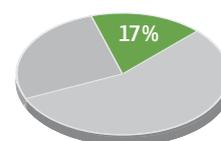
NIBE Stoves' strategy is to supply a wide and complete range of wood-burning products in order to confirm and consolidate its position as the market leader in Sweden. Expansion abroad will be supported by the continuous development of products tailored to new markets, combined with moves into new markets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

Objective

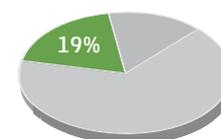
The business area's objective is growth of at least 20% per annum, half of it organic, and an operating profit of at least 10% of sales over a complete business cycle

Contribution to Group

Net sales



Operating profit

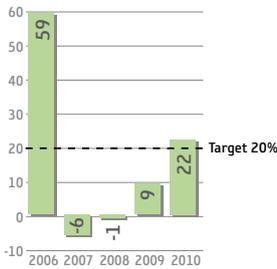




Business Areas

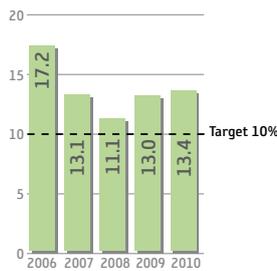
NIBE Element NIBE Energy Systems NIBE Stoves

Objective fulfilment Growth (%)



Growth over the past five years averages 14.4%

Objective fulfilment Operating margin (%)



Operating margin over the past five years averages 13.6%

The year in brief

The market for wood-stove products in Sweden and Norway has been very good over the past year. While the main reason for the increased demand is the general improvement in the economy together with relatively low rates of interest, a number of other factors have also played their part. These include a long, cold winter with rocketing energy prices and an increased interest in investing in home renovation projects. In Sweden, the popular ROT subsidy, which enables householders to claim tax relief on the cost of renovations and repair work, has also had a positive effect.

In Denmark there has been some recovery in the market for wood-stove products after several years of falling demand in the wake of the faltering economy. Here, too, demand has been underpinned by an improvement in the general economic situation and driven by the cold winter and a renewed interest in reducing home heating costs.

Elsewhere in Europe the markets have developed less strongly. Demand in Germany has fallen: although many of the factors behind the potential for stronger demand are in place in the country, German consumers remain generally cautious about investments in capital goods.

In France, after years of very strong growth driven by state subsidies, significant reductions in these subsidies over the past

twelve months have led to a sharp contraction in sales.

Overall, however, thanks to our consistent approach to marketing and a number of successful product launches during the year, we have increased sales and market shares in all of our major markets.

We have stepped up the pace of our marketing activities outside Scandinavia in order to reduce our dependence on our domestic market. Our product development rate is also very high, which has resulted in a number of already implemented and planned product launches.

In Scandinavia and parts of Northern Europe free-standing wood-stoves with a modern, international design still constitute the main core of the market. This is positive for us, as this is clearly our strongest product area.

An efficient, consistent rate of production combined with somewhat higher levels of stocks in readiness for autumn's peak sales enabled us to maintain very high standards of delivery reliability to our customers.

In April NIBE finalised its takeover of Lotus Heating Systems A/S, one of Denmark's leading manufacturers of wood-stoves in sheet metal. Operations at Lotus, which have been totally restructured over the past few years and are now reporting improvements in profitability, are being successfully run by the company's former management team.



“ We have a very strong position in our main markets thanks to the success of our new product launches. ”

Outlook for 2011

We expect demand for wood-stove products to remain relatively good in most of our main markets this year even though there are differences in the market situation in various European countries.

The Scandinavian market has already enjoyed a couple of years of growth and demand there is currently relatively strong. Given the slight improvement in the economic situation in Europe, there is reason to believe that demand will gradually increase even in the major European markets that have yet to really recover after the economic downturn.

There is a fundamental understanding throughout Europe of the need to reduce reliance on fossil fuels by investing in energy-efficient products that use energy from renewable sources. This, together with memories of recent cold winters with high energy prices will help to fuel demand for wood-stove products.

We continue to invest heavily in marketing to drive organic growth. Not only is there great potential to increase our share of our existing main markets by maintaining and expanding our marketing activities, but we are also frequently establishing footholds on new markets.

Our product development work continues to proceed at an impressive pace and 2011 will see the launch of a number of new products, underlining our ambition to become Northern Europe's number one in our sector. From a competitive perspective, tomorrow's tougher criteria for products that combine the right design with sophisticated combustion technology and lower particle emissions suit us very well.

To strengthen our market position further and build a strong brand in Europe, we have decided to embark on a process of brand consolidation. From early 2011 all our Swedish-manufactured products will be marketed and sold under the Contura brand. A single Swedish brand will make our communication with the market clearer and more effective and pave the way for future expansion. Non-Swedish brands within the business area will not be affected by this change.

Our new production facility in Markaryd is one of the most modern and highly efficient in the whole of Europe and plays a

pivotal role in our long-term strategy of maintaining our competitive price levels. In future, the ability to manufacture products with only minimal environmental impact will become an increasingly important competitive advantage.

Against this background, and provided that economies around the world continue to recover after the financial crisis, we firmly believe that there are good opportunities for us to achieve sustained growth in sales without compromising our good profitability.

Market Sweden

The market for wood-burning stoves tends to follow the business cycle, with sales of capital items rising during times of prosperity. Consequently the economic turbulence of recent years has had a significant effect on demand in this market segment. But there are also other factors that impact on sales. These include not only energy prices and government energy policies, but also the weather, particularly during the autumn and winter.

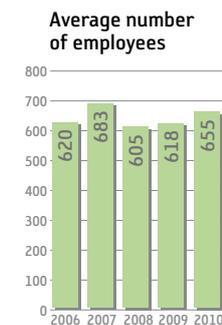
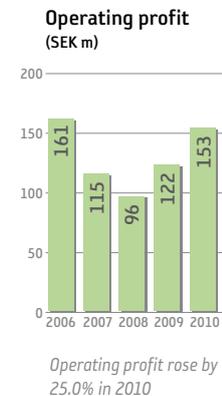
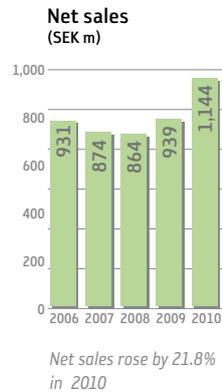
Most sales are made to home-owners and families with weekend cottages, but the proportion of sales related to new builds is rising steadily as more and more house-buyers opt for a wood-burning stove as a supplementary source of heat in their new home.

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

Foreign markets

The market abroad also reflects the general state of the economy.

In the Nordic countries, where a relatively large proportion of properties are heated by electricity, the price of electricity also plays a key role in steering demand. Elsewhere in Europe, sales are affected to a much greater degree by the price of gas and oil. In recent years burgeoning interest in renewable energy has proved to be an important factor behind demand for wood-stove products across the continent.





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

Germans and Danes share basically similar tastes for lightweight, sheet-steel stoves with contemporary styling.

Further south, in France and Italy for example, larger-bodied stoves with a stone or concrete surround predominate. Similar designs are also common in Eastern Europe and Russia.

Pellet-fired stoves, which currently account for only a small portion of the total market for solid-fuel stoves in Europe, are a very large and consequently strategically important product segment in Italy.

Such distinctive variations in taste generally result from a specific style being established in a market by one or more domestic manufacturers. In recent years, however, several markets have begun to show a much greater willingness than before to accept products with different designs from foreign manufacturers.

Industry trends

Over the past 15 years the structure of the Swedish market has been totally transformed from a large number of small manufacturers to a handful of big names. NIBE has been a driving force behind this development, acquiring many of the market's best-known brands and setting a trend among competitors to build up a broad portfolio of product styles to cater for all tastes.

Among our Scandinavian neighbours, however, the situation differs from country to country. In Norway,

which has only a few domestic stove-builders, there has recently been a marked shift in demand from the total dominance of traditional cast-iron stoves to stoves in sheet metal with an international design. Finland has several fairly large companies, mostly specialising in heavy, warm-body stoves, while Denmark has many small or medium-sized manufacturers, almost all of them selling stoves in steel plate and many with a long tradition of supplying the German market. There are also a number of manufacturers of varying size in Central Europe, for whom wood-burning stoves are just one of many different types of product in their range. It seems likely, therefore, that the process of structural change in Europe will continue over the next few years.

The trend in most markets is away from big, bulky, heat-accumulating products towards relatively inexpensive, lightweight stoves. It is here that we believe tomorrow's growth is to be found – in product segments where companies succeed in combining efficient, environmentally sound combustion with modern design and competitive prices.

Today most companies producing wood-burning stoves invest in their own product development activities, but some successful models are plagiarised, produced in low-cost countries and sold at low prices, first and foremost by Europe's big DIY multiples. This suggests that it will be more than product technology alone that determines a manufacturer's future success. Long-term planning, financial stability, a company's environmental credentials and its ability to show due concern for its dealers and end-customers will all grow in significance over the years to come.

Products

Our brands and trademarks, which convey certain signals about product quality to our customers, will also become increasingly important. Today NIBE Stoves owns several well-known and highly respected brands and has a clear

strategy for strengthening, integrating and developing these in the future.

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

For customers who do not already have a chimney in their home, NIBE offers complete modular chimney systems specially designed for use with stoves sold by NIBE. Our own stainless steel Premodul chimney system is easily assembled, can be installed without the need for an existing chimney flue and offers very good value for money.

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

There are clear signs that products are becoming more similar throughout Europe in terms of function and design. We believe that the current, international design trend for lightweight fire-boxes with clean lines and large expanses of glass will gain ground in all of our sales markets – as evidenced by the sales successes of our latest stoves incorporating this kind of design.

Development process

NIBE Stoves has a long tradition of product development. Substantial resources are allocated to developing and refining combustion technology, primarily to minimise the impact of our products on the environment and to improve their efficiency.

As proof of this, NIBE Stoves has become the first stove manufacturer in Sweden to have a number of its products "P-marked" in accordance with criteria for enhanced quality and environmental certification drawn up by the Swedish National Testing and Research Institute (SP). These guarantee that the stove's heat output can be regulated and that a stove produces low emissions and delivers high efficiency

As part of the process of consolidating our reputation as a forerunner



A wood-burning stove from NIBE is the perfect complement to other forms of heating in private homes. And what could be better than to come home to a crackling fire?



Business Areas

NIBE Element NIBE Energy Systems NIBE Stoves

in product development, we also market a number of products that carry the Nordic Swan mark. This means that the manufacturing process is environmentally adapted and that the products meet even higher environmental criteria than the regulations require, with highly efficient combustion processes and very low emissions.

Moreover, our products have consistently shown the highest rate of heating efficiency in comparison with competing products in a number of officially conducted performance tests.

There are currently a number of different test standards across Europe, but work is under way to formulate a single EU standard and series of requirements. It is expected to be a relatively long time before a new standard can be introduced and before it begins to impact on the market, but the majority of stoves in our product range already comply with the anticipated new criteria.

Product design accounts for much of our development work, as fashions in wood-burning stoves tend to reflect home furnishing trends. To this end, our development department works in close collaboration with external industrial designers in Sweden and abroad.

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



assessed with an eye to profitability.

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

As we owe much of our success to the appeal of our designs among consumers, we endeavour always to protect the design of new models by registering them with the relevant authorities.

Production

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

Production in the new plant builds on the concept we have successfully used for many years, but with a much greater degree of automation. This means greater productivity and even higher quality in the end-product. New,

state-of-the-art production equipment has been installed and the indoor areas are heated by a combination of ground-source heat pumps and heat recovered from the spent air. This has led to significant reductions, not only in emissions but also in energy consumption per unit produced. In the future, the ability to manufacture high-quality products that have only minimal impact on the environment will become an increasingly important competitive advantage.

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

Through Nordpeis, NIBE Stoves also has access to its own unit in Poland for manufacturing concrete surrounds and tiled stove modules, and for assembling stove products. In future, the manufacture of all products involving a relatively large proportion of assembly work will be transferred to this unit, which is being continuously modernised to improve efficiency.

Opportunities and threats

- + Sales potential in new product segments
- + Very large export market
- + Strong, in-house product development
- + Strong brands
- + Broad range of products
- + Many different types of products satisfy a broad customer segment and minimise exposure to risk
- + New political decisions relating to energy and the environment
- + Rational production
- + Expansion through acquisitions



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

Administration Report



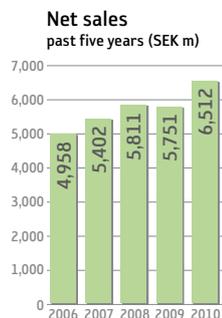
Leif Gustavsson, Financial Director

NIBE Industrier is a European heating technology company whose operations are organised in three separate business areas, NIBE Element, NIBE Energy Systems and NIBE Stoves. The Group has more than 5,900 employees and business activities in 20 countries in Europe, North America and Asia.

The legal structure of the Group consists of a number of subsidiaries, who run their own operations via their own companies or branch offices. The operations of the parent company, NIBE Industrier AB, constitute group support functions such as financing, currency management, corporate acquisitions and new establishments together with financial management and other policy issues.



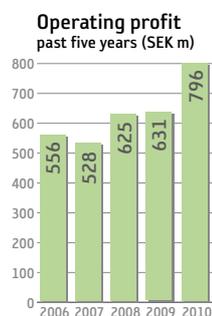
Five-year review – Income statements



Net sales rose by 13.2% in 2010

Income statements

| (in millions of SEK) | 2010 | 2009 | 2008 | 2007 | 2006 |
|--|----------------|----------------|----------------|----------------|----------------|
| Net sales | 6,511.5 | 5,751.2 | 5,810.5 | 5,402.5 | 4,958.0 |
| Cost of goods sold | - 4,274.0 | - 3,928.6 | - 4,108.7 | - 3,828.2 | - 3,409.0 |
| Gross profit | 2,237.5 | 1,822.6 | 1,701.8 | 1,574.3 | 1,549.0 |
| Selling expenses | - 1,159.1 | - 992.2 | - 917.7 | - 838.2 | - 786.2 |
| Administrative expenses | - 409.6 | - 371.5 | - 347.1 | - 292.3 | - 266.4 |
| Other operating income | 127.3 | 172.4 | 188.3 | 84.2 | 59.6 |
| Operating profit | 796.1 | 631.3 | 625.3 | 528.0 | 556.0 |
| Net financial items | - 51.0 | - 70.4 | - 108.6 | - 83.0 | - 54.5 |
| Profit after net financial items | 745.1 | 560.9 | 516.7 | 445.0 | 501.5 |
| Tax | - 192.0 | - 148.8 | - 140.6 | - 130.3 | - 150.7 |
| Net profit for the year | 553.1 | 412.1 | 376.1 | 314.7 | 350.8 |
| <i>Non-controlling interest's participation in profit after tax</i> | 4.6 | 3.0 | 6.3 | - | - |
| <i>Includes the following amounts for depreciation according to plan</i> | 215.9 | 210.2 | 188.3 | 163.7 | 141.0 |



Operating profit rose by 26.1% in 2010

Income statement over the past five years

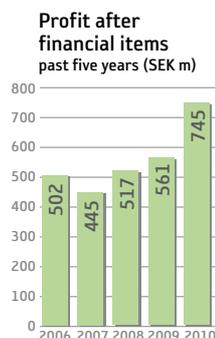
The sales target has been annual growth of 20%, preferably with half of this total generated organically and half by acquired business. Over the past five years sales have risen from SEK 3,819.1 million to SEK 6,511.5 million through a combination of organic growth and an aggressive acquisition strategy that has seen the takeovers of 14 companies and lines of business.

Growth during the period has averaged 11.3%: organic growth has accounted for 6.4% and acquired sales for 4.9%.

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

NIBE Element's operating margin during the five-year period has averaged 5.8%: the corresponding figure for NIBE Energy Systems is 13.3%, and for NIBE Stoves 13.6%.

The Group's operating margin over the past five years has averaged 11.0%. Return on equity during the same period averaged 23.2%.



Profit after financial items rose by 32.8% in 2010

“ Our resolute efforts to reduce working capital have resulted in an improvement in cash flow and a high equity/assets ratio. ”

Five-year review – Balance sheets

Balance sheets

| (in millions of SEK) | 2010 | 2009 | 2008 | 2007 | 2006 |
|--|----------------|----------------|----------------|----------------|----------------|
| Intangible assets | 1,188.5 | 1,018.4 | 944.7 | 732.2 | 670.3 |
| Tangible assets | 1,275.7 | 1,398.8 | 1,500.5 | 1,374.4 | 1,116.3 |
| Financial assets | 59.0 | 57.0 | 63.3 | 35.7 | 28.2 |
| Total non-current assets | 2,523.2 | 2,474.2 | 2,508.5 | 2,142.3 | 1,814.8 |
| Inventories | 1,118.1 | 1,038.0 | 1,227.5 | 1,344.0 | 1,007.9 |
| Current receivables | 1,097.8 | 932.2 | 1,059.1 | 829.3 | 857.0 |
| Investments | - | - | 2.3 | - | 4.8 |
| Cash and bank balances | 409.5 | 349.1 | 349.3 | 207.9 | 218.3 |
| Total current assets | 2,625.4 | 2,319.3 | 2,638.2 | 2,381.2 | 2,088.0 |
| Total assets | 5,148.6 | 4,793.5 | 5,146.7 | 4,523.5 | 3,902.8 |
| Equity | 2,482.7 | 2,190.0 | 1,888.7 | 1,547.7 | 1,283.5 |
| Non-current liabilities and provisions | | | | | |
| - non-interest-bearing | 397.0 | 239.1 | 246.9 | 210.2 | 247.8 |
| - interest-bearing | 952.2 | 1,360.0 | 1,971.2 | 1,866.5 | 1,317.8 |
| Current liabilities and provisions | | | | | |
| - non-interest-bearing | 1,136.1 | 845.3 | 859.1 | 760.3 | 914.0 |
| - interest-bearing | 180.6 | 159.1 | 180.8 | 138.8 | 139.7 |
| Total equity and liabilities | 5,148.6 | 4,793.5 | 5,146.7 | 4,523.5 | 3,902.8 |

Balance sheet over the past five years

Over the past five years total assets have risen from SEK 3,125.3 million to SEK 5,148.6 million.

Inventories and current receivables (mainly trade receivables) account for around 43% of total assets. In principle, both of these items are directly related to sales and, therefore, growth.

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

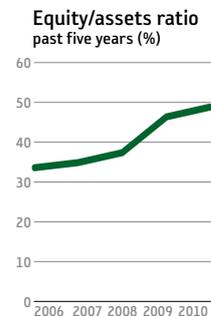
Tangible assets consist solely of property, plant and equipment, the value of which has increased by SEK 260.5 million over the five-year period. Of this increase, approximately 39% was added through acquisitions of companies and lines of business, and the remaining 61% through investments in existing businesses, primarily in the Group's facilities in Markaryd, Sweden, where most of the production plants for NIBE Energy Systems and NIBE Stoves are located.

Non-current, non-interest-bearing liabilities and provisions consist mainly of deferred tax, warranty provisions and provisions for contingent considerations. These have grown from SEK 265.2 million to SEK 397.0 million during the past five years.

Current and non-current interest-bearing liabilities and provisions consist of pension provisions and loans from banks and other financial institutions, and have been reduced from SEK 1,143.7 million to SEK 1,132.8 million during the past five years. This is chiefly attributable to good cash flows from the Group's operating activities in recent years, mostly as a result of the success of intensive efforts to reduce tied-up capital. Modest investment needs in the Group's facilities have also played their part in this development.

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 39.9%.

Current non-interest-bearing liabilities and provisions have grown by SEK 450.7 million during the period, from SEK 685.4 million to SEK 1,136.1 million. Accrued expenses and customary trade payables, which are both directly related to the expansion of the business, account for approximately 77% of the total.



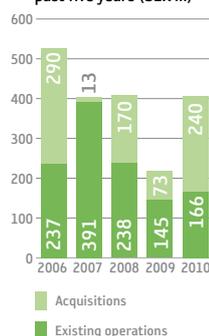


Five-year review – Statements of cash flows

Statements of cash flows

| (in millions of SEK) | 2010 | 2009 | 2008 | 2007 | 2006 |
|--|--------------|--------------|--------------|----------------|----------------|
| Cash flow before change in working capital | 821.1 | 676.3 | 480.0 | 439.5 | 489.9 |
| Change in working capital | - 38.6 | 217.4 | 174.0 | - 399.4 | - 93.4 |
| Cash flow from operating activities | 782.5 | 893.7 | 654.0 | 40.1 | 396.5 |
| Investments in current operations | - 166.2 | - 145.3 | - 237.5 | - 390.9 | - 236.6 |
| Operating cash flow | 616.3 | 748.4 | 416.5 | - 350.8 | 159.9 |
| Acquisition of companies | - 239.7 | - 72.6 | - 170.1 | - 13.2 | - 289.8 |
| Cash flow after investments | 376.6 | 675.8 | 246.4 | - 364.0 | - 129.9 |
| Financing | -170.6 | - 559.8 | - 14.2 | 451.6 | 291.4 |
| Dividend to shareholders | - 122.1 | - 108.0 | - 108.0 | - 108.0 | - 70.4 |
| Cash flow for the year | 83.9 | 8.0 | 124.2 | - 20.4 | 91.1 |
| Liquid funds at the beginning of the year | 349.1 | 349.3 | 207.9 | 218.3 | 132.2 |
| Exchange difference in liquid funds | - 23.5 | - 8.2 | 17.2 | 10.0 | - 5.0 |
| Liquid funds at year-end | 409.5 | 349.1 | 349.3 | 207.9 | 218.3 |

Investments past five years (SEK m)



Cash flow over past five years

Cash flow before changes in working capital

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

Working capital

The Group requires that working capital, measured as current assets minus current liabilities, is within the 20–25% of sales range for all units. Over the past five years, the Group's working capital has averaged around 24% of sales.

Investments in existing operations

Investment in existing operations was more than SEK 200 million in 2006, rising to almost SEK 400 million in 2007. In 2008 investment once again totalled more than SEK 200 million and was approximately SEK 150 million in both 2009 and 2010. Most of the investment has been in the Group's plants in Markaryd, Sweden, where the majority of the production facilities for NIBE Energy Systems and NIBE Stoves are located. Major investments have also been made in Poland as part of the restructuring of element manufacturing operations.

Operating cash flow

With the exception of 2007, the Group has had positive operating cash flows during the past five-year period.

Sales expectations for 2007 were substantially higher than the actual outcome, which meant that the customary stock-building process during the first six months of the year resulted in ex-

cess stocks at the year-end – and a large negative cash flow.

From 2008 to 2010 operating cash flow has shown a marked improvement as a result of a lower rate of investment and the fact that it has been possible to return to more or less normal stock levels.

Acquisition of businesses

Over the years, NIBE Industrier has pursued an aggressive acquisitions strategy. In the five years up to the end of 2010, 14 takeovers of companies and lines of business have been made, of which five relate to the NIBE Element business area, six to NIBE Energy Systems and three to NIBE Stoves. The company intends to continue to make acquisitions in the future.

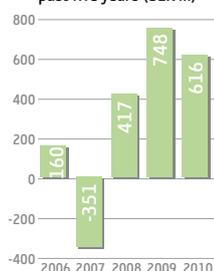
Financing

All capital requirements over the past five years – for takeovers and investments in existing operations, as well as for 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 financing.

Shareholders' dividends

NIBE Industrier aims to pay share dividends of 25–30% of the net profit for the year after tax. Over the most recent five-year period, share dividends have varied between 29.2% and 30.8% of the year's profit after tax, with the sole exception of a figure of 34.3% for 2007.

Operating cash flow past five years (SEK m)



Risk Management

| | Basis for calc. (SEK m) | Change % | Impact |
|--|-------------------------|----------------|------------|
| Net sales (margin constant) | 6,511.5 | +/- 1.0 % | SEK 24.4 m |
| Operating margin (volume constant) | 6,511.5 | +/- 0.1 % | SEK 6.5 m |
| Material cost | 2,701.6 | +/- 1.0 % | SEK 27.0 m |
| Payroll expenses | 1,467.2 | +/- 1.0 % | SEK 14.7 m |
| Interest-bearing liabilities (interest constant) | 1,132.8 | +/- 10.0 % | SEK 4.3 m |
| Interest rate % (interest-bearing liability constant) | 3.8 % | +/- 1.0% point | SEK 11.3 m |

Based on Income Statement 2010

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

All components in the products sold by the Group's three business areas are manufactured by a large 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. We always have alternative suppliers for all the components we use.

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

Price risks

Material prices

Many of the materials used to manufacture the Group's products are priced in US dollars and quoted on the London Metal Exchange. To avoid overdependence on specific currencies and markets, purchasing procedures have been globalised.

During 2010, purchases of raw materials such as nickel, copper and steel were partially hedged through forward contracts.

Other operating expenses

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

Risks relating to disputes over patents and other matters

The Group holds few patents and only for components which form part of its finished products.

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

Other risks

It is our considered opinion that the Group has adequate cover in respect of traditional insurance risks such as fire, theft, liability and so on. The excess on our policies is between SEK 300,000 and SEK 1 million.

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

Financial risks

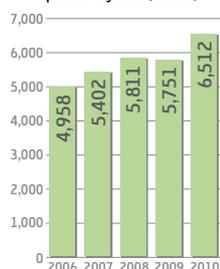
Credit risks, currency risks, financing risks and interest-rate risks that can affect the NIBE Group are described in Note 6.

Sensitivity analysis

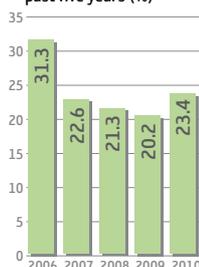
The Group is exposed to a number of risk factors that affect earnings trends. Several of the risks are outside the Group's control. The table above shows the effect of a variety of changes on the Group's result, based on figures on the balance sheet and in the income statement for 2010.



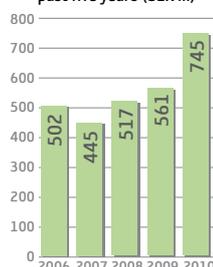
Annual Accounts 2010

Net sales
past five years (SEK m)

Net sales rose by 13.2% under 2010

Return on equity
past five years (%)

Return on equity increased by 15.8% in 2010.

Profit after
financial items
past five years (SEK m)

Profit after net financial items rose by 32.8% in 2010

Income statement 2010

Net sales

Group net sales rose by 13.2% to SEK 6,511.5 million (2009: SEK 5,751.2 million). NIBE Element's sales rose by 6.1%, with a 1.0% increase from acquired businesses, and a 5.1% increase in organic sales. NIBE Energy Systems increased its sales by 13.4%, of which 6.6% was organic and 6.8% was acquired. Sales for NIBE Stoves rose by 21.8%, of which 10.8% was organic and 11.0% was acquired.

Group net sales outside Sweden totalled SEK 4,588.9 million, an increase of SEK 444.2 million on the 2009 total of SEK 4,144.7 million. Net sales abroad accounted for 70.5% (72.1%) of total net sales. Net sales in the Swedish market rose by 19.7% to SEK 1,922.6 million (SEK 1,606.5 million).

Overall Group net sales rose by SEK 760.3 million. As acquired sales growth during the year totalled SEK 341.2 million, this means that organic sales rose by SEK 419.1 million. Acquired growth accounted for sales of SEK 16.1 million at NIBE Element, SEK 223.3 million at NIBE Energy Systems and SEK 101.8 million at NIBE Stoves.

Operating profit

Group operating profit totalled SEK 796.1 million, an increase of 26.1% on the figure of SEK 631.3 million reported for 2009. The operating margin was 12.2% (11.0%).

NIBE Element's operating profit rose by SEK 54.1 million from SEK 70.4 million in 2009 to SEK 124.5 million in 2010, an increase of 76.8%. The business area's operating margin was 7.1% (4.2%).

NIBE Energy Systems' operating profit rose by SEK 88.9 million from SEK 455.8 million to SEK 544.7 million, an increase of 19.5%. The operating margin was 14.6% (13.9%).

NIBE Stoves' operating profit rose by SEK 30.6 million from SEK 122.2 million to SEK 152.8 million, an increase of 25.0%. The operating margin was 13.4% (13.0%).

Goodwill and brands

The Group's goodwill and Group surpluses in trademarks are tested annually for impairment by calculating the present value of each business area's cash flows. These are calculated on the basis of annual growth of 10% with deduc-

tions for increased working capital requirements and investments corresponding to the annual rate of depreciation. Calculations for the year gave no indication of any impairment.

Profit after financial items

Profit after financial items rose by 32.8% to SEK 745.1 million (SEK 560.9 million) to yield a profit margin of SEK 11.4% (9.8%). Financial items generated net expense of SEK 51.0 million for the year as against a net expense of SEK 70.4 million in 2009.

Tax

The tax expense for the year was SEK 192.0 million (SEK 148.8 million), which gives an effective tax rate of 25.8% (26.5%). There is no single chief reason for this slight reduction. The nominal tax rate in Sweden for the year remained unchanged at 26.3%.

Balance sheet 2010

Equity ratio and returns

The Group's equity ratio at the end of the year was 48.2% (45.7%). Equity totalled SEK 2,482.7 million (SEK 2,190.0 million).

The Group's return target is a return on equity of at least 20% in the long term. The return on equity in 2010 was 23.4% (2009: 20.2%). The return on capital employed was 22.2% (16.8%). The profitability target for the business areas is an operating margin of at least 10% for each profit centre over a complete business cycle. The operating margin for NIBE Element was 7.1% (4.2%), for NIBE Energy Systems 14.6% (13.9%), and for NIBE Stoves 13.4% (13.0%). The operating margin for the Group as a whole was 12.2% (11.0%).

Cash and cash equivalents

The Group's cash and cash equivalents at the end of the financial year amounted to SEK 409.5 million (SEK 349.1 million), to which may be added unutilised overdraft facilities of SEK 1,254.6 million (SEK 1,223.2 million). During the year, the Group's net overdraft was reduced by SEK 262.8 million. Acquisitions provided SEK 71.9 million, which enabled the previous overdraft to be reduced by a total of SEK 334.7 million.

Key ratios

| | | 2010 | 2009 | 2008 | 2007 | 2006 |
|-------------------------------------|-------|---------|---------|---------|---------|---------|
| Net sales | SEK m | 6,511.5 | 5,751.2 | 5,810.5 | 5,402.5 | 4,958.0 |
| Growth | % | + 13.2 | - 1.0 | + 7.6 | + 9.0 | + 29.8 |
| Operating profit | SEK m | 796.1 | 631.3 | 625.3 | 528.0 | 556.0 |
| Profit after net financial items | SEK m | 745.1 | 560.9 | 516.7 | 445.0 | 501.5 |
| Net investments in fixed assets | SEK m | 405.9 | 217.9 | 407.6 | 404.1 | 526.4 |
| Gross margin | % | 15.5 | 14.6 | 14.0 | 12.8 | 14.1 |
| Operating margin | % | 12.2 | 11.0 | 10.8 | 9.8 | 11.2 |
| Profit margin | % | 11.4 | 9.8 | 8.9 | 8.2 | 10.1 |
| Capital employed | SEK m | 3,615.5 | 3,709.0 | 4,040.7 | 3,552.9 | 2,741.0 |
| Equity | SEK m | 2,482.7 | 2,190.0 | 1,888.7 | 1,547.7 | 1,283.5 |
| Return on capital employed | % | 22.2 | 16.8 | 17.1 | 17.2 | 22.9 |
| Return on equity | % | 23.4 | 20.2 | 21.3 | 22.6 | 31.3 |
| Return on total assets | % | 16.4 | 13.1 | 13.5 | 12.8 | 16.0 |
| Asset turnover | times | 1.31 | 1.16 | 1.20 | 1.28 | 1.41 |
| Equity/assets ratio | % | 48.2 | 45.7 | 36.7 | 34.2 | 32.9 |
| Proportion of risk-bearing capital | % | 50.9 | 48.6 | 39.7 | 36.9 | 36.1 |
| Operating cash flow | SEK m | 616.3 | 748.4 | 416.5 | - 350.8 | 159.9 |
| Interest cover | times | 11.8 | 7.3 | 4.8 | 5.7 | 9.2 |
| Interest-bearing liabilities/Equity | % | 45.6 | 69.4 | 113.9 | 129.6 | 113.6 |
| Average number of employees | | 5,945 | 5,519 | 5,275 | 5,439 | 5,111 |

Definitions – key ratios

Growth

Percentage change in net sales compared with previous year.

Gross margin

Operating profit before depreciation as a percentage of net sales.

Operating margin

Operating profit as a percentage of net sales.

Profit margin

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

Capital employed

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

Equity

Taxed equity plus untaxed reserves minus tax.

Return on capital employed

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

Return on equity

Profit after net financial items minus tax at standard rate 26.3% (2006–2008: 28%) as a percentage of average equity.

Return on total assets

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

Asset turnover

Net sales divided by the average balance sheet total.

Equity/assets ratio

Assets as a percentage of balance sheet total.

Proportion of risk-bearing capital

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

Operating cash flow

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

Interest cover

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

Interest-bearing liabilities/Equity

Interest-bearing liabilities as a percentage of equity.

**Cash flow 2010****Cash flow from operating activities**

Consolidated cash flow for the year after changes in working capital amounted to SEK 782.5 million (2009: SEK 893.7 million)

Investment

Group acquisitions of subsidiary companies/lines of business totalled SEK 239.7 million (SEK 72.6 million). Investment in existing units totalled SEK 166.2 million (SEK 145.3 million), allocated as follows:

| (in millions of SEK) | 2010 | 2009 |
|--------------------------|--------------|--------------|
| Machinery and equipment | 101.9 | 88.4 |
| Properties | 5.6 | 6.8 |
| Construction in progress | 28.6 | 31.2 |
| Other fixed assets | 30.1 | 18.9 |
| Total | 166.2 | 145.3 |

Consequently, cash flow after investment activities was SEK 376.6 million (SEK 675.8 million). Operating cash flow (i.e. after investments, but excluding acquisitions of subsidiary companies/lines of business) was SEK 616.3 million (SEK 748.4 million).

Credits from finance institutions and pension funds etc.

| (in millions of SEK) | 2010 | 2009 |
|--|----------------|----------------|
| Loans with floating interest and repayments over 10 yrs | 1,017.0 | 1,110.7 |
| Utilised portion of overdraft facilities with floating interest rate | 86.5 | 380.7 |
| Pensions provisions | 29.2 | 27.5 |
| Other provisions | 0.1 | 0.1 |
| Total interest-bearing liabilities | 1,132.8 | 1,519.0 |
| Unutilised overdraft facilities | 1,254.6 | 1,223.2 |
| Other unutilised credits | 1,110.0 | 758.5 |
| Total credit available | 3,497.4 | 3,500.7 |

The Group's total interest-bearing liabilities at the year-end amounted to SEK 1,132.8 million (SEK 1,519.0 million). The average interest expense for the total of interest-bearing liabilities was 3.8% (3.6%). The Group's net liabilities, which consist of interest-bearing liabilities minus cash and bank balances and short-term investments, totalled SEK 723.2 million (SEK 1,169.9 million).

Important events during the year

During the year, the Group acquired two Danish companies, Lotus Heating Systems A/S and Lund & Sørensen A/S. In addition a 50% stake was acquired in the Norwegian company ABK AS. For more information on acquisitions during the year, see Note 28.

Events after the end of the reporting period

Early in 2011 the Group acquired business operations in Thermtec Ltd of the UK and the Swiss element-manufacturing operations of Electrolux Professional AG. See also Note 29: Events after the end of the reporting period.

Remuneration

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

The Annual General Meeting also determines the guidelines for the remuneration of the managing director and other senior executives, in accordance with which the Board subsequently determines the remuneration of the managing director. The remuneration of other senior personnel is determined by the managing director in consultation with the Chairman of the Board. Decisions are reported to the Board. For further details, please see Note 5.

The Board proposes that remuneration for 2011 is determined according to the same principles as those laid down in 2010.



Human resources

It is our ambition to ensure that NIBE is perceived as an attractive employer that offers numerous opportunities. The company has a strong set of corporate values that the great majority of people perceive as positive. These values are apparent in all our communication, both to existing employees and when recruiting.

Environmental issues

In 2010 a new system for compiling environmental data was introduced. The work of introducing ISO 14001 has been given high priority and three more plants are preparing for certification during the course of 2011. While we are proud to be able to point to a number of achievements in our environmental work, there are of course areas in which improvements can still be made. The most significant direct environmental impacts of our activities are through energy consumption, the use of metals and other raw materials, the management of chemicals hazardous to the environment and/or human health, emissions of pollutants and greenhouses gases, and the disposal of waste products. The greatest contribution that NIBE can make towards protecting the environment is through its product range. NIBE is constantly involved in research to develop products that are even more energy efficient.

Research and development

The NIBE Group carries out market-leading research and development work within each of the three business areas. We believe that this is a crucial factor behind continued organic growth and our ability to establish a presence on new markets. It means that we can react quickly to changes in what our customers want and transform these wishes into the best possible solution in the relevant market context. See also Note 8.

Future prospects

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

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

Our own strengths, together with the continuing improvement in the economy and high energy prices, mean that we feel positive about the prospects for 2011.

Ownership

NIBE's share capital is divided into 13,160,256 "A" shares and 80,759,744 "B" shares. Each "A" share carries ten votes at the Annual General Meeting and each "B" share carries one vote. For "A" shares, which represent approximately 62% of the votes, the company's articles of association prescribe an obligation to give existing shareholders first refusal of any shares that are offered for sale.

Appropriation of profits

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

| | |
|------------------------|--------------------------|
| Profit brought forward | SEK 339.3 million |
| Fair value reserve | SEK 1.4 million |
| Profit for the year | SEK 203.3 million |
| Total | SEK 544.0 million |

The Board of Directors proposes issuing a dividend to shareholders of SEK 1.75 per share: in total, SEK 164.4 million. A total of SEK 379.6 million will be carried over in the accounts: SEK 1.4 million of this in the fair value reserve and SEK 378.2 million as profit brought forward. It is anticipated that the dividend will be paid on 19 May 2011.

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





Income statements

| (in millions of SEK) | | Group | | Parent company | |
|---|-------------|----------------|----------------|----------------|---------------|
| | | 2010 | 2009 | 2010 | 2009 |
| Net sales | Note 3 | 6,511.5 | 5,751.2 | 2.7 | 2.4 |
| Cost of goods sold | | - 4,274.0 | - 3,928.6 | - | - |
| Gross profit | | 2,237.5 | 1,822.6 | 2.7 | 2.4 |
| Selling expenses | | - 1,159.1 | - 992.2 | - | - |
| Administrative expenses | Note 4 | - 409.6 | - 371.5 | - 18.5 | - 21.7 |
| Other operating income | Note 9 | 127.3 | 172.4 | - | - |
| Operating profit | Notes 3 - 9 | 796.1 | 631.3 | - 15.8 | - 19.3 |
| Profit from financial investments | | | | | |
| Profit from participations in Group companies | Note 10 | - | - | 240.2 | 267.6 |
| Interest income and similar profit/loss items | Note 11 | 18.1 | 18.4 | 11.2 | 13.5 |
| Interest expense and similar profit/loss items | Note 12 | - 69.1 | - 88.8 | - 32.3 | - 44.0 |
| Profit after financial items | | 745.1 | 560.9 | 203.3 | 217.8 |
| Tax | Note 13 | - 192.0 | -148.8 | - | - 0.1 |
| Profit for the year | | 553.1 | 412.1 | 203.3 | 217.7 |
| Net profit attributable to | | | | | |
| Parent company shareholders | | 548.5 | 409.1 | 203.3 | 217.7 |
| Non-controlling interest | | 4.6 | 3.0 | - | - |
| Net profit | | 553.1 | 412.1 | 203.3 | 217.7 |
| <i>Includes depreciation/amortisation according to plan and impairments as follows:</i> | | 215.9 | 210.2 | - | - |
| <i>Number of shares at year-end</i> | | 93,920,000 | 93,920,000 | | |
| <i>Net profit per share SEK</i> | | 5.84 | 4.36 | | |
| <i>Proposed dividend per share (SEK)</i> | | 1.75 | 1.30 | | |
| Net profit | | 553.1 | 412.1 | 203.3 | 217.7 |
| Other recognised income | | | | | |
| Market value of future currency contracts | | - 0.4 | 17.4 | - | - |
| Market value of future commodity contracts | | 0.4 | 0.1 | - | - |
| Currency hedge | | 91.5 | 35.2 | 85.9 | 31.5 |
| Translation of loans to subsidiaries | | - 4.6 | - 4.3 | - | - |
| Translation of foreign subsidiaries | | - 199.4 | - 36.1 | - | - |
| Tax attributable to other recognised income | Note 13 | -23.5 | - 12.9 | - 22.6 | - 8.2 |
| Total other recognised income | | - 136.0 | - 0.6 | 63.3 | 23.3 |
| Total recognised income | | 417.1 | 411.5 | 266.6 | 241.0 |
| Total recognised income attributable to | | | | | |
| Parent company shareholders | | 413.3 | 409.1 | 266.6 | 241.0 |
| Non-controlling interest | | 3.8 | 2.4 | - | - |
| Total profit | | 417.1 | 411.5 | 266.6 | 241.0 |

Income statements

Quarterly data

| Consolidated income statements (in millions of SEK) | 2010 | | | | 2009 | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Net sales | 1,303.2 | 1,448.4 | 1,712.6 | 2,047.3 | 1,305.4 | 1,280.6 | 1,467.3 | 1,697.9 |
| Operating expenses | - 1,196.6 | - 1,320.7 | - 1,466.1 | - 1,732.0 | - 1,198.8 | - 1,178.4 | - 1,272.1 | - 1,470.6 |
| Operating profit | 106.6 | 127.7 | 246.5 | 315.3 | 106.6 | 102.2 | 195.2 | 227.3 |
| Net financial items | - 10.4 | - 16.3 | - 12.1 | - 12.2 | - 27.2 | - 8.6 | - 19.5 | - 15.1 |
| Profit after net financial items | 96.2 | 111.4 | 234.4 | 303.1 | 79.4 | 93.6 | 175.7 | 212.2 |
| Tax | - 26.0 | - 29.0 | - 62.3 | - 74.7 | - 22.2 | - 25.8 | - 47.0 | - 53.8 |
| Net profit for the year | 70.2 | 82.4 | 172.1 | 228.4 | 57.2 | 67.8 | 128.7 | 158.4 |
| Net sales – by business area | | | | | | | | |
| NIBE Element | 427.7 | 425.4 | 412.7 | 493.9 | 447.1 | 401.8 | 381.1 | 429.0 |
| NIBE Energy Systems | 698.5 | 868.5 | 1,016.0 | 1,142.1 | 698.5 | 773.9 | 876.9 | 935.2 |
| NIBE Stoves | 208.9 | 184.2 | 307.9 | 443.2 | 197.7 | 150.1 | 230.2 | 361.4 |
| Group eliminations | - 31.9 | - 29.7 | - 24.0 | - 31.9 | - 37.9 | - 45.2 | - 20.9 | - 27.7 |
| Group total | 1,303.2 | 1,448.4 | 1,712.6 | 2,047.3 | 1,305.4 | 1,280.6 | 1,467.3 | 1,697.9 |
| Operating profit – by business area | | | | | | | | |
| NIBE Element | 30.9 | 27.1 | 25.7 | 40.8 | 30.7 | 13.1 | 8.5 | 18.1 |
| NIBE Energy Systems | 63.2 | 107.0 | 177.7 | 196.8 | 62.6 | 93.0 | 150.1 | 150.1 |
| NIBE Stoves | 16.1 | 3.2 | 47.4 | 86.1 | 15.2 | 1.1 | 38.7 | 67.2 |
| Group eliminations | - 3.6 | - 9.6 | - 4.3 | - 8.4 | - 1.9 | - 5.0 | - 2.1 | - 8.1 |
| Group total | 106.6 | 127.7 | 246.5 | 315.3 | 106.6 | 102.2 | 195.2 | 227.3 |



Balance sheets

| Assets (in millions of SEK) | Group | | Parent company | |
|--|-------------|----------------|----------------|----------------|
| | 31 Dec 2010 | 31 Dec 2009 | 31 Dec 2010 | 31 Dec 2009 |
| NON-CURRENT ASSETS | | | | |
| Intangible assets | | | | |
| Goodwill | Note 14 | 1,007.5 | 913.5 | - |
| Other intangible assets | Note 15 | 181.0 | 104.9 | - |
| Total | | 1,188.5 | 1,018.4 | - |
| Tangible assets | | | | |
| Land and buildings | Note 16 | 667.5 | 720.5 | - |
| Machinery and equipment | Note 17 | 567.5 | 642.6 | - |
| Construction in progress | Note 18 | 40.7 | 35.7 | - |
| Total | | 1,275.7 | 1,398.8 | - |
| Financial assets | | | | |
| Shares in subsidiaries | Note 19 | - | - | 1,529.7 |
| Receivables from Group companies | | - | - | 298.9 |
| Shares in associated companies | Note 20 | - | - | - |
| Investments held as non-current assets | | 1.4 | 2.0 | 0.8 |
| Deferred tax asset | Note 13 | 49.1 | 50.7 | - |
| Other long-term receivables | | 8.5 | 4.3 | - |
| Total | | 59.0 | 57.0 | 1,829.4 |
| TOTAL NON-CURRENT ASSETS | | 2,523.2 | 2,474.2 | 1,829.4 |
| CURRENT ASSETS | | | | |
| Inventories | | | | |
| Raw materials and consumables | | 496.4 | 460.6 | - |
| Work in progress | | 94.5 | 93.9 | - |
| Finished products and goods for resale | | 527.2 | 483.5 | - |
| Total | | 1,118.1 | 1,038.0 | - |
| Current receivables | | | | |
| Accounts receivable – trade | | 947.1 | 802.3 | - |
| Receivables from Group companies | | - | - | 0.7 |
| Tax assets | | 20.6 | 25.4 | 0.4 |
| Other receivables | | 79.3 | 58.9 | 4.1 |
| Prepaid expenses and accrued income | | 50.8 | 45.6 | 0.4 |
| Total | | 1,097.8 | 932.2 | 5.6 |
| Cash and bank balances | | 409.5 | 349.1 | 19.3 |
| TOTAL CURRENT ASSETS | | 2,625.4 | 2,319.3 | 24.9 |
| TOTAL ASSETS | | 5,148.6 | 4,793.5 | 1,854.3 |

Equity and liabilities

| (in millions of SEK) | | Group | | Parent company | |
|---|-------------------|----------------|----------------|-----------------------|----------------|
| | | 31 Dec 2010 | 31 Dec 2009 | 31 Dec 2010 | 31 Dec 2009 |
| EQUITY | Restricted equity | | | | |
| Share capital | Note 21 | 58.7 | 58.7 | 58.7 | 58.7 |
| Capital contributed/restricted reserves | | 67.4 | 67.4 | 74.9 | 74.9 |
| Total restricted equity | | | | 133.6 | 133.6 |
| | | | | Non-restricted equity | |
| Other reserves/Fair value reserve | | - 3.3 | 131.9 | 1.4 | - 61.9 |
| Profit brought forward | | 2,351.2 | 1,924.8 | 542.6 | 461.4 |
| Equity attributable to parent company | | 2,474.0 | 2,182.8 | | |
| Non-controlling interest | | 8.7 | 7.2 | - | - |
| Total non-restricted equity | | | | 544.0 | 399.5 |
| Total equity | | 2,482.7 | 2,190.0 | 677.6 | 533.1 |
| NON-CURRENT LIABILITIES AND PROVISIONS | | | | | |
| Provisions for post-employment benefits | Note 22 | 35.2 | 32.7 | 1.1 | 0.6 |
| Provisions for taxes | Note 13 | 139.0 | 138.3 | 0.2 | - |
| Guarantee risk reserve | Note 23 | 116.6 | 66.5 | - | - |
| Others provisions, interest-bearing | Note 23 | 0.1 | 0.1 | - | - |
| Others provisions, non-interest-bearing | Note 23 | 120.1 | 11.4 | 97.3 | - |
| Bank overdraft facilities | Note 24 | 86.5 | 380.7 | 177.9 | 205.6 |
| Liabilities to credit institutions | Note 6 | 833.5 | 950.0 | 208.4 | 480.0 |
| Liabilities to Group companies | | - | - | 596.2 | 365.9 |
| Other liabilities, interest-bearing | | 2.9 | 1.8 | - | - |
| Other liabilities, non-interest-bearing | | 15.3 | 17.6 | - | - |
| Total non-current liabilities and provisions | | 1,349.2 | 1,599.1 | 1,081.1 | 1,052.1 |
| CURRENT LIABILITIES AND PROVISIONS | | | | | |
| Liabilities to credit institutions | | 180.6 | 159.0 | 78.2 | 82.6 |
| Accounts payable | | 532.3 | 355.8 | 0.5 | 1.5 |
| Advance payments from customers | | 6.2 | 2.8 | - | - |
| Liabilities to Group companies | | 79.1 | 29.2 | - | - |
| Other liabilities | | 175.6 | 153.2 | 9.9 | 7.3 |
| Accrued expenses and deferred income | Note 25 | 342.9 | 304.4 | 7.0 | 7.5 |
| Total current liabilities and provisions | | 1,316.7 | 1,004.4 | 95.6 | 98.9 |
| TOTAL EQUITY AND LIABILITIES | | 5,148.6 | 4,793.5 | 1,854.3 | 1,684.1 |
| Pledged assets | Note 26 | 2,332.3 | 2,158.8 | 397.7 | 418.3 |
| Contingent liabilities | Note 27 | 92.2 | 63.7 | 34.7 | 33.2 |



Changes in equity

Group

| (in millions of SEK) | Share capital | Contributed capital | Other reserves ¹⁾ | Profit brought forward | Equity attributable to parent company | Non-controlling interest | Total equity |
|--|---------------|---------------------|------------------------------|------------------------|---------------------------------------|--------------------------|--------------|
| Equity 31 Dec 2008 | 58.7 | 67.4 | 131.8 | 1,623.8 | 1,881.7 | 7.0 | 1,888.7 |
| Profit for the year | | | 0.1 | 409.0 | 409.1 | 2.4 | 411.5 |
| Change in participations by non-controlling interest | | | | | | - 2.2 | - 2.2 |
| Dividend | | | | - 108.0 | - 108.0 | | - 108.0 |
| Equity 31 Dec 2009 | 58.7 | 67.4 | 131.9 | 1,924.8 | 2,182.8 | 7.2 | 2,190.0 |
| Total recognised income for the year | | | - 135.2 | 548.5 | 413.3 | 3.8 | 417.1 |
| Dividend | | | | - 122.1 | - 122.1 | - 2.3 | - 124.4 |
| Equity 31 Dec 2010 | 58.7 | 67.4 | - 3.3 | 2,351.2 | 2,474.0 | 8.7 | 2,482.7 |

1) Other reserves

| (in millions of SEK) | Revaluation reserve | Exchange difference | Total other reserves |
|--|---------------------|---------------------|----------------------|
| Other reserves 31 Dec 2008 | - 7.1 | 138.9 | 131.8 |
| Market value of commercial forward exchange contracts after tax allowance | 13.0 | | 13.0 |
| Market value of commercial forward commodity contracts after tax allowance | 0.1 | | 0.1 |
| Exchange differences | | - 13.0 | - 13.0 |
| Other reserves 31 Dec 2009 | 6.0 | 125.9 | 131.9 |
| Market value of commercial forward exchange contracts after tax allowance | - 0.4 | | - 0.4 |
| Market value of commercial forward commodity contracts after tax allowance | 0.4 | | 0.4 |
| Exchange differences ²⁾ | | - 135.2 | - 135.2 |
| Other reserves carried forward 31 Dec 2010 | 6.0 | - 9.3 | - 3.3 |

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

| | |
|--|----------------|
| The year's exchange difference for foreign subsidiaries translated in accordance with the current method | - 199.4 |
| The year's exchange difference on translation of loans to foreign subsidiaries | - 4.0 |
| The year's exchange difference on translation of loans in foreign currencies in connection with the acquisition of foreign subsidiaries: SEK 91.5 million, of which the tax effect is SEK 24.1 million | 67.4 |
| Total exchange difference for the period | - 136.0 |
| of which attributable to parent company | - 135.2 |
| of which attributable to non-controlling interest | - 0.8 |
| Specification of accumulated exchange difference on translation of figures for foreign subsidiaries | |
| Accumulated exchange difference at start of year | 179.7 |
| Exchange difference for the year in foreign subsidiaries | - 199.4 |
| Accumulated exchange difference at year-end | - 19.7 |

Parent company

| (in millions of SEK) | Share capital | Statutory reserve | Fair value reserve | Profit brought forward | Total equity |
|----------------------|---------------|-------------------|--------------------|------------------------|--------------|
| Equity 31 Dec 2008 | 58.7 | 74.9 | - 85.2 | 352.1 | 400.5 |
| Group contribution | | | | - 0.4 | - 0.4 |
| Profit for the year | | | 23.3 | 217.7 | 241.0 |
| Dividend | | | | - 108.0 | - 108.0 |
| Equity 31 Dec 2009 | 58.7 | 74.9 | - 61.9 | 461.4 | 533.1 |
| Profit for the year | | | 63.3 | 203.3 | 266.6 |
| Dividend | | | | - 122.1 | - 122.1 |
| Equity 31 Dec 2010 | 58.7 | 74.9 | 1.4 | 542.6 | 677.6 |

Statements of cash flows

| (in millions of SEK) | Group | | Parent company | |
|---|----------------|----------------|----------------|----------------|
| | 2010 | 2009 | 2010 | 2009 |
| OPERATING ACTIVITIES | | | | |
| Operating profit | 796.1 | 631.3 | - 15.8 | - 19.3 |
| + depreciation/amortisation & impairment charged to this profit | 215.9 | 210.2 | - | - |
| + capital losses / - capital gains | 1.0 | 1.7 | - | - |
| - non-controlling interest's participation in net earnings | - 4.6 | - 3.0 | - | - |
| Total | 1,008.4 | 840.2 | - 15.8 | - 19.3 |
| Interest received and similar items | 18.1 | 18.4 | 11.2 | 13.5 |
| Interest paid and similar items | - 69.2 | - 90.5 | - 32.3 | - 44.1 |
| Tax paid | - 136.2 | - 91.8 | - | - 0.1 |
| Cash flow before change in working capital | 821.1 | 676.3 | - 36.9 | - 50.0 |
| Change in working capital | | | | |
| Change in inventories | - 70.7 | 165.6 | - | - |
| Change in current receivables | - 160.1 | 69.6 | 5.4 | - 3.4 |
| Change in current liabilities | 192.2 | - 17.8 | - 3.2 | - 4.9 |
| Cash flow from operating activities | 782.5 | 893.7 | - 34.7 | - 58.3 |
| INVESTING ACTIVITIES | | | | |
| Investments in machinery and equipment | - 107.8 | - 92.4 | - | - |
| Investments in buildings and land | - 5.9 | - 6.8 | - | - |
| Investment in construction in progress | - 28.6 | - 31.2 | - | - |
| Investment in other intangible assets | - 32.0 | - 27.3 | - | - |
| Sale of machinery and equipment | 5.9 | 4.0 | - | - |
| Sale of buildings and land | 0.3 | - | - | - |
| Change in non-current receivables and other securities | 1.9 | 8.4 | - 10.2 | 328.3 |
| Cash flow from investing activities | - 166.2 | - 145.3 | - 10.2 | 328.3 |
| OPERATING CASH FLOW | | | | |
| Acquired companies/lines of business ¹⁾ | - 239.7 | - 72.6 | - 196.4 | - 50.5 |
| FINANCING ACTIVITIES | | | | |
| Change in non-controlling interest | 2.2 | 0.2 | - | - |
| Profit from participation in Group companies | - | - | 240.2 | 267.2 |
| Amortisation of non-current loans | - 133.3 | - 248.4 | - 59.2 | - 99.2 |
| Other changes in non-current liabilities and provisions | - 39.5 | - 311.6 | 173.7 | - 262.0 |
| Shareholders' dividend | - 122.1 | - 108.0 | - 122.1 | - 108.0 |
| Cash flow from financing activities | - 292.7 | - 667.8 | 232.6 | - 202.0 |
| Cash flow for the year | 83.9 | 8.0 | - 8.7 | 17.5 |
| Cash and cash equivalents at the beginning of the year | 349.1 | 349.3 | 28.0 | 10.5 |
| Exchange difference for cash and cash equivalents | - 23.5 | - 8.2 | - | - |
| Cash and cash equivalents at year-end | 409.5 | 349.1 | 19.3 | 28.0 |

¹⁾ For further information about the acquisition of companies, please refer to Note 28.



Notes

Note 1

General information about the business

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

The Group has more than 5,900 employees and conducts business activities in 20 countries in Europe, North America and Asia. The legal structure of the Group comprises a number of subsidiaries, who run their own operations via their own companies or branch offices.

The operations of the parent company, NIBE Industrier AB, constitute group support functions such as financing, currency management, corporate acquisitions and new establishments together with financial management and other policy issues.

This consolidated financial statement was approved for publication by the Board of Directors on 28 March 2011. The consolidated financial statement can be amended by the company's shareholders subsequent to approval by the Board.

Note 2

Accounting and valuation principles

The NIBE Group applies International Financial Reporting Standards (IFRS) as adopted by the EU, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1.2, "Supplementary accounting rules for Groups". The policies applied are unchanged from the previous year, with the exception of the revised IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements". The changes to IFRS 3 mean that transaction costs are expensed, and that payments for the acquisition of business operations are recognised at acquisition-date fair value, with the subsequent contingent consideration classified as liabilities which are then remeasured via profit or loss. The revisions to IAS 27 mean that the effects of transactions with non-controlling interests are recognised in equity if they do not lead to any change in control, and these transactions no longer give rise to goodwill or gains or losses. The standard also states that when a parent company loses control, the residual holding is remeasured to fair value, and any gain or loss is recognised in profit or loss. NIBE applies the new IFRS 3 and IAS 27 standards prospectively for transactions that occurred after 1 January 2010. Accordingly, no adjustments are required to the amounts previously recognised. During 2010, NIBE was involved in no transactions which would be affected by the revisions to IAS 27. The changes to IFRS 3 have affected NIBE in financial year 2010 in that acquisition-related expenditure has been expensed. In past financial years, this type of expenditure was capitalised as part of the acquisition value.

During the year, NIBE switched to reporting profit or loss in two separate statements, rather than in a single income statement as before.

The parent company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2.3 "Accounting for legal entities". Where the parent company follows accounting policies which differ from those of the Group, this is specified in the relevant section in this note.

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

When the consolidated financial statements as at 31 December 2010 were prepared, a number of standards, changes and applications had been published but had not yet come into effect. The changes which a preliminary review suggests may affect the NIBE Group's financial statements are described below.

IFRS 9 (New) Financial instruments

This standard is the first step in the process of replacing IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces two new requirements for the recognition and measurement of assets. A preliminary assessment of the standard concludes that it will have no significant impact on the NIBE Group's financial statements. The proposed effective date of the standard is 1 January 2013. The EU has decided to postpone the approval process for the standard until further steps in the process of replacing IAS 39 have been taken.

Classification

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

Consolidated accounts

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

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

Items included in the financial statements for the different units in the NIBE Group are valued in the currency of the primary economic environment in which the company operates (functional currency). In the consolidated financial statements, the parent company's functional and presentation currency is used, which is the Swedish krona (SEK). 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 company and an independent foreign operation, in which the dealings are of such a type that they are unlikely to be settled. The exchange differences arising in these are recognised in the consolidated financial statements in other comprehensive income.

IFRS 3 states, among other things, that the net assets of the acquiree are assessed on the basis of the fair value of assets and liabilities on the acquisition date. This fair value constitutes the Group's acquisition cost. The acquisition cost of an acquisition is the fair value of the assets transferred as consideration and the assets arising or assumed on the transfer date. The revaluation of additional consideration is recognised in profit or loss. As a result of the changes to IFRS 3, costs directly attributable to the acquisition are not included in the acquisition cost with effect from 1 January 2010. The difference between the acquisition cost of shares in a subsidiary and the calculated value of the net assets in the acquisition analysis is recognised as Group goodwill. If the difference is negative, it is recognised directly in profit or loss.

In the preparation of the consolidated balance sheet, untaxed reserves have been divided into a portion recognised as a deferred tax liability under the heading non-current liabilities and provisions, and a residual portion which is recognised under profits brought forward. Accordingly, appropriations in the consolidated income statement involving changes in untaxed reserves have been omitted. The tax portion of these changes is recognised along with the tax expense for the year in the income statement, while the equity portion is included in net profit for the year. The percentage rate used in calculating deferred tax in Swedish subsidiaries is 26.3 (2009: 26.3) percent: the rate used for foreign subsidiaries is the appropriate tax rate in each respective country. The necessary provisions have been made for internal profits.

The Group applies the policy of reporting transactions with non-controlling interests as transactions with third parties. In the acquisition of non-controlling interests, where the consideration transferred exceeds the acquired share of the carrying amount of the subsidiary's net assets, the difference is recognised as goodwill. In disposals of non-controlling interests, where the consideration received deviates from the carrying amount of the proportion of the net assets disposed of, a gain or loss arises, and this is recognised in profit or loss. When the Group no longer has a controlling interest, each residual holding is remeasured to fair value, and the change in the carrying amount is recognised in profit or loss. This fair value is used as the initial carrying amount, and constitutes the basis for the continued reporting of the residual holding as an associate, joint-venture or financial asset.

Associates

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

The parent company's reporting of shares in subsidiaries

The parent company 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

The company recognises Group contribution and shareholders' contribution in accordance with the statement from the Swedish Financial Reporting Board. Shareholders' contribution is recognised directly in equity by the recipient and is capitalised in shares and participations by the contributor to the extent that impairment is not required. Group contribution is recognised in accordance with its financial purpose. This means that Group contribution given and received with the aim of minimising the Group's total tax is recognised directly in profit brought forward after the deduction of tax.

Statement of cash flow

The statement of cash flow is drawn up in accordance with IAS 7. The indirect method has been used: accrual basis net 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 company sales refer in their entirety to sales to Group companies.

Other operating revenue

Gains on the sale of fixed assets, exchange differences, etc. are reported under this heading. See specification in Note 9.

Accounting of income tax

Income tax accounting has been carried out using IAS 12. Reported income tax includes actual tax, adjustments for the previous year's actual tax and changes in deferred tax. Income tax liabilities and tax assets are valued at the nominal amount in accordance with the tax regulations and tax rates approved or announced, when there is good reason to believe these will be confirmed.

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

Deferred tax is calculated in accordance with the balance sheet method for all essential temporary differences that arise between the value in the accounts and the value for tax purposes of assets and liabilities. Such temporary differences have arisen mainly through untaxed reserves and Group surpluses. Deferred tax assets in respect of loss carry-forwards 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 company, as part of untaxed reserves.

Currency hedging

The NIBE Group applies IAS 39 ("Financial Instruments: Recognition and Measurement") for hedge accounting of currency futures. The application of this recommendation means, among other things, that derivatives in the form of future contracts are recognised at fair value in the balance sheet, both initially and after subsequent remeasurement. To meet the requirements for hedge accounting, there must be a clear link between the derivative and the hedged items. In addition, the effectiveness of the hedging must be continuously assessed, and all the hedge conditions documented in accordance with the requirements of IAS 39. In hedging cash flows, changes in the fair value of hedging instruments, to the extent that the hedging is effective, are recognised under other comprehensive income until the underlying hedged item is recognised in revenue. That portion that is ineffective is expensed immediately. For further information on currency derivatives, refer to the section on "Transaction risks" in Note 6 "Financial instruments and financial risk management".

Price hedging

The NIBE Group applies IAS 39 ("Financial Instruments: Recognition and Measurement") for hedge accounting of raw materials futures. The application of this recommendation involves, among other things, recognising derivatives in the form of futures at fair value in the balance sheet, both initially and after subsequent revaluations. To fulfil the requirement for hedge accounting, there is a clear link between the derivative and the hedged items. In addition, calculations of effectiveness and all hedging conditions are documented in accordance with the requirements set out in IAS 39. For price hedging of raw materials flows, changes in the fair value of hedging instruments are recognised, to the extent that the hedging is effective, under other comprehensive income until the underlying hedged item is recognised in revenue. Ineffective portions are expensed

immediately. For further information on raw materials derivatives, see Note 6 "Financial instruments and financial risk management" under the section on "Hedge accounting".

Hedging of net investment

Hedging of net investment in foreign operations is accounted for in a way similar to that used for a cash flow hedge. The portion of the gain or loss on a hedging instrument which is assessed as effective hedging is recognised in other comprehensive income. The portion that is ineffective is recognised immediately in the income statement. See also Note 6 "Financial instruments and financial risk management" (the section on "Translation risks"). The parent company similarly recognises exchange fluctuations on borrowings in foreign currency as a portion of the net investment in the fair value reserve in equity in accordance with the options permitted by the Swedish Financial Reporting Board's recommendation RFR 2.3 ("Accounting for legal entities").

Leasing

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

Goodwill and trademarks

Goodwill and Group surpluses in trademarks have arisen in connection with the acquisition of business operations and companies. The period of use of the trademarks cannot be estimated with certainty, since it is dependent on a number of unknown factors such as technical developments and market trends. NIBE applies IFRS 3, "Business Combinations", which means that goodwill and assets with an indeterminate period of use are not amortised. An annual impairment test is, however, carried out in accordance with IAS 36. The assets are valued by business area, which means that the future cash flows from each business area are calculated as a cash-generating unit. The carrying amount per business area is shown in Notes 14 and 15. In the calculation of future cash flows, the following assumptions have been made:

- An annual growth rate of 10% (10%), which experience has shown is a conservative estimate.

- A discount rate of 14.2% (13.1%).

- A forecast period of 5 years (5 years).

The discount rate has been calculated on the basis of the NIBE Group's actual cost of capital through a weighting of the Group's yield requirement on equity with the addition of the standard tax rate and an estimated long-term interest rate on the Group's interest-bearing liabilities.

The calculations have not indicated an impairment need for any business area.

Other intangible and tangible assets

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

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

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

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

Research and development costs

Expenditure on research activities is written off as it arises.

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

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



Inventories

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

Financial instruments

NIBE classifies its financial instruments in the following categories: financial instruments measured at fair value through profit or loss, financial assets held to maturity, accounts receivable and loans receivable, financial instruments available for sale, and financial liabilities measured at accrued acquisition value. NIBE has raw materials derivatives for hedge accounting. NIBE also has currency derivatives for hedge accounting, see "Currency hedging" above. For financial years 2009 and 2010, NIBE has no balance sheet items classified as financial assets or liabilities measured at fair value in profit or loss nor any financial assets held to maturity.

The purchase and sale of financial assets is recognised on the transaction date: i.e. the date on which the Group undertakes to purchase or sell the asset. Financial instruments are recognised initially at fair value plus transaction costs, which applies to all financial assets not recognised at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognised initially at fair value, while attributable transaction costs are recognised in profit and 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 and 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 acquisition value using the effective interest rate method.

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

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

Loans receivable and accounts receivable

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

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

Financial assets available for sale

Non-derivative financial assets, where the asset is identified as available for sale or not classified in any of the other categories, are included in the category of financial assets available for sale. Assets in this category are measured continuously at fair value with fair value changes recognised in equity 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 2010, the recoverable amount corresponded to acquisition value.

Financial liabilities measured at accrued acquisition value

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

Receivables and liabilities in foreign currency

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

Impairment of non-financial assets

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

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

Provisions

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

Employee benefits – post-employment benefits

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

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

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

The Group's payments in respect of the ITP occupational pension financed via Alecta are recognised as a defined-contribution plan. See the information in Note 22.

Significant estimates and assumptions for accounting purposes

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

Useful life of intangible and tangible assets

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

Impairment tests for goodwill and Group-wide surpluses in 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". Neither a reduction of the assumed growth rate nor an increase in the assumed discount rate of two percentage points would lead to an impairment requirement.

Provisions

Further information in respect of provisions for the year for the guarantee risk reserve is shown in Note 23.

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 22.

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

Note 3

Information about business areas

| (in millions of SEK) | ELEMENT | | ENERGY SYSTEMS | | STOVES | | ELIMINATIONS | | TOTAL | |
|--------------------------------|---------|---------|----------------|---------|---------|---------|--------------|-----------|----------------|----------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Income | | | | | | | | | | |
| Total earnings | 2,105.7 | 1,879.9 | 4,464.2 | 3,867.2 | 1,299.1 | 1,067.0 | - 1,357.5 | - 1,062.9 | 6,511.5 | 5,751.2 |
| Internal sales | - 346.0 | - 220.9 | - 739.1 | - 582.7 | - 154.9 | - 127.6 | 1,240.0 | 931.2 | - | - |
| External sales | 1,759.7 | 1,659.0 | 3,725.1 | 3,284.5 | 1,144.2 | 939.4 | - 117.5 | - 131.7 | 6,511.5 | 5,751.2 |
| Profit | | | | | | | | | | |
| Profit per business area | 124.5 | 70.4 | 544.7 | 455.8 | 152.8 | 122.2 | - | - | 822.0 | 648.4 |
| Undistributed costs | | | | | | | | | - 25.9 | - 17.1 |
| Operating profit | | | | | | | | | 796.1 | 631.3 |
| Financial income | | | | | | | | | 18.1 | 18.4 |
| Financial expense | | | | | | | | | - 69.1 | - 88.8 |
| Tax for the year | | | | | | | | | - 192.0 | - 148.8 |
| Net profit for the year | | | | | | | | | 553.1 | 412.1 |
| Other information | | | | | | | | | | |
| Assets | 1,487.4 | 1,448.9 | 2,642.0 | 2,355.8 | 1,074.8 | 1,014.4 | - 1,909.9 | - 1,709.8 | 3,294.3 | 3,109.3 |
| Undistributed assets | | | | | | | | | 1,854.3 | 1,684.1 |
| Total assets | | | | | | | | | 5,148.6 | 4,793.5 |
| Liabilities | 1,343.5 | 1,301.4 | 1,486.6 | 1,294.8 | 610.4 | 604.1 | - 1,951.3 | - 1,748.0 | 1,489.2 | 1,452.3 |
| Undistributed liabilities | | | | | | | | | 1,176.7 | 1,151.2 |
| Total liabilities | | | | | | | | | 2,665.9 | 2,603.5 |
| Investment | 48.5 | 33.1 | 92.1 | 103.5 | 26.2 | 16.9 | | | | |
| Depreciation/amortisation | 61.3 | 63.6 | 112.9 | 108.0 | 41.7 | 38.6 | | | | |

SEK 1,922.6 million (2009: SEK 1,606.5 million) of consolidated net sales relate to customers in the Swedish market. Of the Group's non-current assets, SEK 848.5 million (SEK 896.2 million) are located within Sweden. Unallocated costs refer primarily to Group-wide costs in the parent company. Unallocated assets and liabilities refer to the parent company. The parent company's sales refer in their entirety to sales to Group companies.

Note 4

Payments to the auditors

During the year, the parent company paid audit expenses of SEK 0.4 million (2009: SEK 0.4 million), other audit fees of SEK 0.1 million (SEK 0.1 million) and expenses other than audit expenses of SEK 0.5 million (SEK 0.6 million).

| (in millions of SEK) | 2010 | | | 2009 | | |
|--------------------------|------------|------------|-------------|------------|------------|-------------|
| | Mazars | Others | Group total | Mazars | Others | Group total |
| Audit assignments | 1.8 | 3.9 | 5.7 | 1.7 | 4.0 | 5.7 |
| Other audit-related fees | 0.2 | 0.7 | 0.9 | 0.2 | 0.2 | 0.4 |
| Tax advice | - | 0.4 | 0.4 | 0.1 | 0.3 | 0.4 |
| Other services | 0.5 | 0.8 | 1.3 | 0.6 | 0.5 | 1.1 |
| Total | 2.5 | 5.8 | 8.3 | 2.6 | 5.0 | 7.6 |

| (in millions of SEK) | 2010 | | 2009 | |
|----------------------|---------------------------|----------------------------|---------------------------|----------------------------|
| | Social security contrib's | of which pensions expenses | Social security contrib's | of which pensions expenses |
| Parent company | 4.2 | 1.5 | 4.9 | 2.0 |
| Subsidiaries | 302.7 | 76.0 | 287.0 | 73.1 |
| Group total | 306.9 | 77.5 | 291.9 | 75.1 |

SEK 0.7 million (2009: SEK 0.7 million) of the parent company's pension costs relate to the CEO. The parent company's outstanding pension obligations for the Board of Directors and the CEO amounted to SEK 0.8 million (SEK 0.5 million). The corresponding amount for the Group was SEK 4.5 million (SEK 4.3 million). The Group's outstanding pension obligations to the previous Board of Directors and CEO totalled SEK 0.8 million (SEK 0.9 million).

| (in thousands of SEK) | 2010 | | 2009 | |
|---|---------------------------------|----------------------------------|---------------------------------|----------------------------------|
| | Salaries and other remuneration | Retirement benefit contributions | Salaries and other remuneration | Retirement benefit contributions |
| Board and senior management | | | | |
| Arvid Gierow, Chair | 320 | - | 300 | - |
| Georg Brunstam | 160 | - | 150 | - |
| Hans Linnarson | 160 | - | 150 | - |
| Eva-Lotta Kraft | 160 | - | - | - |
| Anders Pålsson | 160 | - | - | - |
| Arne Frank | - | - | 150 | - |
| Rune Dahlberg | - | - | - | 95 |
| Gerteric Lindquist | 2,895 | 734 | 2,666 | 671 |
| Other senior executives: 4 (4) individuals | 8,973 | 2,058 | 8,150 | 2,770 |
| Group total | 12,828 | 2,792 | 11,566 | 3,441 |

Note 5

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

Salaries and other remunerations

| (in millions of SEK) | 2010 | 2009 |
|----------------------|----------------|----------------|
| Parent company | 7.6 | 6.9 |
| Subsidiaries | 1,196.5 | 1,115.9 |
| Group total | 1,204.1 | 1,122.8 |



Remuneration principles and other terms of employment for senior executives

In accordance with the resolution adopted by the annual general meeting, the following principles applied during 2010 and the Board proposes that the same principles continue to apply for 2011, namely:

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

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

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

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

All key management personnel shall have pension benefits corresponding to the ITP occupational pension plan up to 30 basic amounts for social security purposes. For portions of salary above this, a premium of a fixed 30% is payable in accordance with the principles in the new, defined-contribution ITP plan, section 1.

There shall be no special agreements for key management personnel to retire before reaching the official retirement age while still receiving a certain proportion of their salaries until the official retirement age.

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

The Board may ignore the guidelines if there are reasons for doing so in an individual case.

Agreement on severance pay

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

Gender distribution at board/management level

| | 2010 | | 2009 | |
|-----------------------------|-------|-----|-------|-----|
| | Total | Men | Total | Men |
| Board of directors | | | | |
| Parent company | 6 | 5 | 5 | 5 |
| Subsidiaries | 94 | 88 | 90 | 86 |
| Corporate management | | | | |
| Parent company | 2 | 2 | 2 | 2 |
| Subsidiaries | 79 | 74 | 87 | 80 |

Salaries and other remuneration by country for the Board/MD, other senior staff and other employees

| (in millions of SEK) | 2010 | | 2009 | |
|---|-----------------------|-----------------|-----------------------|-----------------|
| | Board/MD senior staff | Other employees | Board/MD senior staff | Other employees |
| Parent company | 6.7 | 1.9 | 5.8 | 1.8 |
| Subsidiaries in | | | | |
| Sweden | 6.1 | 422.3 | 5.8 | 386.7 |
| Norway ¹⁾ (0.4 and 0.2) | - | 98.0 | - | 64.2 |
| Finland ¹⁾ (0.4 and 0.4) | - | 122.4 | - | 128.6 |
| Denmark ¹⁾ (1.0 and 0.6) | - | 214.4 | - | 208.0 |
| France ¹⁾ (0.1 and 0.1) | - | 5.8 | - | 4.6 |
| Germany ¹⁾ (0.0 and 0.1) | - | 22.1 | - | 25.7 |
| Poland ¹⁾ (0.4 and 0.4) | - | 112.8 | - | 103.2 |
| Czech Rep. ¹⁾ (0.3 and 0.5) | - | 59.7 | - | 53.3 |
| Slovakia | - | 0.9 | - | 0.9 |
| Italy | - | 9.0 | - | 11.0 |
| Netherlands ¹⁾ (0.1 and 0.2) | - | 19.1 | - | 20.4 |
| Belgium | - | 0.8 | - | - |
| UK ¹⁾ (0.4 and 0.5) | - | 18.4 | - | 22.8 |
| Spain | - | 16.8 | - | 18.1 |
| Russia | - | 13.6 | - | 10.4 |
| Austria ¹⁾ (0.2 and 0.2) | - | 10.2 | - | 10.4 |
| Switzerland | - | 2.1 | - | 2.1 |
| China | - | 20.2 | - | 17.4 |
| Mexico | - | 18.9 | - | 20.0 |
| USA (0.2 and 0.0) | - | 2.8 | - | 2.4 |
| Group total | 12.8 | 1,192.2 | 11.6 | 1,112.0 |

¹⁾ (of which bonus in millions of SEK)

Average numbers of employees and gender distribution

| | 2010 | | 2009 | |
|--------------------|---------------------|---------------|---------------------|---------------|
| | Number of employees | Number of men | Number of employees | Number of men |
| Parent company | 5 | 3 | 5 | 3 |
| Subsidiaries in | | | | |
| Sweden | 1,303 | 1,076 | 1,226 | 1,013 |
| Norway | 164 | 128 | 125 | 96 |
| Finland | 389 | 280 | 366 | 256 |
| Denmark | 423 | 276 | 396 | 281 |
| France | 15 | 8 | 11 | 6 |
| Germany | 53 | 41 | 60 | 44 |
| Poland | 1,593 | 868 | 1,449 | 852 |
| Czech Republic | 551 | 323 | 514 | 289 |
| Slovakia | 6 | 5 | 6 | 6 |
| Italy | 32 | 18 | 37 | 22 |
| Netherlands | 40 | 32 | 40 | 31 |
| Belgium | 1 | 1 | - | - |
| UK | 68 | 45 | 77 | 56 |
| Spain | 61 | 47 | 59 | 45 |
| Russia | 152 | 107 | 156 | 117 |
| Austria | 26 | 17 | 22 | 16 |
| Switzerland | 4 | 3 | 1 | 1 |
| China | 406 | 215 | 308 | 167 |
| Mexico | 648 | 375 | 652 | 288 |
| USA | 6 | 6 | 6 | 6 |
| Group total | 5,945 | 3,873 | 5,519 | 3,597 |

Note 6

Financial instruments and financial risk management

The NIBE Group's financial assets consist primarily of accounts receivable and bank balances. The financial liabilities consist primarily of credits from credit institutions and accounts payable. The various financial risks which may be associated with these assets and liabilities, and the NIBE Group's method of managing the risks, are described below. The parent company'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, bad debt 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. Our judgement is 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) | 2010 | 2009 |
|---|--------------|--------------|
| Accounts receivable wholly or partly impaired | | |
| - overdue by less than 3 months | 2.6 | 7.0 |
| - overdue by more than 3 months | 26.7 | 31.8 |
| Accounts receivable which have not been impaired | | |
| - overdue by less than 3 months | 159.5 | 125.6 |
| - overdue by more than 3 months | 18.7 | 15.3 |
| Total overdue accounts receivable | 207.5 | 179.7 |
| Provision for bad debt losses | -25.1 | -26.7 |
| Total accounts receivable overdue but not impaired | 182.4 | 153.0 |

Provision for bad debt losses

| (in millions of SEK) | 2010 | 2009 |
|-----------------------------------|-------------|-------------|
| Provisions brought forward | 26.7 | 23.7 |
| Provisions in acquired companies | 0.1 | - |
| Established bad debt losses | -2.6 | -1.3 |
| Reversed provisions | -7.5 | -9.0 |
| Provisions for the year | 10.4 | 13.7 |
| Translation differences | -2.0 | -0.4 |
| Provisions carried forward | 25.1 | 26.7 |

The profit for the year has been charged with SEK 6.0 million (2009: SEK 5.5 million) in respect of bad debt losses which arose on the Group's accounts receivable. Since the Group is a net borrower from the bank, the credit risk in respect of the Group's bank balances is insignificant.

Currency risks

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

Transaction risks

The term "transaction risk" refers to the risk of bad debt 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 2010 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 a fall in the value of the Swedish krona.

| Currency | Group | | Parent company | |
|--------------|------------------------------|--------------------|------------------------------|--------------------|
| | Net flow in (+) / out (-) | Weakening by 1% | Net flow in (+) / out (-) | Weakening by 1% |
| CHF | 12.0 | 0.1 | - | - |
| CNY | - 23.1 | - 0.2 | - | - |
| CZK | 0.2 | - | - | - |
| DKK | 34.7 | 0.3 | - | - |
| EUR | 333.6 | 3.3 | - 0.1 | - |
| GBP | 122.3 | 1.2 | - | - |
| HKD | - 7.6 | - 0.1 | - | - |
| JPY | - 8.9 | - 0.1 | - | - |
| NOK | 125.5 | 1.3 | - 0.2 | - |
| PLN | - 110.9 | - 1.1 | - | - |
| RUB | 4.2 | - | - | - |
| USD | - 2.7 | - | - | - |
| Total | 479.3 | | - 0.3 | |

At the end of 2010, 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 127.4 million (SEK 360 million).

The difference between the amount of all contracts translated to SEK at the contract date rate and the amount of all contracts translated to SEK at the closing day rate at the end of 2010 constitutes an unrealised exchange gain of SEK 17.2 million.

The item "Other receivables" in the consolidated balance sheet includes derivatives with positive fair values of SEK 19.7 million (SEK 16.4 million). The item "Other liabilities" includes derivatives with negative fair values of SEK 2.5 million (SEK 2.6 million).

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

| Currency | Flow Q1 | Flow Q2 | Flow Q3 | Flow Q4 | Average forward rate | Closing day rate | Unrealised gain 31 Dec 10 | Unrealised gain 31 Dec 09 |
|--|------------|------------|------------|------------|----------------------------|---------------------|---------------------------------|---------------------------------|
| | | | | | | | | |
| EUR | 2.6 | 3.0 | 0.1 | 2.9 | 10.52 | 9.00 | 13.0 | 8.6 |
| GBP | 1.5 | 1.2 | 1.2 | 1.7 | 11.20 | 10.55 | 3.6 | 2.4 |
| NOK | 6.0 | 3.0 | 3.0 | 3.0 | 1.23 | 1.15 | 1.1 | 0.6 |
| PLN | - 3.6 | - 3.6 | - 3.6 | - 3.8 | 2.33 | 2.27 | - 0.8 | - |
| USD | - 2.3 | - 1.7 | - 2.0 | - 1.6 | 6.95 | 6.8 | - 1.2 | 0.5 |
| Total | | | | | | | 17.2 | 13.8 |
| Of which recognised in profit or loss against invoices on the closing date | | | | | | | 9.6 | 5.8 |
| Of which recognised in other comprehensive income on the closing date | | | | | | | 7.6 | 8.0 |

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 2010, 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 | 2010 | 2008 |
|--------------|----------------|----------------|
| CHF | 7.2 | 5.3 |
| CZK | 108.0 | 100.5 |
| DKK | 253.1 | 133.6 |
| EUR | 275.4 | 241.3 |
| GBP | 59.2 | 61.9 |
| HKD | 31.2 | 5.0 |
| MXN | 74.5 | 67.0 |
| NOK | 386.4 | 284.9 |
| PLN | 217.3 | 208.7 |
| RON | 1.2 | 1.3 |
| RUB | 35.4 | 18.7 |
| USD | - 56.6 | - 51.0 |
| Total | 1,392.3 | 1,077.2 |

If the Swedish krona falls in value by 1% against the named currencies, this means that the Group's equity is strengthened by SEK 13.9 million (SEK 10.8 million). If the Swedish krona rises in value by 1% against the named currencies, the reverse pertains. Without currency hedging through financing in the same currency, the corresponding amount would have been SEK 20.5 million (SEK 17.5 million).

The parent company'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 equity after the deduction of tax. At the end of the year, the parent company had loans in foreign currency as listed below.

| Currency | 2010 | 2009 |
|--------------|--------------|--------------|
| CZK | 186.8 | 210.0 |
| DKK | 202.5 | 238.7 |
| EUR | 142.8 | 190.9 |
| NOK | 51.8 | - |
| Total | 583.9 | 639.6 |

If the Swedish krona rises in value by 1% against the named currencies, this means that the parent company's equity is strengthened by SEK 5.8 million (SEK 6.4 million). If the Swedish krona falls in value by 1% against the named currencies, the reverse pertains.

Gains and losses on financial instruments

| | Group | | Parent company | |
|--|-------------|------------|----------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| Exchange gains and exchange losses on currency derivatives used for hedge accounting | | | | |
| - recognised in profit or loss | 38.7 | - 15.5 | - | - |
| - recognised in other comprehensive income | - 0.4 | 17.4 | - | - |
| Gains and losses on raw materials derivatives used in hedge accounting | | | | |
| - recognised in profit or loss | 0.4 | - 1.2 | - | - |
| - recognised in other comprehensive income | 0.4 | 0.1 | - | - |
| Exchange gains and exchange losses in other financial assets and liabilities | - 19.3 | 12.6 | - 5.3 | - 3.8 |
| Bad debt losses on accounts receivable | - 6.0 | - 5.5 | - | - |
| Total | 13.8 | 7.9 | - 5.3 | - 3.8 |

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



Fair value of financial instruments

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

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

| Assets 31 Dec 2009 | Loans receivable and accounts receivable | Assets available for sale | Derivatives used for hedge accounting | Non-financial assets | Total carrying amount | Fair value |
|--|--|---------------------------|---------------------------------------|----------------------|-----------------------|------------|
| Intangible assets | - | - | - | 1,018.4 | 1,018.4 | |
| Tangible assets | - | - | - | 1,398.8 | 1,398.8 | |
| Investments held as non-current assets | - | 2.0 | - | - | 2.0 | 2.0 |
| Deferred tax assets | - | - | - | 50.7 | 50.7 | |
| Other non-current receivables | 4.3 | - | - | - | 4.3 | 4.3 |
| Inventories | - | - | - | 1,038.0 | 1,038.0 | |
| Accounts receivable | 802.3 | - | - | - | 802.3 | 802.3 |
| Tax assets | - | - | - | 25.4 | 25.4 | |
| Other receivables | 42.3 | - | 16.6 | - | 58.9 | 58.9 |
| Prepaid expenses and accrued income | - | - | - | 45.6 | 45.6 | |
| Cash and bank balances | 349.1 | - | - | - | 349.1 | 349.1 |
| Total assets | 1,198.0 | 2.0 | 16.6 | 3,576.9 | 4,793.5 | |

| Equity and liabilities 31 Dec 2010 | Financial liabilities valued at accrued acquisition value | Derivatives used for hedge accounting | Non-financial items | Total carrying amount | Fair value |
|--|---|---------------------------------------|---------------------|-----------------------|------------|
| Equity | - | - | 2,482.7 | 2,482.7 | |
| Provisions | - | - | 411.0 | 411.0 | |
| Non-current liabilities* | 938.2 | - | - | 938.2 | 938.2 |
| Current liabilities to credit institutions | 180.6 | - | - | 180.6 | 180.6 |
| Accounts payable | 532.3 | - | - | 532.3 | 532.3 |
| Advance payments from customers | 6.2 | - | - | 6.2 | 6.2 |
| Tax liabilities | - | - | 79.1 | 79.1 | |
| Other liabilities | 173.1 | 2.5 | - | 175.6 | 175.6 |
| Accrued expenses and deferred income | 342.9 | - | - | 342.9 | 342.9 |
| Total equity and liabilities | 2,173.3 | 2.5 | 2,978.8 | 5,148.6 | |

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

| Equity and liabilities 31 Dec 2009 | Financial liabilities valued at accrued acquisition value | Derivatives used for hedge accounting | Non-financial items | Total carrying amount | Fair value |
|--|---|---------------------------------------|---------------------|-----------------------|------------|
| Equity | - | - | 2,190.0 | 2,190.0 | |
| Provisions | - | - | 249.0 | 249.0 | |
| Non-current liabilities* | 1,350.1 | - | - | 1,350.1 | 1,350.1 |
| Current liabilities to credit institutions | 159.0 | - | - | 159.0 | 159.0 |
| Accounts payable | 355.8 | - | - | 355.8 | 355.8 |
| Advance payments from customers | 2.8 | - | - | 2.8 | 2.8 |
| Tax liabilities | - | - | 29.2 | 29.2 | |
| Other liabilities | 150.6 | 2.6 | - | 153.2 | 153.2 |
| Accrued expenses and deferred income | 304.4 | - | - | 304.4 | 304.4 |
| Total equity and liabilities | 2,322.7 | 2.6 | 2,468.2 | 4,793.5 | |

* of which SEK 677.6 million refers to loans in foreign currencies to hedge net investment in foreign operations.

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 this is expected to continue 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 company | |
|----------------------|--------------|----------------|----------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| 1 – 3 years | 305.2 | 329.7 | 158.2 | 170.0 |
| 3 – 5 years | 321.1 | 384.5 | 159.0 | 182.5 |
| 5 – 7 years | 202.4 | 224.9 | 150.0 | 177.7 |
| 7 – 9 years | 113.9 | 140.2 | 82.7 | 110.8 |
| 10 years or more | 32.7 | 42.0 | 11.6 | 20.9 |
| Total | 975.3 | 1,121.3 | 561.5 | 661.9 |

The above cash flows are based on average interest rates on interest-bearing liabilities for 2010 and 2009 respectively. The effect of a change in interest rates is described below under the heading of Interest rate risks.

Interest rate risks

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

The Group's interest-bearing liabilities at the year-end amounted to SEK 1,132.8 million. The average interest rate was 3.8%. A rise in the interest rate of 1% on constant liabilities would have a negative impact on the Group of SEK 11.3 million.

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

The parent company's interest-bearing liabilities at the year-end amounted to SEK 761.8 million. A change in the interest rate of 1% on constant liabilities would affect parent company results by SEK 7.6 million.

Hedge accounting

During 2010 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).
- Price hedging of raw materials through raw materials derivatives – see also Note 2. At the end of 2010 outstanding contracts maturing in Q1 2011 totalled SEK 5.0 million, with SEK 0.4 million in unrealised gains.
- Hedge accounting through financing net investments in foreign operations in foreign currency: this means that exchange-rate fluctuations on such loan liabilities are recognised direct in equity provided that there is a net asset in the consolidated balance sheet to hedge.

For information on the amounts recognised in other comprehensive income, see the income statements on page 58.

Capital risks

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 average equity/assets ratio has been 39.9%. The Group has the ability to counteract any shortage of capital through new issues or reductions in dividends. Capital is defined in the NIBE Group as total equity as recognised in the balance sheet (see page 62). The covenants set by the Group's external creditors were met by good margins.

Note 7

Leasing

During the year, Group expenses relating to finance leasing agreements totalling SEK 1.2 million (2009: SEK 0.5 million) were capitalised. Leasing charges amounting to SEK 73.1 million (SEK 70.9 million) in respect of operating leases in the Group were expensed. The parent company has no leasing agreements. The value of the Group's agreed future leasing charges, relating to agreements for which the remaining term exceeds one year, are distributed as follows:

| (in millions of SEK) | Finance leases | | | Operating leases |
|--|----------------|------------|---------------|------------------|
| | Payments | Interest | Current value | Nominal value |
| Due for payment within 1 year | 1.9 | 0.2 | 1.7 | 42.5 |
| Due for payment within 2 – 5 years | 3.5 | 0.1 | 3.4 | 101.7 |
| Due for payment within 6 years or more | 0.6 | 0.0 | 0.6 | 54.5 |
| Total | 6.0 | 0.3 | 5.7 | 198.7 |

| Non-current assets held through finance leasing agreements | Cost | | Carrying amount |
|--|------------|--------------|-----------------|
| | Cost | Depreciation | |
| Machinery | 4.0 | 1.7 | 2.3 |
| Equipment and fittings | 1.5 | 0.7 | 0.8 |
| Total | 5.5 | 2.4 | 3.1 |

Note 8

Research and development costs

A total of SEK 122.5 million (2009: SEK 98.3 million) is included under the heading "Cost of goods sold" to cover the cost of research and development.

Note 9

Other operating income

| (in millions of SEK) | Group | | Parent company | |
|--------------------------------------|--------------|--------------|----------------|----------|
| | 2010 | 2009 | 2010 | 2009 |
| Profit on sale of non-current assets | 0.9 | 0.9 | - | - |
| Exchange gains | 97.7 | 151.2 | - | - |
| Other | 28.7 | 20.3 | - | - |
| Total | 127.3 | 172.4 | - | - |

Note 10

Result of participations in Group companies and associates

Result of participations in Group companies

| (in millions of SEK) | Group | | Parent company | |
|----------------------|----------|----------|----------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| Group contributions | - | - | 37.0 | 50.0 |
| Dividend | - | - | 203.2 | 217.6 |
| Total | - | - | 240.2 | 267.6 |

Note 11

Interest income and similar profit/loss items

| (in millions of SEK) | Group | | Parent company | |
|----------------------------------|-------------|-------------|----------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Interest income, Group companies | - | - | 6.9 | 8.1 |
| Interest income, other | 4.6 | 3.9 | 0.7 | 0.3 |
| Exchange gains | 12.8 | 13.8 | 3.6 | 5.1 |
| Other financial income | 0.7 | 0.7 | - | - |
| Total | 18.1 | 18.4 | 11.2 | 13.5 |



Note 12

Interest expense and similar profit/loss items

| (in millions of SEK) | Group | | Parent company | |
|-----------------------------------|-------------|-------------|----------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Interest expense, Group companies | - | - | 2.1 | 1.3 |
| Interest expense, other | 50.8 | 66.8 | 21.4 | 33.9 |
| Exchange losses | 16.6 | 20.8 | 8.8 | 8.8 |
| Other financial expense | 1.7 | 1.2 | - | - |
| Total | 69.1 | 88.8 | 32.3 | 44.0 |

Note 13

Tax

| (in millions of SEK) | Group | | Parent company | |
|--|--------------|--------------|----------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| Actual tax for the year | 227.4 | 173.3 | 0.2 | 0.3 |
| Actual tax attributable to preceding years | - 3.8 | - 2.0 | - | - |
| Deferred tax | - 31.6 | - 22.5 | - 0.2 | - 0.2 |
| Total | 192.0 | 148.8 | - | 0.1 |

Tax in respect of items charged directly against other recognised income

| (in millions of SEK) | Group | | Parent company | |
|---|-------------|-------------|----------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| Market valuation of currency futures | - 0.1 | 4.5 | - | - |
| Currency hedge | 24.1 | 9.3 | 22.6 | 8.2 |
| Currency translation of loans to subsidiaries | - 0.5 | - 0.9 | - | - |
| Total | 23.5 | 12.9 | 22.6 | 8.2 |

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

| (in millions of SEK) | Group | | Parent company | |
|------------------------------------|--------------|--------------|----------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| Pre-tax profit | 745.1 | 560.9 | 203.4 | 217.8 |
| Tax at current rate | 195.9 | 147.5 | 53.5 | 57.3 |
| Non-deductible expenses | 15.1 | 14.5 | - | - |
| Non-taxable earnings | - 8.9 | - 8.1 | - | - |
| Dividends from subsidiaries | - | - | - 53.5 | - 57.2 |
| Adjusted tax for preceding years | - 3.8 | - 2.0 | - | - |
| Deficit deductions not carried fwd | 2.0 | 5.3 | - | - |
| Effect of foreign tax rates | - 8.3 | - 8.4 | - | - |
| Recognised tax expenses | 192.0 | 148.8 | - | 0.1 |

Tax rate

The current tax rate has been calculated on the basis of the tax rate which applies for the parent company, namely 26.3% (2009: 26.3%).

Temporary differences

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

Deferred tax liabilities

| (in millions of SEK) | Group | | Parent company | |
|---|--------------|--------------|----------------|----------|
| | 2010 | 2009 | 2010 | 2009 |
| Group surplus value in non-current assets | 48.3 | 28.5 | - | - |
| Untaxed reserves | 62.4 | 81.1 | - | - |
| Temporary differences in non-current assets | 10.3 | 9.8 | - | - |
| Hedge of net investment | - | - | 0.2 | - |
| Other factors | 18.0 | 18.9 | - | - |
| Total | 139.0 | 138.3 | 0.2 | - |

| (in millions of SEK) | Group surplus value in non-current assets | Temporary differences in non-current assets | Untaxed reserves | Other factors | Total |
|------------------------------|---|---|------------------|---------------|--------------|
| | | | | | |
| Acquired companies | 16.9 | - | 2.3 | 0.3 | 19.5 |
| Recognised as income | 4.1 | - 18.9 | 0.2 | - 1.5 | - 16.1 |
| Recognised as other | - | - | - | 2.4 | 2.4 |
| Translation difference | - 1.2 | 0.2 | - 2.0 | - 2.1 | - 5.1 |
| Amount at end of year | 48.3 | 62.4 | 10.3 | 18.0 | 139.0 |

Deferred tax assets

| (in millions of SEK) | Group | | Parent company | |
|-------------------------|-------------|-------------|----------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Amount at start of year | 2.1 | 0.2 | - | - |
| Loss carry-forwards | 5.4 | 8.0 | - | - |
| Hedge of net investment | - 0.7 | 23.1 | - | 22.1 |
| Other factors | 42.3 | 19.4 | - | 0.2 |
| Total | 49.1 | 50.7 | - | 22.3 |

| (in millions of SEK) | Temporary differences in non-current assets | Loss-carry forward | Hedge of net investment in foreign operations | Other factors | Total |
|------------------------------|---|--------------------|---|---------------|-------------|
| | | | | | |
| Acquired companies | 2.2 | 1.1 | - | 2.2 | 5.5 |
| Recognised as income | - 0.1 | - 2.9 | - | 18.5 | 15.5 |
| Recognised as other | - 0.2 | - | - 23.8 | 2.9 | - 21.1 |
| Translation difference | - | - 0.8 | - | - 0.7 | - 1.5 |
| Amount at end of year | 2.1 | 5.4 | - 0.7 | 42.3 | 49.1 |

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

Accumulated losses carried forward/deficit deductions which do not correspond to deferred income taxes recoverable for the Group amounted to SEK 123.3 million (SEK 139.7 million). The due dates lie within the following intervals:

Due dates for loss carry-forwards/deficit deductions which have not been balanced

| (in millions of SEK) | Group | |
|---------------------------|--------------|--------------|
| | 2010 | 2009 |
| Due date 1-5 yrs | 7.6 | 13.4 |
| Due date 6-10 yrs | 28.8 | - |
| Due date 10 years or more | 16.4 | 49.6 |
| Due date undetermined | 70.5 | 76.7 |
| Total | 123.3 | 139.7 |

Note 14

Goodwill

| (in millions of SEK) | Group | |
|---|----------------|----------------|
| | 2010 | 2009 |
| Acquisition value | | |
| Acquisition value brought fwd | 1,002.5 | 954.9 |
| Acquisition value in companies acquired | 0.2 | - |
| Investment for the year | 169.2 | 63.3 |
| Translation differences | - 83.0 | 15.7 |
| Accumulated acquisition value carried forward | 1,088.9 | 1,002.5 |
| Amortisation | | |
| Amortisation value brought forward | 89.0 | 92.1 |
| Amortisation in companies acquired | 0.1 | - |
| Translation differences | - 7.7 | - 3.1 |
| Accumulated amortisation value carried forward | 81.4 | 89.0 |
| Carrying amount carried forward | 1,007.5 | 913.5 |
| Carrying amount by business area | | |
| NIBE Element | 175.0 | 161.3 |
| NIBE Energy Systems | 552.0 | 485.1 |
| NIBE Stoves | 280.5 | 267.1 |
| Total | 1,007.5 | 913.5 |

Note 15

Other intangible assets

Rights of tenancy, patents, development costs, licences, trademarks, market position, etc.

| (in millions of SEK) | Group | |
|--|--------------|--------------|
| | 2010 | 2009 |
| Acquisition value | | |
| Acquisition value brought fwd | 148.1 | 113.0 |
| Acquisition value in companies acquired | 13.7 | - |
| Investment for the year | 96.8 | 37.0 |
| Sales and retirements | - 0.9 | - |
| Reclassifications | - 0.9 | 0.3 |
| Translation differences | - 8.7 | - 2.2 |
| Accumulated acquisition value carried forward | 248.1 | 148.1 |
| Amortisation | | |
| Amortisation brought forward | 43.2 | 31.1 |
| Amortisation in companies acquired | 8.1 | - |
| Sales and retirements | - 0.9 | - |
| Amortisation for the year | 20.8 | 13.4 |
| Translation differences | - 4.1 | - 1.3 |
| Accumulated amortisation carried forward | 67.1 | 43.2 |
| Carrying amount carried forward* | 181.0 | 104.9 |

* This includes a Group-wide surplus in trademarks of SEK 43.2 million (2009: SEK 0.0 million) which has not been amortised, of which NIBE Element represents SEK 3.6 million (SEK 0.0 million), NIBE Energy Systems SEK 28.8 million (SEK 0.0 million) and NIBE Stoves SEK 10.8 million (SEK 0.0 million). An annual impairment test is, however, carried out in accordance with IAS 36. This is described in detail in Note 2

Amortisation of other intangible assets has been expensed in the following functions:

| (in millions of SEK) | Group | |
|-------------------------|-------------|-------------|
| | 2010 | 2009 |
| Cost of goods sold | 19.0 | 11.5 |
| Selling expenses | 0.8 | 0.4 |
| Administrative expenses | 1.0 | 1.5 |
| Total | 20.8 | 13.4 |

Note 16

Land and buildings

| (in millions of SEK) | Group | |
|--|----------------|----------------|
| | 2010 | 2009 |
| Acquisition value | | |
| Acquisition value brought fwd | 1,062.4 | 1,068.3 |
| Investment for the year | 5.9 | 6.8 |
| Sales and retirements | - 0.6 | - |
| Reclassifications | 15.6 | 10.4 |
| Translation differences | - 63.9 | - 23.1 |
| Accumulated acquisition value carried forward | 1,019.4 | 1,062.4 |
| Depreciation | | |
| Depreciation brought forward | 341.9 | 316.1 |
| Depreciation for the year | 33.0 | 33.5 |
| Translation differences | - 23.0 | - 7.7 |
| Accumulated depreciation carried forward | 351.9 | 341.9 |
| Carrying amount carried forward | 667.5 | 720.5 |
| of which, land | 49.6 | 52.6 |
| Carrying amount of land and buildings in Sweden | 296.4 | 306.5 |
| Assessed tax value (Sweden) | 137.4 | 132.9 |
| of which, land | 13.1 | 13.4 |

New construction, renovations and rebuilds in Sweden during 2010 have not yet been assessed for tax purposes.

Note 17

Machinery and equipment

| (in millions of SEK) | Group | | Parent company | |
|---|----------------|----------------|----------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| Acquisition value | | | | |
| Acquisition value brought fwd | 1,869.1 | 1,842.1 | 0.4 | 0.4 |
| Acq. value in companies acq'd | 22.2 | 0.2 | - | - |
| Investment for the year | 107.8 | 92.4 | - | - |
| Sales and retirements | - 25.0 | - 47.5 | - | - |
| Reclassifications | 5.8 | 17.7 | - | - |
| Translation differences | - 118.5 | - 35.8 | - | - |
| Accumulated acquisition value carried forward | 1,861.4 | 1,869.1 | 0.4 | 0.4 |
| Depreciation | | | | |
| Depreciation brought fwd | 1,225.4 | 1,127.4 | 0.4 | 0.3 |
| Depreciation in companies acq'd | 10.5 | - | - | - |
| Sales and retirements | - 18.3 | - 41.8 | - | - |
| Reclassifications | - 1.2 | - | - | - |
| Depreciation for the year | 162.1 | 163.2 | - | 0.1 |
| Translation differences | - 85.6 | - 23.4 | - | - |
| Accumulated depreciation carried forward | 1,292.9 | 1,225.4 | 0.4 | 0.4 |
| Impairment | | | | |
| Impairment brought fwd | 1.3 | 1.3 | - | - |
| Translation differences | - 0.1 | - | - | - |
| Accumulated impairment carried forward | 1.2 | 1.3 | - | - |
| Reversal of impairment amounts | | | | |
| Reversal of impairment amounts brought fwd | 0.2 | 0.3 | - | - |
| Translation differences | - | - 0.1 | - | - |
| Accumulated reversal of impaired amounts carried forward | 0.2 | 0.2 | - | - |
| Carrying amount carried fwd | 567.5 | 642.6 | - | - |

Note 18

Construction in progress

| (in millions of SEK) | Group | |
|--|-------------|-------------|
| | 2010 | 2009 |
| Acquisition value | | |
| Acquisition value brought fwd | 35.7 | 34.6 |
| Expenses during the year | 28.6 | 31.2 |
| Re-allocations during the year | - 21.4 | - 28.7 |
| Translation differences | - 2.2 | - 1.4 |
| Accumulated acquisition value carried fwd | 40.7 | 35.7 |



Note 19

Shares in subsidiaries

| | Proportion of capital | Number of shares | Carrying amount |
|-----------------------------|-----------------------|------------------|-----------------|
| ABK AS | 50.0% | 250 | 155.0 |
| Backer BHV AB | 100.0% | 37,170 | 186.4 |
| Brøderna Håkansson Värme AB | 100.0% | 15,000 | 10.5 |
| DZD Strojirna s.r.o. | 100.0% | 7 | 198.9 |
| Jevi A/S | 100.0% | 1 | 29.9 |
| Kaukora Oy | 100.0% | 1,100 | 135.6 |
| Lotus Heating Systems A/S | 100.0% | 1,076,667 | 57.9 |
| Loval Oy | 100.0% | 768 | 39.6 |
| METRO THERM A/S | 100.0% | 3,400 | 180.6 |
| NIBE AB | 100.0% | 400,000 | 153.2 |
| Nordpeis AS | 100.0% | 12,100 | 155.4 |
| Russian boilers holding AB | 75.0% | 150,000 | 115.4 |
| SAN Electro Heat A/S | 100.0% | 13 | 17.7 |
| TermaTech A/S | 100.0% | 500 | 62.4 |
| Vabro Holding ApS | 100.0% | 453 | 31.2 |
| Total parent company | | | 1,529.7 |

Shares owned via subsidiaries

| | Proportion of capital | Number of shares |
|--|-----------------------|------------------|
| Archi Form Nemi GmbH | 100.0% | |
| Backer Alpe S. de R.L. de C.V. | 100.0% | |
| Backer Alpe Servicios S. de R.L. de C.V. | 100.0% | |
| Backer Calesco France SARL | 100.0% | 12,429 |
| Backer Elektro CZ a.s. | 100.0% | |
| Backer Facsa S.L. | 100.0% | 34,502 |
| Backer Fer s.r.l. | 100.0% | |
| Backer Heating Technologies Inc | 100.0% | 100 |
| Backer OBR Sp. z o.o. | 100.0% | 10,000 |
| CJSC Evan | 100.0% | 8,331 |
| Climacon AS | 100.0% | 780 |
| Danotherm Electric A/S | 100.0% | 1,000 |
| DZD Slovensko Spol s.r.o. | 100.0% | |
| Eltop Praha s.r.o. | 100.0% | |
| Heatrod Elements Ltd | 100.0% | 68,000 |
| Høiax AS | 100.0% | 1,000 |
| Kiloval Oy | 100.0% | 33 |
| KNV Energietechnik GmbH | 100.0% | |
| KVM-Conheat A/S | 100.0% | 600 |
| Lund & Sørensen AB | 100.0% | 1,000 |
| Lund & Sørensen A/S | 100.0% | 500 |
| Lund & Sørensen Electric Heating Inc | 100.0% | |
| METRO THERM AB | 100.0% | 1,000 |
| Meyer Vastus AB, Oy | 100.0% | 20 |
| Naturenergi IWABO AB | 100.0% | 1,000 |
| NIBE Beteiligungsverwaltungs GmbH | 100.0% | |
| NIBE-BIAWAR Sp. z o.o. | 100.0% | 83,962 |
| NIBE Element Company Ltd | 100.0% | |
| NIBE Energietechnik B.V. | 100.0% | 180 |
| NIBE Energy Systems Ltd | 100.0% | 100 |
| NIBE Energy Systems Oy | 100.0% | 15 |
| NIBE Foyers France S.A.S. | 100.0% | 370 |
| NIBE Kamini LLC | 100.0% | |
| NIBE Systemtechnik GmbH | 100.0% | |
| NIBE Wärmetechnik AG | 100.0% | 100 |
| Norske Backer AS | 100.0% | 12,000 |
| Northstar Poland Sp. z o.o. | 100.0% | 3,134 |
| S.C. KNV Pompe de Caldura SRL | 100.0% | |
| Shel Holding Ltd | 100.0% | 50,000 |
| Shel NIBE Manufacturing Co Ltd | 100.0% | 1,000 |
| Sinus-Jevi Electric Heating B.V. | 100.0% | 180 |
| Sol & Energiteknik SE AB | 100.0% | 1,000 |
| Varde Ovne A/S | 100.0% | 802 |
| Vølund Varmeteknik A/S | 100.0% | 1,000 |

Details of subsidiaries

| | Corporate ID number | Registered office |
|--|-----------------------|---------------------------------|
| ABK AS | 959 651 094 | Oslo, Norway |
| Archi Form Nemi GmbH | HRB 1490 | Elmshorn, Germany |
| Backer Alpe S. de R.L. de C.V. | BAL0805266BA | Mexico City, Mexico |
| Backer Alpe Servicios S. de R.L. de C.V. | BAS080526AA8 | Mexico City, Mexico |
| Backer BHV AB | 556053-0569 | Hässleholm, Sweden |
| Backer Calesco France Sarl | 91379344781 | Lyon, France |
| Backer Elektro CZ a.s. | 60469617 | Hlinsko, Czech Rep. |
| Backer Facsa S.L. | B-62.928.361 | Aiguafreda, Spain |
| Backer FER s.r.l. | REA: 173478 (Ferrara) | Sant'Agostino, Italy |
| Backer Heating Technologies Inc | 36-4044600 | Chicago, USA |
| Backer OBR Sp. z o.o. | 008358936 | Pyrzyce, Poland |
| Brøderna Håkansson Värme AB | 556108-0259 | Höör, Sweden |
| CJSC Evan | 1065260108517 | Nizhny Novgorod, Russia |
| Climacon AS | 981 586 719 | Oslo, Norway |
| Danotherm Electric A/S | 10 12 60 61 | Rødovre, Denmark |
| DZD Slovensko Spol s.r.o. | 36372056 | Bratislava, Slovakia |
| DZD Strojirna s.r.o. | 45148465 | Benátky nad Jizerou, Czech Rep. |
| Eltop Praha s.r.o. | 44795751 | Miretice, Czech Rep. |
| Heatrod Elements Ltd | 766 637 | London, UK |
| Høiax AS | 936 030 327 | Fredrikstad, Norway |
| Jevi A/S | 12 85 42 77 | Vejle, Denmark |
| Kaukora Oy | 0138194-1 | Raisio, Finland |
| Kiloval Oy | 0754792-2 | Lovisa, Finland |
| KNV Energietechnik GmbH | 78375h | Schörfling, Austria |
| KVM-Conheat A/S | 14 46 85 87 | Vissenbjerg, Denmark |
| Lotus Heating Systems A/S | 26 11 04 75 | Langeskov, Denmark |
| Loval Oy | 0640930-9 | Lovisa, Finland |
| Lund & Sørensen AB | 556731-8562 | Mölnådal, Sweden |
| Lund & Sørensen A/S | 25 64 75 99 | Vejle, Denmark |
| Lund & Sørensen Electric Heating Inc | | Tianjin, China |
| METRO THERM AB | 556554-1603 | Kalmar, Sweden |
| METRO THERM A/S | 20 56 71 12 | Helsingø, Denmark |
| Meyer Vastus AB, Oy | 0215219-8 | Monninkylä, Finland |
| Naturenergi IWABO AB | 556663-0355 | Böllnäs, Sweden |
| NIBE AB | 556056-4485 | Markaryd, Sweden |
| NIBE Beteiligungsverwaltungs GmbH | 295717d | Vienna, Austria |
| NIBE-BIAWAR Sp. z o.o. | 050042407 | Bialystok, Poland |
| NIBE Element Company Ltd | 440301503227017 | Shenzhen, China |
| NIBE Energietechnik B.V. | 20111793 | Willemstad, Netherlands |
| NIBE Energy Systems Ltd | 5764 775 | Sheffield, UK |
| NIBE Energy Systems Oy | 09314276 | Helsinki, Finland |
| NIBE Foyers France S.A.S. | 491 434 965 | Lyon, France |
| NIBE Kamini LLC | 1105 0100 00303 | Dubna, Russia |
| NIBE Systemtechnik GmbH | HRB 5879 | Celle, Germany |
| NIBE Wärmetechnik AG | CH-0203032834-0 | Flurlingen, Switzerland |
| Nordpeis AS | 957 329 330 | Lierskogen, Norway |
| Norske Backer AS | 919 799 064 | Kongsvinger, Norway |
| Northstar Poland Sp. z o.o. | 570844191 | Trzcianka, Poland |
| Russian boilers holding AB | 556743-8295 | Malmö, Sweden |
| SAN Electro Heat A/S | 42 16 59 13 | Graested, Denmark |
| S.C. KNV Pompe de Caldura SRL | 1914 6792 | Bistrita-Nasaud, Romania |
| Shel Holding Ltd | 1 309 597 | London, UK |
| Shel NIBE Manufacturing Co Ltd | 866 531 | Hong Kong, China |
| Sinus-Jevi Electric Heating B.V. | 37106129 | Medemblik, Netherlands |
| Sol & Energiteknik SE AB | 556633-8140 | Jönköping, Sweden |
| TermaTech A/S | 27 24 52 77 | Hasselager, Denmark |
| Vabro Holding ApS | 21 08 92 30 | Gram, Denmark |
| Varde Ovne A/S | 21 55 49 79 | Gram, Denmark |
| Vølund Varmeteknik A/S | 32 93 81 08 | Videbaek, Denmark |

Note 20

Shares in associates

Shares in associates held by the Group/parent company

| Name | Corporate ID number | Registered office | No. of shares |
|--------------------------|---------------------|-------------------|---------------|
| Linmet Glas-Keramik GmbH | HRB42968 | Berlin, Germany | - |
| Naturwärme GmbH | DE 218460267 | Mühlau, Germany | 7,500 |

| | Share of equity | Carrying value | Group share of profit after tax | Group share of equity |
|--------------------------|-----------------|----------------|---------------------------------|-----------------------|
| (in millions of SEK) | | | 2010 | 2010 |
| Linmet Glas-Keramik GmbH | 33.3% | 0.0 | 0.0 | 0.0 |
| Naturwärme GmbH | 30.0% | 0.0 | 0.0 | 0.0 |
| Total | | 0.0 | 0.0 | 0.0 |

Note 21

Share capital

| | Quota value (SEK) | Number of A shares | Number of B shares | Total shares |
|-------------|-------------------|--------------------|--------------------|--------------|
| At year-end | 0.625 | 13,160,256 | 80,759,744 | 93,920,000 |

The dividend for 2010 proposed but not yet approved is SEK 1.75 per share. This corresponds to a total payout of SEK 164.4 million.

Each class "A" share entitles the holder to ten votes at the Annual General Meeting. Each class "B" share entitles the holder to one vote. All shares give the same right to dividends.

At the end of 2010 there were no convertible bonds or options that can dilute the share capital, nor were there any at the end of the preceding year.

Note 22

Provisions for post-employment benefits

| | Group | |
|---------------------------|-------------|-------------|
| (in millions of SEK) | 2010 | 2009 |
| FPG/PRI-pensions | 29.2 | 26.2 |
| Other pensions | 6.0 | 5.2 |
| Amount at year-end | 35.2 | 32.7 |

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 2010 financial year the company has not had access to the kind of information that would enable it to recognise this plan in the accounts as a defined-benefit plan. The ITP occupational pension plan secured through an insurance policy with Alecta is, therefore, recognised as a defined-contribution plan. The contributions for the year for pension insurance policies taken out with Alecta amounted to SEK 8.4 million (2009: SEK 10.5 million). Alecta's surplus can be distributed to the policy holders and/or the insured. At the 2010 year-end Alecta's surplus in the form of the collective funding ratio was 146% (2009: 141%). 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 for Swedish companies for which the calculations and payments are handled through PRI Pensionstjänst AB. Consequently, no assets under management are held for the purpose of securing retirement benefits. As far as other countries are concerned, Norway has defined-benefit pensions which are calculated and paid by the employer.

Defined-contribution plans

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

Commitments in respect of employee benefits, defined-benefit plans

| | Group | |
|---|-------------|-------------|
| (in millions of SEK) | 2010 | 2009 |
| Pension commitments in unfunded plans, present value | 50.2 | 47.8 |
| Unrealised actuarial gains (+), losses (-), pension commitments | - 15.0 | - 15.1 |
| Provision for pensions, unfunded plans | 35.2 | 32.7 |
| Net liability according to balance sheet | 35.2 | 32.7 |

Total pension costs

| | Group | |
|---|-------------|-------------|
| (in millions of SEK) | 2010 | 2009 |
| Pensions earned during the period | 1.6 | 2.1 |
| Interest on the commitment | 1.7 | 1.7 |
| Actuarial gains/losses during the period | 0.6 | 0.4 |
| Pension costs, defined-benefit plans | 3.9 | 4.2 |
| Pension costs, defined-contribution plans | 73.6 | 70.9 |
| Total pension cost | 77.5 | 75.1 |

Reconciliation of pension provisions

| | Group | |
|--|-------------|-------------|
| (in millions of SEK) | 2010 | 2009 |
| Pension liabilities, balance brought forward | 32.7 | 29.8 |
| Pension costs | 3.9 | 4.2 |
| Benefits paid | - 1.4 | - 1.3 |
| According to balance sheet | 35.2 | 32.7 |

Pension payments during 2011 are expected to total SEK 1.3 million.

Reconciliation of pension commitments

| | Group | |
|---|-------------|-------------|
| (in millions of SEK) | 2010 | 2009 |
| Pension commitments in unfunded plans, present value at start of year | 47.8 | 40.7 |
| Pension costs | 3.9 | 4.2 |
| Benefits paid | - 1.4 | - 1.1 |
| Actuarial gains/losses during the year | - 0.1 | 4.2 |
| Pension commitments in unfunded plans, present value at year-end | 50.2 | 47.8 |

Actuarial assumptions

| | Group | |
|------------------------------|-------|-------|
| (%) | 2010 | 2009 |
| Discount rate on 1 January | 4.00% | 4.50% |
| Discount rate on 31 December | 4.00% | 4.00% |
| Expected salary increases | 3.00% | 3.00% |
| Expected inflation | 2.00% | 2.00% |

Parent company

The parent company's reported pension liabilities amount to SEK 1.1 million (2009: SEK 0.6 million). They have been calculated in accordance with the provisions of Sweden's Pension Obligations Vesting Act (*Tryggandelagen*) and not in accordance with IAS 19.



Note 23

Other provisions

| Group (in millions of SEK) | Guarantee risk reserve | Other | Total Group | Parent company |
|-------------------------------|---------------------------|--------------|----------------|-------------------|
| Amount at start of year | 66.5 | 11.5 | 78.0 | - |
| Provisions during the year | 94.7 | 112.6 | 207.3 | 97.3 |
| Amount utilised during year | - 35.9 | - 1.2 | - 37.1 | - |
| Reversals in provisions | - 3.8 | - 1.0 | - 4.8 | - |
| Translation differences | - 4.9 | - 1.7 | - 6.6 | - |
| Amount at year-end | 116.6 | 120.2 | 236.8 | 97.3 |

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

Note 24

Bank overdraft facilities

Credit facilities granted in the Group totalled SEK 1,341.1 million (2009: SEK 1,603.9 million). The Group's overdraft was reduced during the year by SEK 262.8 million. The facility granted for the parent company was SEK 919.0 million (SEK 1,249.2 million), which represents a reduction of SEK 330.2 million during the year. Agreements are in place on long-term refinancing.

Note 25

Accrued expenses and deferred income

| (in millions of SEK) | Group | | Parent company | |
|---------------------------|--------------|--------------|----------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| Accrued salaries | 129.1 | 129.2 | 2.0 | 1.9 |
| Accrued payroll overheads | 59.9 | 54.1 | 1.4 | 1.6 |
| Other items | 153.9 | 121.1 | 3.6 | 4.0 |
| Amount at year-end | 342.9 | 304.4 | 7.0 | 7.5 |

Note 26

Pledged assets

| (in millions of SEK) | Group | | Parent company | |
|--------------------------------------|----------------|----------------|----------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| Floating charges | 103.4 | 122.4 | - | - |
| Real estate mortgages | 263.4 | 341.6 | - | - |
| Receivables | 82.0 | 1.4 | 0.8 | 0.5 |
| Shares in subsidiaries ¹⁾ | 1,883.5 | 1,693.4 | 396.9 | 417.8 |
| Total pledged assets | 2,332.3 | 2,158.8 | 397.7 | 418.3 |

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

| | | | | |
|--|-------|-------|-------|-------|
| | 589.5 | 807.6 | 589.5 | 807.6 |
|--|-------|-------|-------|-------|

Note 27

Contingent liabilities

| (in millions of SEK) | Group | | Parent company | |
|---|-------------|-------------|----------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Pension commitments not entered under liabilities or provisions | 1.4 | 1.9 | - | - |
| Contingent liabilities on behalf of other Group companies | - | - | 34.7 | 33.2 |
| Other contingent liabilities, leasing | 29.5 | 3.4 | - | - |
| Other contingent liabilities, rent for premises | 61.3 | 58.4 | - | - |
| Total contingent liabilities | 92.2 | 63.7 | 34.7 | 33.2 |

Note 28

Acquisition of business operations

In April, an agreement was signed for the acquisition of the Danish company, Lotus Heating Systems A/S, in accordance with the option agreement entered into in April 2008. The company, which has sales of approximately SEK 120 million and an operating margin of 8% has been consolidated into the NIBE Stoves business area with effect from 1 April.

In April, an agreement was also signed for a two-stage acquisition of the Norwegian company, ABK AS. Initially, 50% of the shares in the company were acquired and the remaining 50% will be acquired in 2014. Since there is an obligation to acquire the residual shares, a provision has been recognised in accordance with the rules on contingent consideration. The company, which has sales of approximately SEK 240 million and an operating margin of 5%, has been consolidated as a subsidiary of the NIBE Energy Systems business area with effect from 1 April.

In November, an agreement was signed for the acquisition of the Danish company, Lund & Sørensen A/S, which also has operations in Sweden and China through subsidiaries. This group, which has sales of approximately SEK 90 million and an average operating margin of around 10%, has been consolidated into the NIBE Element business area with effect from 1 November.

The purchase prices are made up as follows:

| (in millions of SEK) | Group | |
|--|--------------|-------------|
| | 2010 | 2009 |
| Initial consideration | 135.3 | 54.5 |
| Contingent consideration | 112.8 | 18.1 |
| Direct acquisition costs | - | 0.4 |
| Total consideration | 248.1 | 73.0 |
| Fair value of net assets acquired | 77.2 | 9.7 |
| Goodwill | 170.9 | 63.3 |
| Consideration | 248.1 | 73.0 |
| Cash and cash equivalents in acquired companies | - 8.4 | - 0.4 |
| Effect on the Group's cash and cash equivalents | 239.7 | 72.6 |

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. In compliance with the revisions to IFRS 3, direct costs associated with the acquisition of SEK 5.4 million have not been included in acquisition value, but are recognised as administrative expenses in profit or loss.

The acquired net assets are made up as follows:

| (in millions of SEK) | Fair value | Carrying amounts acquired |
|----------------------------|-------------|---------------------------|
| Market position | 21.6 | - |
| Brands | 45.8 | - |
| Other intangible assets | 4.7 | 4.7 |
| Tangible assets | 12.6 | 12.6 |
| Financial assets | 7.5 | 6.9 |
| Current receivables | 83.0 | 83.0 |
| Inventories | 84.8 | 88.0 |
| Cash and bank balances | 8.4 | 8.4 |
| Provisions | - 35.7 | - 0.8 |
| Liabilities | - 155.5 | - 155.5 |
| Net assets acquired | 77.2 | 47.3 |

Note 29

Events after the end of the reporting period

In early 2011, the operations of the UK company, Thermtec Ltd, were acquired, with the aim of integrating them into NIBE Element's existing operations in the UK. Thermtec has sales of approximately SEK 20 million and an average operating margin of around 6%. The operation has been consolidated into the NIBE Element business area with effect from 1 January 2011.

In January 2011, an agreement was signed for the acquisition of the Element Division of the Swiss company, Electrolux Professional AG. The operation, which has sales of approximately SEK 75 million and an average operating margin in the region of 10%, has been consolidated into the NIBE Element business area with effect from 1 March 2011.

Corporate governance report

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

On 1 February 2010 a revision came into force of the Swedish Code of Corporate Governance, originally introduced in December 2004. It is good practice for Swedish companies whose shares are traded on regulated markets in Sweden to comply with the Code. NIBE complies with the Code, and this Corporate Governance Report has been drawn up in accordance with the Code. In addition, and likewise in accordance with the Code, NIBE also provides information via the company's website.

Ownership

NIBE has its registered offices in Markaryd, Sweden, and the company's shares have been listed on the NASDAQ OMX Stockholm Exchange, Mid Cap list, since 1997. On 31 December 2010 NIBE had 16,865 registered shareholders. The ten largest shareholders are current and former directors of the company and senior executives with a total of 29% of the capital and 53% of the votes, followed by Melker Schörling who holds with 13% of capital and 22% of votes, and then eight institutional investors with 16% and 7% respectively. Together these ten investors hold a total of 58% of the capital in the company and 82% of the votes.

Annual General Meeting

The Annual General Meeting (AGM) is NIBE's highest decision-making body. The AGM elects the company's Board of



Directors and auditors, adopts the accounts, makes decisions on dividends and other appropriations of profits/losses, and discharges the Board of Directors and the Managing Director/CEO from liability.

The most recent AGM, held on 17 May 2010 in Markaryd, was attended by 364 shareholders. Those present represented 55% of the number of shares and 78% of the total number of votes in the company. The AGM was attended by the entire Board of Directors, the Managing Director/CEO and the company's auditors. The minutes of the AGM and the company's articles of association are available on the company's homepage.

There are no limitations in the articles of association as to the number of votes a shareholder may hold at a general meeting of the company, nor as to the appointment or dismissal of directors of the company or changes to the company's articles of association. The general meeting has not authorised the Board of Directors to take any action on decisions about new issues of shares in the company or the buy-back of the company's own shares.

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 employ-

ees participate in board meetings as required to submit reports or to contribute expert knowledge in individual matters.

The current Board of Directors comprises Arvid Gierow (Chair), Georg Brunstam, Eva-Lotta Kraft, Hans Linarson, 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 81 for a brief presentation of the directors.

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

The Board of Directors oversees the work of the Managing Director/CEO and is responsible for ensuring that the organisation, management and administrative guidelines for the company's funds are suitable for the purpose. The Board is also responsible for developing and following up the company's strate-



gies through plans and objectives, decisions on acquisitions, major investments, appointments to managerial positions and the continuous supervision of operations during the year. In addition, the Board sets the budget and is responsible for the annual accounts.

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

The work of the Board of Directors

During 2010 the Board of Directors held 13 meetings, six of which were telephone conferences. All meetings were minuted.

Attendance at board meetings was good with full attendance for virtually all the round-table meetings. Hans Linnarson has been absent from these meetings on one occasion.

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 status report that has been circulated.
- ▲ Financial report. Review of the financial information circulated.
- ▲ Investments. Decisions regarding investments exceeding SEK 3.0 million, based on the data circulated.
- ▲ Acquisitions. Report on ongoing discussions and decisions concerning the acquisition of companies, as and when appropriate.
- ▲ Press releases, etc. When appropriate, a review of proposals for external reports to be published after the meeting.

Every ordinary board meeting focuses on one principal topic of discussion, as outlined below:

- ▲ Accounts. The meeting in February considers the annual accounts of

the preceding year. The company auditor presents his comments to the entire Board on this occasion.

- ▲ Inaugural meeting. Following the AGM, the Board of Directors holds its inaugural meeting, at which the Board discusses the rules of procedure and determines who has authority to sign for the company.
- ▲ Strategy. In June, the Board holds strategic discussions over two working days.
- ▲ Audit review. In November, the company's auditor gives his view on the interim figures for the period January to September.
- ▲ Budget. At the end of the year, the Board discusses the Group's budget for the coming year.

In addition, the Board of Directors receives a written report every month on the company's financial key figures and position. The Managing Director/CEO is also in continual contact with the Chairman of the Board.

The work of the Board of Directors is evaluated once a year.

External Auditors

NIBE's auditors are elected at the AGM to serve for a period of four years. The current period began in 2008 and expires after the AGM in 2012.

Mazars SET Revisionsbyrå AB was reelected for a period of four years at the AGM in 2008. In conjunction with this decision, Bengt Ekenberg was elected as the senior auditor.

The senior auditor has continuous access to the approved minutes of company board meetings and the monthly reports which the Board receives.

The company's senior auditor reports his observations from the audit and his assessment of the company's internal controls to the Board as a whole. Over and above normal auditing duties, Mazars SET Revisionsbyrå assists in particular with due diligence reviews in conjunction with corporate acquisitions and with accounting consultations. Information on the remuneration of auditors is given in Note 4.

Group management

The CEO, who is also appointed by the Board of Directors as Managing Director of the parent company, exercises

day-to-day control of the Group, and the three business area managers report to him.

The CEO leads operations in accordance with the instructions adopted by the Board in respect of the division of work between the Board and the Managing Director/CEO. The work of the Managing Director/CEO and of senior management is evaluated annually.

Financing, currency management, corporate acquisitions, new establishments, financial control, financial information, human resources policy and other overall policy matters are coordinated at Group level.

Governance of business areas

NIBE consists of three business areas. Each business area has its own operational management with profit responsibility. Each business area has a Business Area Board chaired by the Group's CEO, and which also includes external expertise within the respective areas. Each Business Area Board, in addition to responsibility for day-to-day operations, is also responsible to the NIBE Board of Directors for the strategic development of its respective business area. Each Business Area Board meets once a quarter.

Decision-making process

The NIBE Board deals with all matters of significance. Issues such as the composition of the Board and directors' fees are dealt with once a year prior to the AGM, when the Chairman of the Board contacts major shareholders personally.

The company's auditor makes his report to the Board as a whole.

Remuneration to the Managing Director is a matter decided by the Board, but the preparatory work for this decision is undertaken by the Chairman of the Board after discussions with the Managing Director. Remuneration to other senior executives is determined by the Managing Director in consultation with the Chairman. These decisions are reported to the Board.

The company does not have a Nomination Committee, a Remuneration Committee or an Audit Committee. NIBE does not comply with the Code in respect of nominations because of the clear ownership structure with two principal shareholder constellations,

which together control 75% of the company's votes, and which also enjoy mutually cordial relations. The Board of Directors is not too large to carry out the audit and remuneration tasks in a manner consistent with the Code

Remuneration

The 2010 AGM resolved that the fees to the Board of Directors and the fees to the auditors should be paid in accordance with approved accounts. At the same time, policies for the remuneration of the Managing Director/CEO and other key management personnel were detailed and approved. Further information about the principles that apply can be found in Note 5.

Fees for the Board of Directors for 2010 amounted to SEK 960,000 in accordance with a resolution upheld by the AGM. Of this amount, the Chairman of the Board received SEK 320,000 in accordance with the AGM's resolution. Fees are not payable to those members of the Board of Directors who are employed in the Group.

Salary and other remuneration paid to the Managing Director/CEO in 2010 amounted to SEK 2,815,000. A free car is also provided. Salaries paid to other senior management executives totalled SEK 8,763,000. These senior executives also enjoy free use of company cars.

Severance pay

No severance pay or other benefits apply to the Chairman of the Board or to the directors, apart from the Managing Director/CEO. The period of notice for the Managing Director/CEO is six months in the event of the company giving notice. In addition to salary during the period of notice, the Managing Director/CEO is entitled to severance pay equal to 12 months' salary. Other senior executives are entitled to receive their salaries during a period of notice which varies between 6 and 12 months.

Pensions

The Chairman of the Board and the directors receive no retirement benefits in respect of their work on the Board. Retirement age for the Managing Director/CEO and other senior executives is 65. No special agreements have been reached that entitle senior executives to retire before the official retirement age

while still retaining part of their salary in the interim.

The Managing Director/CEO has an individual pension insurance arrangement that corresponds to ITP (supplementary pensions for salaried employees). For 2010, the premium corresponded to 19% of salary up to 30 so-called "income base amounts" (a statistical amount used in Sweden for calculating benefits, etc.). For salary to the Managing Director/CEO paid in excess of this, a premium payment of 30% was made that corresponds to the defined-contribution ITP plan, section 1. Other senior executives in the Group have retirement benefits that correspond to the ITP plan for that portion of their salary up to 30 income base amounts. For salary in excess of this, a premium of 30% is made in accordance with the defined-contribution ITP plan, section 1. An exception is made in the case of one business area manager, who, in his capacity as Managing Director, has an individual pension arrangement with premiums that correspond to those of other senior executives.

Incentive programme

An incentive programme applies to certain key members of staff, under which they are paid a variable bonus (equivalent to a maximum of three months' salary) if set targets are met. This programme does not extend to the Managing Director/CEO. Further information about the principles that apply can be found in Note 5.

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 are announced via press releases. Full financial information relating to the NIBE Group is available via the website www.nibe.com. Press releases and reports are posted there at the same time as they are made public.

During the course of the year there

have been a number of meetings with financial analysts, the media and *Aktiespararna*, the Swedish Shareholders' Association.

Internal controls of financial reporting in 2010

According to the Swedish Companies Act and the Code, the Board of Directors is responsible for internal controls. This report on internal controls and risk management with regard to financial reporting complies with the requirements in Chapter 6, section 6 of the Annual Accounts Act.

Internal controls were an important component of corporate governance even before the new code was introduced.

NIBE is characterised by simplicity in its legal and operational structure, transparency in its organisation, clear divisions of responsibility, and an efficient management and control system.

NIBE complies not only with external laws and regulations in respect of financial reporting, but also with internal instructions and policies set out in the Group's Finance Handbook. These are applied by all companies in the Group, along with systems aimed at ensuring effective internal controls in financial reporting.

Consolidated financial reports containing comprehensive analyses and comments are drawn up each quarter for the Group and its business areas. Results are also monitored every month.

There are finance functions and controllers with responsibility for accounting, reporting and the analysis of financial trends at Group level, business area level and major unit level.

In addition to the statutory audits of the annual report and statutory audits of the parent company and all subsidiaries, the auditors carry out an annual review of how the company is 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. This review increases insight and awareness, provides explicit instructions and proposes a clear organisation in respect of internal controls. It is the view of the Board that, because of the implementation of this review, there is no need for any separate internal control.

The Board's assurance

The Board of Directors and the Managing Director/CEO declare that the consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU, and give a fair view of the Group's financial position and results of operations. The financial statements of the parent company have been prepared in accordance with generally accepted accounting principles in Sweden and give a fair view of the

parent company's financial position and results of operations. The Board of Directors' Administration Report for the Group and the parent company provides a fair review of the development of the Group's and the parent company's operations, financial position and results of operations and describes material risks and uncertainties facing the parent company and the companies included in the Group.

Markaryd, Sweden – 28 March 2011



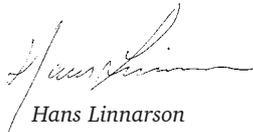
Arvid Gierow
Chairman of the Board



Georg Brunstam
Director



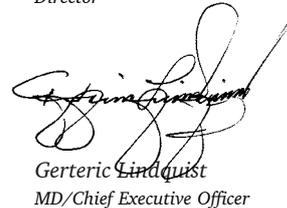
Eva-Lotta Kraft
Director



Hans Linnarson
Director



Anders Pålsson
Director



Gerteric Lindquist
MD/Chief Executive Officer

The balance sheets and income statements will be presented for approval at the Annual General Meeting on 11 May 2011.

Audit Report

To the Annual General Meeting of NIBE Industrier AB (publ) Corporate Identity Number 556374-8309

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director/CEO of NIBE Industrier AB (publ) for the financial year 2010. The annual accounts and the consolidated accounts of the company are included on pages 49-79 in the printed version of this document. The Board of Directors and the Managing Director/CEO are responsible for these accounts and the administration of the company as well as for the application of the Swedish Annual Accounts Act when preparing the annual accounts and the application of international financing reporting standards (IFRS) as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

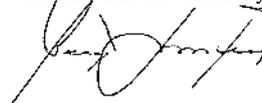
We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to provide a high but not absolute level of assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Managing Director/CEO and significant estimates made by the Board of Directors and the Managing Director/CEO when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the Managing Director/CEO. We also

examined whether any board member or the Managing Director/CEO has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the company's Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financing reporting standards (IFRS) as adopted by the EU, and the Swedish Annual Accounts Act, and give a true and fair view of the Group's financial position and results of operations. A corporate governance report has been prepared. The statutory administration report and the corporate governance report are consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual general meeting of shareholders that the income statements and balance sheets of the parent company and the Group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the Managing Director/CEO be discharged from liability for the financial year.

Markaryd, Sweden – 28 March 2011
Mazars SET Revisionsbyrå AB



Bengt Ekenberg
Authorised Public Accountant

Board of Directors



ARVID GIEROW (born 1943)
Chairman since 2003 and board member since 1997. M.Sc. in Business & Economics.
Chairman of the Board of Marka Pac AB and director of SHB, Stortorget, Helsingborg.
Shareholding in NIBE Industrier: 86,400 B-shares.
Independent director.



GERTERIC LINDQUIST (born 1951)
Board member since 1989. Chief Executive Officer. MD of NIBE Industrier AB and NIBE AB. M.Sc. in Engineering and M.Sc. in Business & Economics. Employed by NIBE since 1988.
Shareholding in NIBE Industrier: 1,504,560 A shares and 3,563,440 B shares.
In view of his position, his shareholding and the length of time during which he has been a member of the board, Gerteric Lindquist cannot be considered an independent director of the company.



GEORG BRUNSTAM (born 1957)
Board member since 2003.
M.Sc. in Engineering. CEO and director of HEXPOL AB. Director of DIAB Group AB and AB Wilh. Becker.
Shareholding in NIBE Industrier: 0.
Independent director.



EVA-LOTTA KRAFT (born 1951)
Board member since 2010.
M.Sc. in Engineering and MBA. Board member of ÅF AB, Biotage AB, Samhall AB, Boule Diagnostics AB and Siemens AB.
Shareholding in NIBE Industrier: 1,000 B shares.
Independent director.



HANS LINNARSON (born 1952)
Board member since 2006.
B.Sc. (Electrical Engineering). Business Area Manager for Outdoor Products at Husqvarna and member of Husqvarna AB's management group.
Shareholding in NIBE Industrier: 0.
Independent director.



ANDERS PÅLSSON (born 1958)
Board member since 2010.
M.Sc. in Business & Economics. President/Chief Executive Officer and director of Hilding Anders International AB. Director of Lamhults Design Group AB, Bergendahls Food AB and Trioplast AB.
Shareholding in NIBE Industrier: 2,000 B shares.
Independent director.

Senior Executives



GERIC LINDQUIST
(born 1951)
Board member since 1989. Chief Executive Officer. MD of NIBE Industrier AB and NIBE AB. M.Sc. in Engineering and M.Sc. in Business & Economics.
Employed by NIBE since 1988.
Shareholding in NIBE Industrier: 1,504,560 A shares and 3,563,440 B shares.



CHRISTER FREDRIKSSON
(born 1955)
M.Sc. in Engineering. Business Area Manager for NIBE Element and MD for Backer BHV AB.
Employed by NIBE since 1992.
Shareholding in NIBE Industrier: 375,840 A shares and 716,960 B shares.



LEIF GUSTAVSSON
(born 1945)
Financial Director, NIBE Industrier AB. B.Sc. in Economics.
Employed by NIBE since 1966.
Director of Markaryd Sparbank savings bank
Shareholding in NIBE Industrier: 1,504,128 A shares and 3,053,312 B shares.



KJELL EKERMO
(born 1956)
M.Sc. in Engineering. Business Area Manager for NIBE Energy Systems.
Employed by NIBE since 1998.
Shareholding in NIBE Industrier: 107,200 B shares.



Auditor
MAZARS SET REVISIONSBYRÅ AB
Senior Auditor
Bengt Ekenberg (born 1960)
Authorised Public Accountant



NIKLAS GUNNARSSON
(born 1965)
Engineer. Business Area Manager for NIBE Stoves.
Employed by NIBE since 1987.
Shareholding in NIBE Industrier: 107,200 B shares.

Companies in the NIBE Group

NORDIC REGION

SWEDEN

| | |
|------------------------------------|-----------|
| NIBE Industrier AB | MARKARYD |
| NIBE Element | SÖSDALA |
| NIBE AB/ NIBE Energy Systems | MARKARYD |
| NIBE AB/NIBE Stoves | MARKARYD |
| Backer BHV AB | SÖSDALA |
| Backer BHV AB/ Calesco Division | KOLBÄCK |
| Lund & Sørensen AB | MÖLNDAL |
| METRO THERM AB | KALMAR |
| Sol & Energiteknik SE AB | HUSKVARNA |

DENMARK

| | |
|-----------------------------|-------------|
| Danotherm Electric A/S | RØDOVRE |
| JEVI A/S | VEJLE |
| KVM-Conheat A/S | VISSENBJERG |
| Lotus Heating System A/S | LANGESKOV |
| Lund & Sørensen A/S | VEJLE |
| METRO THERM A/S | HELSINGE |
| NIBE Wind Components | ESBJERG |
| SAN Electro Heat A/S | GRÆSTED |
| TermaTech A/S | HASSELAGER |
| Varde Ovne A/S | GRAM |
| Vølund Varmeteknik | VIDEBÆK |

FINLAND

| | |
|------------------------|------------|
| Kaukora Oy | RAISIO |
| Loyal Oy | LOVISA |
| NIBE Energy Systems Oy | VANTAA |
| Oy Meyer Vastus AB | MONNINKYLÄ |

NORWAY

| | |
|------------------|-------------|
| ABK AS | OSLO |
| Høiax AS | FREDRIKSTAD |
| NIBE - Norge | NESBRU |
| Nordpeis AS | LIERSKOGEN |
| Norske Backer AS | KONGSVINGER |

EUROPE excl. Nordic region

AUSTRIA

| | |
|-------------------------|----------------|
| KNV Energietechnik GmbH | S. AM ATTERSEE |
|-------------------------|----------------|

CZECH REPUBLIC

| | |
|-------------------------------|----------------|
| Backer Elektro CZ a.s. | HLINSKO |
| DZ Drazice – Strojirna s.r.o. | B. NAD JIZEROU |
| Eltop Praha s.r.o. | MIRETICE |

FRANCE

| | |
|----------------------------|----------|
| Backer-Calesco France Sarl | LYON |
| NIBE Foyers France S.A.S. | REVENTIN |

GERMANY

| | |
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| NIBE Systemtechnik GmbH | CELLE |
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ITALY

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

NETHERLANDS

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

POLAND

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

SLOVAKIA

| | |
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| DZ Drazice – Slovensko spol.s.r.o. | BRATISLAVA |
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SPAIN

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| Backer Facsa, S.L. | AIGUAFREDA |
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SWITZERLAND

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| NIBE Wärmetechnik AG | FLURLINGEN |
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UK

| | |
|-------------------------|--------------|
| Heatrod Elements Ltd | MANCHESTER |
| NIBE Energy Systems Ltd | CHESTERFIELD |

REST OF THE WORLD

CHINA

| | |
|---|----------|
| Lund & Sørensen Electric Heating INC | TIANJIN |
| NIBE Element Co Ltd | SHENZHEN |
| Shel NIBE Man. Co Ltd | SHENZHEN |

MEXICO

| | |
|---------------------------------|---------|
| Backer Alpe, S. de R.L.deC.V | TLAHUAC |
|---------------------------------|---------|

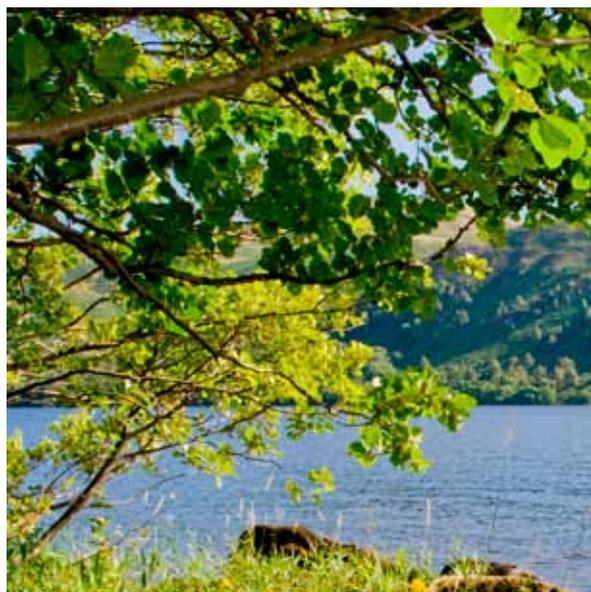
RUSSIA

| | |
|-----------------|---------------|
| CJSC Evan | NIZ. NOVGOROD |
| NIBE Kamini LLC | DUBNA |

USA

| | |
|------------------------------------|------------|
| Backer Heating Technologies Inc | ELGIN, ILL |
|------------------------------------|------------|

Contact information for all of these companies is available via the NIBE Group website www.nibe.com



NIBE is an international heating technology company with business operations organised in three separate business areas, NIBE Element, NIBE Energy Systems and NIBE Stoves.



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



Our mission is to offer energy technology products and solutions that combine high quality with innovation. This work builds on the NIBE Group's wide-ranging expertise in the fields of product development, manufacturing and marketing.

NIBE

