

**NIBE**

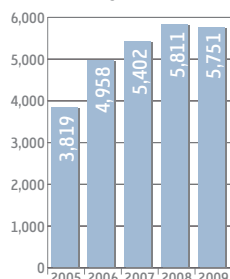


**ANNUAL REPORT 2009**

# 2009 at a glance

## Net Sales

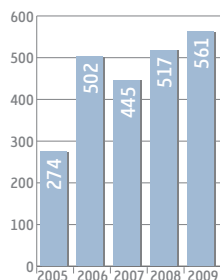
Past five years (in millions of SEK)



Net sales decreased by 1.0% in 2009

## Profit after financial items

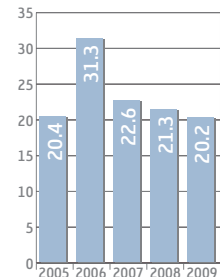
Past five years (in millions of SEK)



Profit after net financial items increased by 8.6% in 2009

## Return on equity

past five years (%)



Return on equity fell by 5.2% in 2009

## The past 12 months (corresponding figures for 2008 in brackets)

- ▲ Net sales decreased to SEK 5,751.2 million (SEK 5,810.5 million)
- ▲ Growth totalled -1.0% (+7.6%) of which -2.9% (+4.5%) was organic
- ▲ Profit after net financial items rose to SEK 560.9 million (SEK 516.7 million)
- ▲ Earnings after tax rose to SEK 412.1 million (SEK 376.1 million)
- ▲ Operating cash flow was SEK 748.4 million (SEK 416.5 million)
- ▲ Earnings per share totalled SEK 4.36 (SEK 3.94)
- ▲ The Board of Directors proposes a dividend of SEK 1.30/share (SEK 1.15/share)
- ▲ Acquisition of a further 24% stake in CJSC EVAN, a Russian manufacturer of electric boilers and large water-heaters, with annual sales equivalent to approximately SEK 100 million.
- ▲ Acquisition of Sol & Energiteknik SE AB, a specialist in solar energy with annual sales of approximately SEK 20 million
- ▲ Acquisition of business operations of the Finnish company Bencon Oy, which specialises in electrical measurements, control equipment and electric heating solutions, with annual sales of approximately SEK 7 million.

## The year in figures

		2009	2008	Change
Net sales	SEK m	5,751.2	5,810.5	- 1 %
Growth	%	- 1.0	7.6	- 114 %
Operating profit	SEK m	631.3	625.3	1 %
Profit after net financial items	SEK m	560.9	516.7	9 %
Investments in non-current assets	SEK m	217.9	407.6	- 47 %
of which in existing plant & machinery	SEK m	145.3	237.5	- 39 %
Gross margin	%	14.6	14.0	4 %
Operating margin	%	11.0	10.8	2 %
Profit margin	%	9.8	8.9	10 %
Capital employed	SEK m	3,709.0	4,040.7	- 8 %
Equity	SEK m	2,190.0	1,888.7	16 %
Return on capital employed	%	16.8	17.1	- 2 %
Return on equity	%	20.2	21.3	- 5 %
Return on total assets	%	13.1	13.5	- 3 %
Assets turnover	times	1.16	1.20	- 4 %
Equity/assets ratio	%	45.7	36.7	24 %
Proportion of risk-bearing capital	%	48.6	39.7	22 %
Operating cash flow	SEK m	748.4	416.5	80 %
Interest cover	times	7.3	4.8	51 %
Interest-bearing liabilities/Equity	%	69.4	113.9	- 39 %
Average number of employees		5,519	5,275	5 %

Please refer to page 47 for definitions.

# Contents

## Annual General Meeting

The Annual General Meeting of shareholders will be held at the NIBE Marketing Centre (Marknadscenter) in Markaryd in Sweden on Monday 17 May 2010 at 17.00 (5pm).

## Dividend

The Board of Directors has resolved to propose that the Annual General Meeting approve a shareholders' dividend of SEK 1.30 per share for the financial year 2009, corresponding to a total payout of SEK 122.1 million. If this proposal is accepted, it is anticipated that the dividend will be despatched from Euroclear Sweden on Tuesday, 25 May 2010.

## 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](http://www.nibe.com).

## Shareholders' diary

- ▲ *17 May 2010*  
First quarter report, January – March 2010
- ▲ *17 May 2010*  
Annual General Meeting
- ▲ *17 August 2010*  
Second quarter report, January – June 2010
- ▲ *16 November 2010*  
Third quarter report, January – Sept. 2010



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## Financial Information

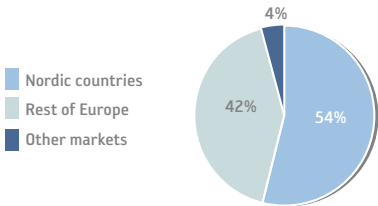
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# Operations at a glance

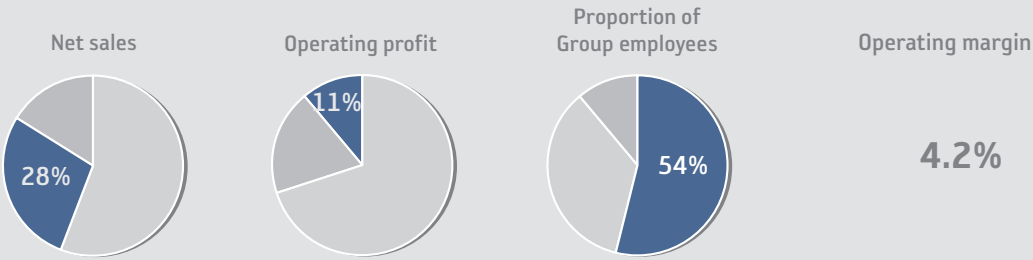
Group sales by geographical region



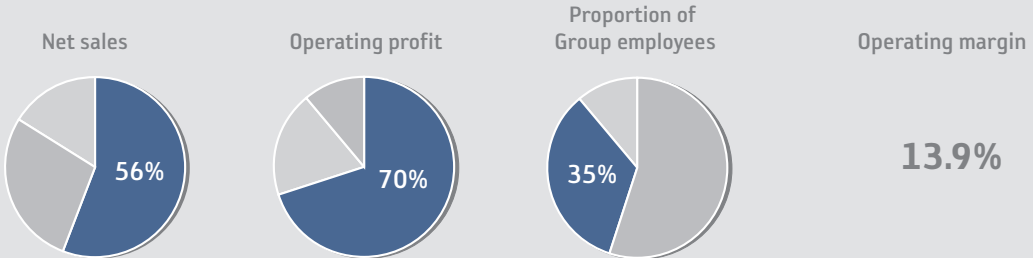
## Contribution to Group totals



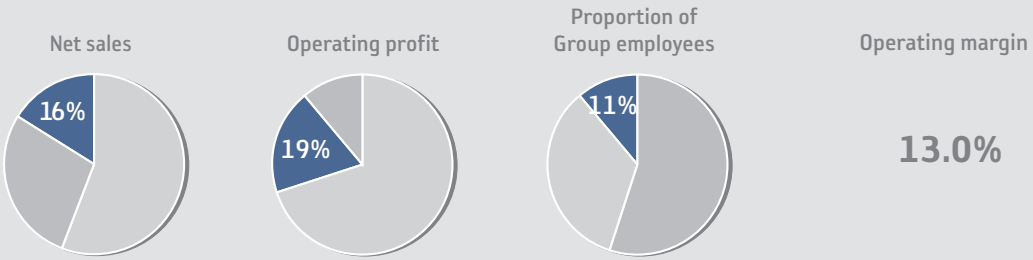
### NIBE Element



### NIBE Energy Systems



### NIBE Stoves



## Group total

<b>Net Sales</b>	<b>Operating profit</b>	<b>Employees</b>	<b>Operating margin</b>
SEK 5,751.2 m	SEK 631.3 m	5,519	11.0%

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. Customers are industrial users and components users.

Net sales 2009	SEK 1,659.0 million
Growth	- 11.7%
Operating profit	SEK 70.4 million
Operating margin	4.2%
Average number of employees	2,993



Read more about NIBE Element operations on pages 24–29

NIBE Energy Systems is the Nordic region's largest manufacturer of energy products for private homes and apartments, and a market leader in Northern Europe in its focus areas of heat pumps and electric water heaters. Customers are the RMI sector (Renovation, Maintenance, Improvement) and the new housing market.

Net sales 2009	SEK 3,284.5 million
Growth	+ 2.1%
Operating profit	SEK 455.8 million
Operating margin	13.9%
Average number of employees	1,903



Read more about NIBE Energy Systems operations on pages 30–35

NIBE Stoves is the market leader in Sweden for wood-burning stoves, and one of the foremost among leading manufacturers in the rest of Europe. Customers are private homeowners in the new and existing housing market and in the holiday homes sector.

Net sales 2009	SEK 939.4 million
Growth	+ 8.8%
Operating profit	SEK 122.2 million
Operating margin	13.0%
Average number of employees	618



Read more about NIBE Stoves operations on pages 36–41

# Good profit growth in 2009

Group net sales for 2009 slipped by 1% including acquisitions and by 2.9% excluding acquisitions. In 2008 growth including and excluding acquisitions was 7.6% and 4.5% respectively. Notwithstanding the weak economy, both NIBE Energy Systems (formerly NIBE Heating) and NIBE Stoves have not only reported a slight growth in sales, but have also improved both operating profits and operating margins. This illustrates the importance of our strong position in the product area of renewable energy.

In contrast, in its capacity as a subcontracting supplier, NIBE Element has been hit hard by reductions in our customers' orders for components and materials in the wake of a steep decline in demand in most industries. An extensive and consistently applied series of measures to adapt to the new situation has not succeeded in fully offsetting the effects of these reduced sales, and consequently both operating profit and operating margin have fallen.

In spite of non-recurring costs of some SEK 35 million for overcapacity, lay-offs, etc., the Group has improved its operating profit by 1%, thanks chiefly to more reasonably priced raw materials and the progress that has been made in terms of productivity. Translated at Group level, currency trends have had a positive impact on sales, but have not affected operating profit.

Profit after net financial items was up 8.6% compared with the full-year figures for 2008. This significant improvement is attributable to marked reductions in interest rates in all of our main markets and to reductions in our borrowing. On the other hand, exchange losses on loans in foreign subsidiaries have impacted negatively on net financial items.

## Well-invested production facilities

Investments in existing operations totalled SEK 145.3 million in 2009; this compares with SEK 237.5 million in 2008 and with the current rate of depreciation according to plan of SEK 210.2 million. Recent investments mean that all of our production plants meet very high levels of quality and productivity and are therefore well prepared to cope with significant expansion. As a result, the rate of investment over the next few years will be on a par with, or slightly below, the rate of depreciation according to plan.

## Well-adapted cost structure

Our ability to rapidly adapt costs and production to prevailing market conditions is, and always has been, one of the NIBE Group's greatest strengths. In 2009 we demonstrated this by making substantial reductions in costs and staffing levels in

areas where, in our opinion, this will not have any detrimental long-term effects on the company; at the same time we have mobilised resources for product development and marketing, which experience has taught us will be to our advantage in the future. All three of our business areas successfully launched a large number of truly first-rate new products in their markets in 2009 and we are now raising the tempo even further.

## Strong balance sheet

In purely financial terms and with regard to the Group's balance sheet, our progress is clear to see. Operating cash flow for 2009 totalled SEK 748.4 million, compared with SEK 416.5 million in 2008. Net borrowing has been reduced from SEK 1,800.4 million to SEK 1,169.9 million. Working capital as a percentage of sales fell from 27.5% to 22.9%, and the equity/assets ratio rose from 36.7% to 45.7%.

## Creating sustainable value

We have been delighted to see public debate in large parts of the world focusing more and more on sustainability and sustainable value creation in recent years.

Put simply, there is a growing realisation that the Earth's resources are finite and that we need to look after them for the sake of both present and future generations. For us, with our roots in the stony soil of southern Sweden and with the efficient use of energy as our overriding objective, this all seems obvious, and we have long wondered why it has taken so many years for sustainability to appear on the global agenda.

Attempting to predict future priorities, trends and growth areas is extraordinarily difficult, as everyone knows, but it is a pretty safe bet that sustainability and the creation of sustainable value will remain high on the agenda for the foreseeable future. We believe that NIBE is very well placed to meet these challenges in terms of both products and corporate culture.

Developing, manufacturing and marketing resource-efficient products is ultimately about efficiency at every level – or, in NIBE's own words, consistently high productivity.

When choosing materials and components, we give careful consideration to factors such as quality, weight, environmental impact and transport distances to avoid compromising the functionality and environmental credentials of our products from the very outset. The product development process itself must be characterised by consistent commitment to make products even more efficient, even more customer-friendly and even simpler to install, while still maintaining a firm focus on extending every product's life cycle.

The ultimate objective for our products is that their high

*“We successfully implemented an internal efficiency programme during the year, covering both operations and finances, and we now have a sound platform for the next phase of our growth.”*

quality and exceptional performance will ensure a long life span, and that as many components and materials as possible can be recycled when the time eventually comes for a product to be replaced.

The manufacturing process needs to be built around short throughput times, high flexibility and genuine quality-mindedness, in modern production facilities that are pleasant and safe to work in and that have minimal all-round impact on the environment. We believe that the physical proximity of product development to production is a very important factor in achieving all of these aims.

Our marketing must be responsible and include information about how our products can contribute to a sustainable future. After all, the unique feature of our products is that their primary function is to save energy, so helping to curb climate change.

When it comes to our corporate culture, we are confident that our down-to-earth values – principles such as common sense and a simple, honest, straightforward temperament coupled with good profitability, high productivity, long-term thinking and the courage of one’s convictions – will remain sustainable and hard to beat in the future.

#### **Sales target for 2012 – SEK 10 billion**

Since the beginning of 2007 our objective has been to achieve sales of SEK 10 billion by 2011 at the latest, while still retaining healthy profitability. The current state of the economy has, however, made it necessary to defer this target until 2012. Over the next three years our ambition is to acquire companies with aggregate sales in excess of SEK 2 billion while growing our business organically by the same amount; this corresponds to annual growth of 20%. There is absolutely no doubt that the potential takeover candidates and the market for our products are both out there, and it is our considered opinion that we have the right internal qualifications and the right motivation for the next phase in our expansion. The name change from NIBE Heating to NIBE Energy Systems is one step in this process of growth which, to all intents and purposes, will be concentrated in our markets outside Sweden, as is the case with both NIBE Stoves and NIBE Element. The new name also better describes the business area’s already broad portfolio of products and prepares the ground for future expansion.

#### **Continued optimism**

We are convinced that it is inevitable that efforts to build a sustainable society will continue to make their mark on the world around us for the foreseeable future. This means that NIBE’s corporate philosophy and product programme are ideally suit-



Gerteric Lindquist, CEO

ed to the times in which we are living.

Our financial position is robust, our production plants are well invested and the products we launched in 2009 have been well received by the market.

The combination of our own strengths and the first signs of what seems to be renewed faith in the future encourages us to remain optimistic about our prospects for 2010.

Markaryd, Sweden – March 2010

Gerteric Lindquist  
Managing Director and Chief Executive Officer

# 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. A trading lot is made up of 100 shares. At the end of 2009 the company had no outstanding convertible loans or options that could risk diluting the share capital

## Share performance and turnover

During 2009 the NIBE share increased in value by 55% from SEK 44.40 kronor to SEK 69.00 kronor. The Carnegie Small Companies Index rose by 64% during the same period and the OMX Stockholm All-share Index (OMXS) by 47%. This means that, at the end of 2009 the market value of NIBE, based on the latest price paid, amounted to SEK 6,480 million. In 2009 20,015,599 NIBE shares were traded on the NASDAQ OMXS Stockholm: this corresponds to a share turnover of 21% 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 1.30 per share for the 2008 financial year, which equates to 29.9% of Group profit after full tax.

## Ownership

The number of shareholders has remained more or less unchanged during the year. NIBE had 18,206 shareholders at the end of 2009, compared with 18,218 twelve months previously. The ten largest shareholders held 67.6% of the votes and 44.8% 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 analysts, investors and the media.



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

Carnegie

*Agnieszka Vilela, tel +46 8-676 85 86*

Danske Markets Equities

*Carl Gustafsson, tel +46 8-568 805 23*

Handelsbanken Capital Market

*Jon Hyltner, tel +46 8-701 12 75*

HQ Bank

*Alexander Vilval, tel +46 8-696 18 36*

SEB Enskilda

*Anders Eriksson, tel +46 8-522 296 39*

Swedbank Markets

*Peter Näslund, tel +46 8-585 918 23*

Ålandsbanken

*Carl-Johan Blomqvist, tel +46 8-791 48 55*

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 <sup>1)</sup>	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 <sup>2)</sup>	-	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 <sup>3)</sup>	-	2.50	23,480,000	58,700,000
2006	Split 4:1 <sup>4)</sup>	-	0,625	93,920,000	58,700,000

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

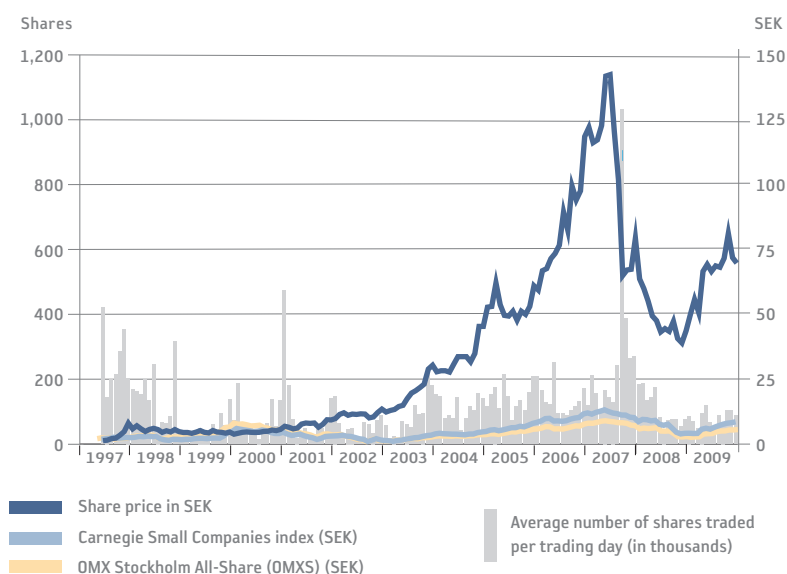
<sup>2)</sup> Change in the quota value of each share from SEK 100 to SEK 10.

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

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



## NIBE share performance



Share data <sup>1)</sup>		2009	2008	2007	2006	2005
Number of shares		93,920,000	93,920,000	93,920,000	93,920,000	93,920,000
Year-end share price	SEK	69.00	44.40	78.00	115.00	60.75
EPS (after full tax)	SEK	4.36	3.94	3.35	3.74	1.94
Equity per share	SEK	23.24	20.04	16.48	13.67	10.92
Proposed dividend	SEK	1.30	1.15	1.15	1.15	0.75
Price/equity		2.97	2.22	4.73	8.42	5.56
Dividend yield	%	1.88	2.59	1.47	1.00	1.23
Total yield	%	58.33	-41.60	-31.17	91.19	33.70
Operating cash flow/share	SEK	7.97	4.43	-3.74	1.70	-0.17
Payout ratio	%	29.9	29.2	34.3	30.8	38.7
PE ratio (after full tax)		15.8	11.3	23.3	30.8	31.4
Market capitalisation	SEK m	6,480	4,170	7,326	10,801	5,706
EBIT multiple	times	12.1	9.6	17.3	21.6	21.7
EV/sales	times	1.33	1.03	1.69	2.43	1.76
Share turnover	%	21.3	29.1	71.1	36.8	38.4

<sup>1)</sup> All key ratios/share have been recalculated with regard to the 4:1 split made in June 2006.

## 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

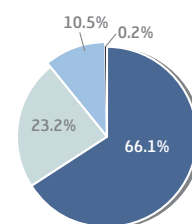
Total number of shares sold during the year as a percentage of average number of shares in issue.

## Shareholder categories

(Source: Euroclear Sweden share register 30 Dec 2009)

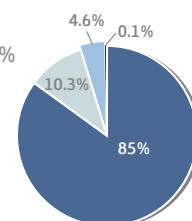
### Share of capital, %

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



### Share of voting rights, %

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



## Major shareholders

(Source: Euroclear Sweden share register 30 Dec 2009)

Shareholders	No. of shares	Share of votes (%)
Current and former board members and senior executives <sup>1</sup>	27,105,046	52.60
Melker Schörling	12,015,360	21.59
Alecta Pensionsförsäkring	7,500,000	3.53
The Northern Trust Company W9	1,614,642	0.76
Lannebo Småbolag	1,500,000	0.71
Swedbank Robur Exportfond	909,400	0.43
Lannebo Småbolag Select	790,000	0.37
Dub-Non-Resident	616,114	0.29
BNP-Paribas	588,267	0.28
Livförsäkrings AB Skandia	585,124	0.28
Other holdings (18,178 shareholders)	40,696,047	19.16
<b>Total</b>	<b>93,920,000</b>	<b>100.0</b>

<sup>1)</sup> Please refer to page 74 for details of the current Board of Directors.

## Shareholder structure

(Source: Euroclear Sweden share register 30 Dec 2009)

Share holding	Share holders	Stake (%)	No. of shares	Prop. of shares (%)
1 - 500	10,968	0.96	2,039,748	2.17
501 - 1,000	2,826	1.13	2,389,481	2.54
1,001 - 5,000	3,460	3.96	8,413,020	8.96
5,001 - 10,000	493	1.73	3,669,538	3.91
10,001 - 20,000	216	1.52	3,236,902	3.45
20,001 -	243	90.70	74,171,311	78.97
<b>Total</b>	<b>18,206</b>	<b>100.0</b>	<b>93,920,000</b>	<b>100.0</b>

# 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.

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.

An efficient geothermal heat pump from NIBE Energy Sys-

tems provides an energy-saving solution to domestic heating, helping to improve family finances while taking good care of the environment for future generations.

NIBE Stoves' eco-friendly 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.

Most household appliances, from toasters and coffee-makers to refrigerators and freezers, include components from NIBE Element. And 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.

## 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.



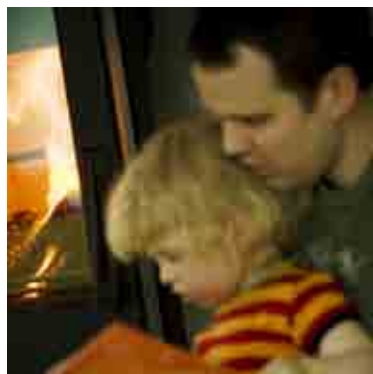
## A delightful bath

Plenty of hot water from a heat pump, domestic boiler, district-heating module or water-heater from NIBE Heating is guaranteed to bring a smile to most children's faces.



## Relaxing in the cosy glow of a wood-burning stove is a great way to unwind

A crackling fire in a NIBE wood-burning stove creates a wonderful atmosphere and provides a pleasant, efficient and environmentally acceptable source of heat.



## 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

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



**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 incorporate components produced by NIBE Element.

*NIBE – world-class solutions in sustainable energy*





# 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.

## 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.

1

## 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.

2

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

5

## Committed employees

- are the result of uncomplicated organisational structures and straightforward operational management
- 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.

6

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

### **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
- ensures that NIBE leads the way in energy-efficient, environmentally adapted products and systems.

3

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

- all all 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, environmental awareness and the efficient use of resources
- we are available to help our customers when needed and deal with them in a professional manner
- every NIBE customer must always be a satisfied customer.

4

### **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.

7

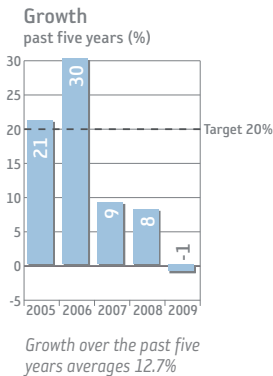
### **A long-term approach**

- 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.

8



# Prudent expansion and an international outlook



## Vision

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

## Mission statement

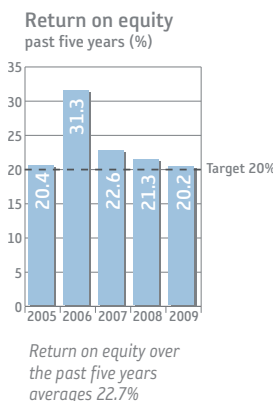
Our mission is to offer the market high-quality, innovative energy technology products through our three business areas: NIBE Element, NIBE Energy Systems and NIBE Stoves. This work builds on the NIBE Group's wide-ranging expertise in the fields of product development, manufacturing and marketing.

## 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:

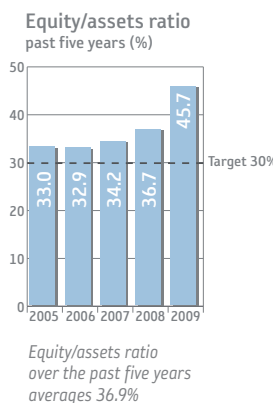
- ▲ to achieve average year-on-year growth of 20%, half of which is to be organic
- ▲ to report average annual operating profit for each of the three business areas equivalent to at least 10% of sales over a business cycle
- ▲ to achieve an average annual return on equity over a business cycle of at least 20% after standard deductions for tax
- ▲ to ensure that the equity/assets ratio does not fall below 30%.



## 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.



## Competitiveness

will be improved through:

- ▲ the continuous development of leading-edge, technically sophisticated 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.

## Profitability

will be maintained through:

- ▲ faster growth than competitors
- ▲ optimising costs, minimising 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.

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

### 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.

### Customer satisfaction and peace of mind

will be our constant goal through:

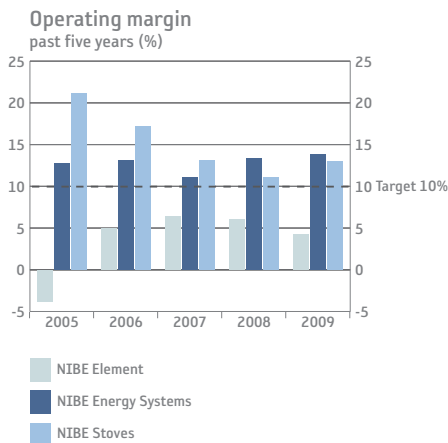
- ▲ a broad range of products that ensures that each and every customer benefits from the best possible solutions
- ▲ the best service and customer support
- ▲ high quality
- ▲ competitive prices.

### A holistic approach to environmental issues

will play a key role in product development, from the choice of materials, through production and use to recycling.

### 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.



Average operating margin over the past five years:

NIBE Element 4.0%

NIBE Energy Systems 12.9%

NIBE Stoves 14.7%





# Profitable growth

**NIBE launched its growth strategy, with its target of average year-on-year sales growth of 20%, in the midst of the Swedish 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 acknowledgement 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



North America



Asia

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 33 companies over the last 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.

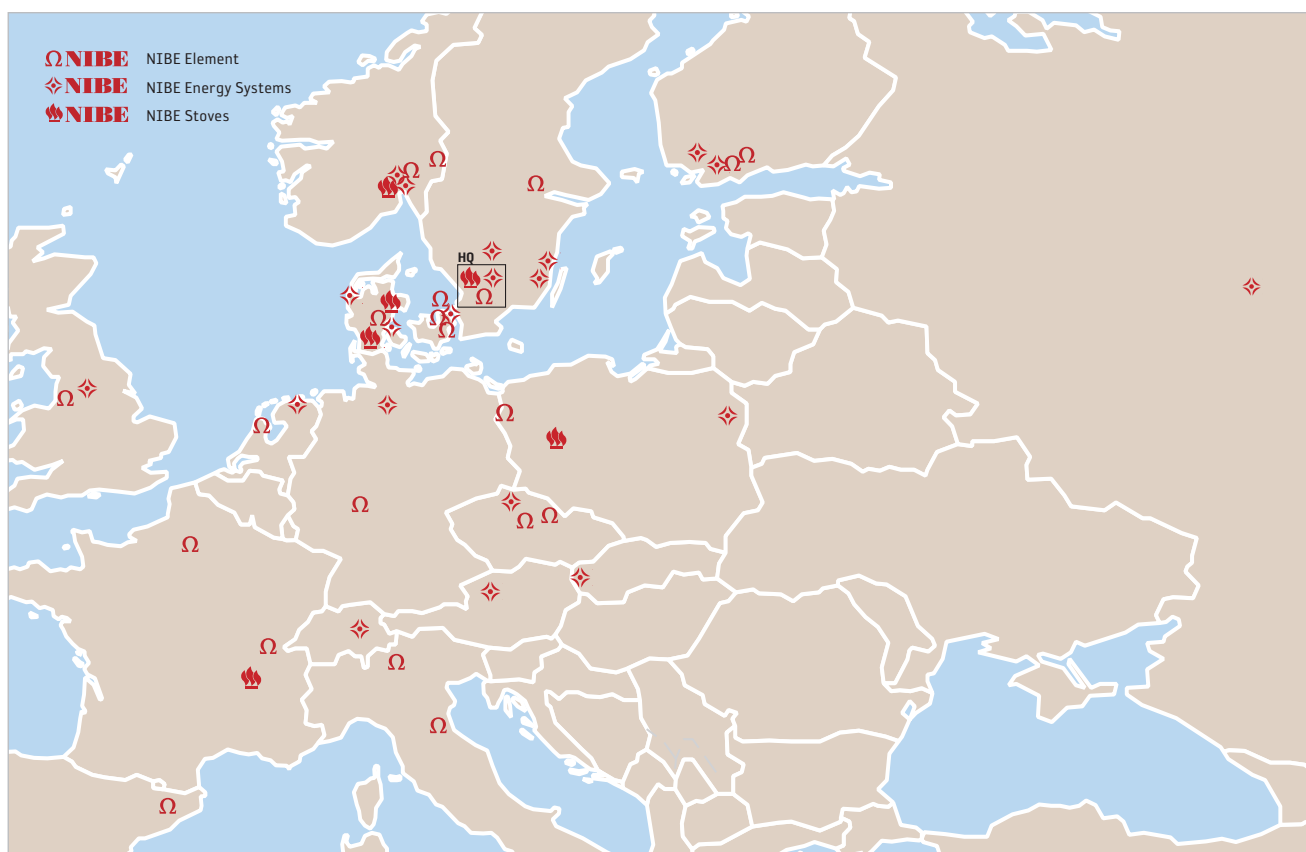
The basic criteria are that the company must have strong brands and competent managers with a real entrepreneurial

### Timeline for acquisitions and establishments

1994	1995	1996	1997	1998	1999	2000	2001
Backer OBR (32%)	Vølund	Pyrox	NIBE Polska (new establishment)	Br Håkansson Värme AB	Haato Varaajat	Cronspisen AB	Roslagsspisen
Backer Oy (new establishment)	Loval OY	TMV-Pannan	Backer OBR (68%)	Lodam Energi		Biawar	Norells Sweden AB
Cuntura			EPD	JEVI A/S		Backer F.E.R	Svend A. Nielsen A/S
				Calesco Foil AB		Coates	Heise
						Backer CZ	Systemtechnik GmbH
						Eltop Praha	



“Organic growth in combination with acquisitions generates sustainable growth at reasonable levels of risk.”



Today NIBE runs its own operations in 19 countries and is represented in another dozen or so through importers and dealers.

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.

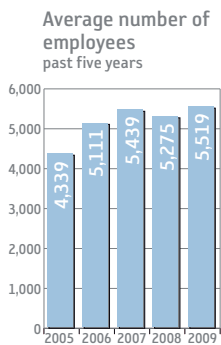
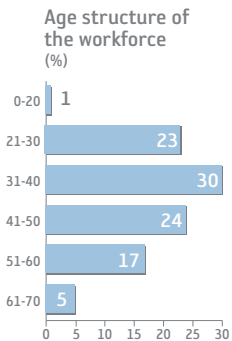
- ▲ In the integration phase we aim to retain not only brands, but also skilled employees at every level. We look for synergies primarily when it comes to purchasing, but usually there is potential to make productivity improvements in the production process, as well.

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.

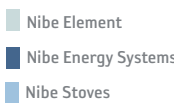
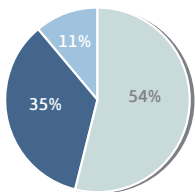
2002	2003	2004	2005	2006	2007	2008	2009
Jøtul ASA (22%) REBA	Danotherm Electric A/S (80%) Backer Facsa Energie- technik B.V. (new establishment) METRO THERM A/S Finohm Sinus-Bobe Termos	NETEK Shel Calesco Foil Inc. (new establishment) Kaukora Sale of Jøtul ASA (22%)	Northstar AS K M Jensen	Varde Ovne 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	Lübcke Rail A/S	KNV Umwelt- gerechte Energie- technik GmbH CJSC EVAN (51%) TermaTech A/S NIBE Wärme- technik AG (new establishment) Alpe	Sol- & Energi- technik SE AB CJSC EVAN (24%) Bencon



# Human resources – a key factor for our long-term success



Employees – by business area



Continuing to follow our chosen path of honesty, dedication, humility and long-term thinking is a crucial factor behind our constant endeavours to improve even further the already impressive performance, quality and environmental credentials of our products. This is the road-map to achieving our goal of being a truly sustainable business.

NIBE is becoming increasingly international, growing from 1,900 employees in seven countries to 5,500 employees in 19 countries over the past ten years. Countless new recruits have been welcomed into a company with strong values which are viewed positively by the vast majority, regardless of nationality or culture.

### 2009

As with most other companies, the workforce was affected during the year by the downturn in the global economy.

Overall staff numbers were reduced by a total of just over 300 at several production sites as capacity was adjusted to the drop in demand in countries such as the Czech Republic, China, Poland, Denmark and Finland.

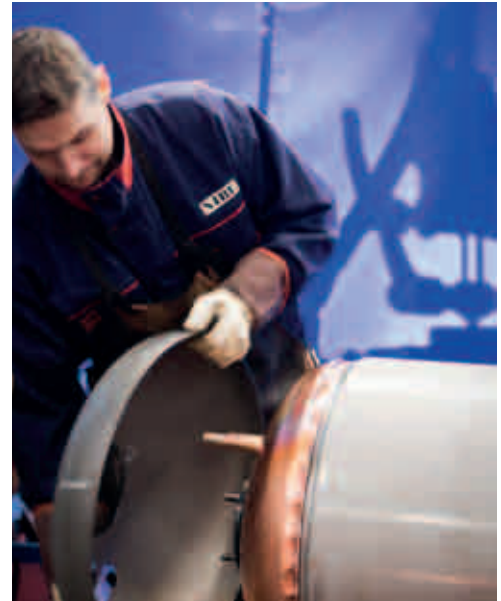
Meanwhile, the acquisition of labour-intensive production units in Mexico and Russia brought some 600 new employees into the fold during the year.

A sharper focus on product development in all three business areas meant that staffing levels in product development were maintained and, in many cases, increased.

### Increasingly international

Our values and success factors are always in mind when recruiting, keeping employees informed of current developments and welcoming new co-workers into the Group following take-overs.

With more and more of the Group's operations now being conducted outside Sweden, NIBE is becoming increasingly international in its responsibilities as an employer. Parallel with



our work to manufacture competitively priced products in Sweden, we are also investing in production in low-cost countries in Eastern Europe, China and Mexico. These countries give us an opportunity to manufacture products that are subjected to the very fiercest price competition, while also creating a springboard for the future in these high-potential growth markets.

### An attractive employer

Because our ambition is for NIBE to be perceived as an attractive place to work, filled with opportunities, we attach great importance to our success in attracting, retaining and developing staff of the right calibre.

We set our sights high and demand a great deal of our employees. In return, they can enjoy freedom with accountability, a work ethos that is characterised by common sense and a simple, straightforward approach, and excellent career opportunities. This stimulates interest in work and leads to a low incidence of sick leave, low staff turnover, a staunchly loyal workforce and many applications from job-seekers.

To ensure good production conditions with high levels of safety, we are constantly investing

*“I’m a great believer in the leadership style developed by the NIBE Group. You’re given considerable freedom to act responsibly.”*

in the work environment: sheet metal and welding operations are being automated to minimise the risk of occupational injury, and we are investing in better ventilation, lighting and staff facilities to make the working environment more attractive.

### Training with a future focus

At NIBE, training is not an end in itself, but a direct response to relevant, well-defined needs. The underlying aim of all training is to ensure that we stand well equipped with the skills and attitudes that are needed to meet the future.

Our restrictive approach to outsourcing means that many different professions are represented within the Group. This, in turn, means that we can have rewarding relationships with universities and colleges in a wide variety of specialist areas. For example, we offer interesting work placements and run a popular trainee programme.

### Ethics

NIBE has always considered honesty and openness as the natural way to behave. To ensure that we can continue to convey these principles even as an international group of companies, some years ago we formulated certain fundamental ethical rules in line with the OECD’s *Guidelines for Multinational Enterprises* and implemented them across the Group.

The rules are available in full on our website and describe the principles behind our responsibility to customers, co-workers, shareholders and society in general.

We attach great importance to respecting human rights and avoiding all forms of corruption, discrimination, child labour and forced labour. No breaches of the Group’s ethical rules have so far been recorded.

Key figures		2009	2008	2007
Average number of employees		5,519	5,275	5,439
– administrative staff	%	29	27	24
– production staff	%	71	73	76
– men	%	65	66	68
– women	%	35	34	32
Average age	år	39	39	39
Average length of employment	år	7.8	7.7	6.6
Workforce turnover	%	5.9	9.5	16.0
Number of graduates		587	574	546
Employees				
– in Sweden	%	22	24	25
– abroad	%	78	76	75
Sickness, short-term	%	2.5	2.7	2.9
Sickness, long-term	%	2.9	2.6	4.0



### Ewa Bogacka

#### *Managing Director of Backer OBR in Poland*

Backer OBR in northern Poland is NIBE Element’s largest company and was one of NIBE’s very first foreign acquisitions back in 1994. At present 840 people work there in production and sales, mostly of tubular and foil elements.

#### *What’s it like to be a manager at NIBE?*

“It’s very exciting and I get a great sense of satisfaction when we meet our targets. I really enjoy my job as a manager and I’ve plenty of fighting spirit when it’s needed,” says Ewa, who has been Managing Director of Backer OBR since 2007.

“I’m a great believer in the leadership style that has been developed in the NIBE Group. You’re given considerable freedom to act responsibly and you know you can always count on advice and assistance whenever you need it.”

#### *What’s the greatest challenge for Backer OBR and for you?*

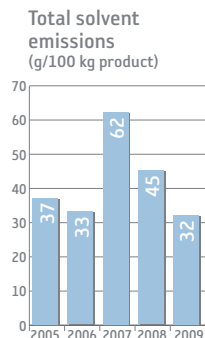
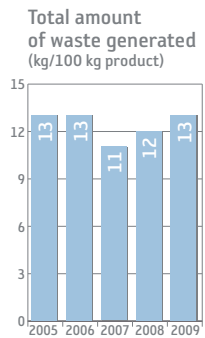
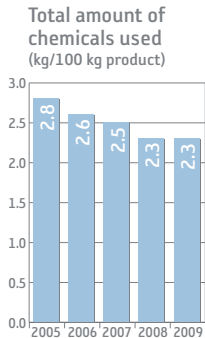
“Making Backer OBR even more customer-oriented. Historically we’ve focused on production. Now we need to develop and increase our contacts with customers and listen to their needs, while keeping an eye on costs. A personal challenge for me is to give my 18-month-old son the best possible upbringing.”

#### *Is it common to find women in senior positions in Poland?*

“Women in Poland are generally better educated than men, and more and more women are starting their own businesses or becoming managers at large companies. Lots of women also hold important political posts. I think female managers are more typical in Poland than in Sweden, so being chosen as a manager at NIBE feels like a particular honour.”



# Taking responsibility for long-term environmental sustainability



**At NIBE, responsibility for the environment is shared by each and every employee. Everyone is made aware of this through training and information about the laws, requirements and ambitions that the Group must live up to and the environmental impact that NIBE has.**

Through a process of continuous improvement, staff can help to reduce environmental impact and create the right conditions for long-term sustainable development. One of the tools we have to further our environmental work is the NIBE environmental policy, which guides all our work in this area.

A number of units are already ISO 14001 certified, but environmental work is decentralised and each unit has its own organisation that works in compliance with the principles laid down in this internationally recognised environmental management system.

### Five focus areas

NIBE's international expansion means that global environmental issues are becoming increasingly important, and the Group's environmental policy is implemented in all new acquisitions as soon as this is feasible. Our environmental work focuses on five key areas under the heading "A holistic view of the environment". Immediate responsibility lies with local management for the respective unit but, in order to achieve our aim of long-term sustainable development, each of the five focus areas is closely monitored via key performance indicators for the entire Group.

Some examples are given below.

### Product development

Products for heating, ventilation and cooling that use renewable energy are being developed and refined to pave the way for phasing out fossil fuels and reducing CO2 emissions.

Improved combustion efficiency in wood stoves, etc. reduces both fuel consumption and emissions.

As a subcontractor, NIBE Element often liaises closely with clients in product development work to create products that last longer and consume less energy.

### Choice of materials

New alternatives are being investigated with the aim of reducing our use of materials, increasing material recycling rates and minimising the environmental impact of the company's products and processes.

When choosing suppliers we evaluate their environmental performance with the help of various questionnaires, factory visits and follow-up measures.

### Production plant

New, improved production processes are continually being introduced to reduce our environmental impact. Environmental work is incorporated into our other preventive and supervisory activities, and the environmental consequences of all investments are examined before approval is granted.

### Product function

We consider the entire life cycle of our products. Product development focuses firmly on optimising energy consumption and reducing environmental impact at the end of the product's useful life, while simultaneously improving the lifespan and reliability of our products.

### Recycling

Continuous development of our waste-sorting systems and the efficient use of components and materials reduce environmental impact and save money, too.

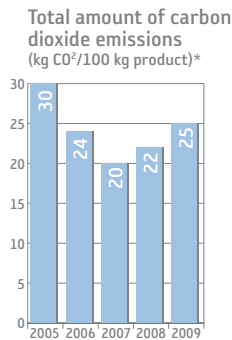
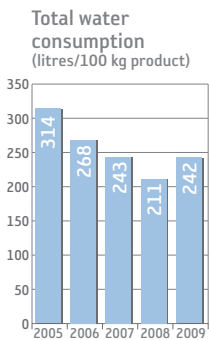
We make every effort to use recyclable packaging materials wherever possible.

### Initiatives in 2009...

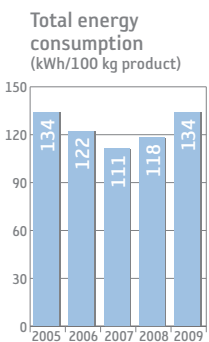
Society's ever-increasing interest in sustainable development has prompted a raft of product development projects at NIBE. For example, energy-efficient circulation pumps have been incorporated into a number of heat pumps, products have been specially insulated to reduce energy consumption and the functionality of our passive cooling technique has been improved.

Facilities for the destruction of solvents at our new wood-stove production plant in Sweden are now working to full effect and investments have been made at our Polish factories to reduce emissions to air.

*“To a great extent, environmental work is about saving resources. That, in turn, impacts on our finances – often remarkably quickly.”*



\* Source for calculation of CO<sub>2</sub> emissions: IEA



*Last year, trends for most of our key performance indicators were negative. This was the result of a slight fall in production volumes in 2009, plus the fact that for many years our manufacturing operations have focused on reducing material consumption and the weight of our end products. For this reason we are now looking at the possibility of introducing more neutral KPIs.*

We also continue to work with our heat-recovery processes in order to cut down on our oil consumption and reduce CO<sub>2</sub> emissions.

In addition, our various plants are working to improve their systems for sorting waste at source by increasing the number of different waste fractions in order to simplify recycling.

#### **...and in the future**

As far as our manufacturing processes are concerned, we are concentrating on eliminating substances and materials that are hazardous to health, curbing our energy consumption and minimising waste – in particular, hazardous waste and landfill. We are, of course, also doing all we can to further improve the environmental credentials of our products.

The most significant contribution that we can make towards reversing climate change is through our products, which ultimately aim to minimise environmental impact and save energy.



#### **Lisbeth Hylander**

**Manager, Quality & Environment at NIBE AB in Markaryd, Sweden**

#### **What are the most important environmental issues for NIBE?**

“That’s easy! Energy consumption, transport and material consumption. I’m fairly new at NIBE, but I have absolute confidence that we really can improve in these areas. In 2010 we will be working extra hard on identifying where we can save energy and, as a result, money.”

#### **What attracts you to work on environmental issues?**

“To a great extent, environmental work is about saving resources. That, in turn, impacts on our finances – often remarkably quickly. My job includes interpreting laws and wading through permits, but I also have a lot of contact with the rest of the company and meet a lot of people. There’s certainly never a dull moment!”

#### **What’s your own personal contribution to the environment?**

“Working on environmental issues certainly does tend to rub off on your home life. It’s often a matter of habit – and habits aren’t always easy to change. I go around turning off lights and computers after the rest of the family, and for me a full bin-bag is a personal failure. I’m hoping that schools are teaching children about the environment so that our six-year-old will begin to question our lifestyle and help us to change our habits. And naturally we have installed a heat pump at home!”



## 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.**

If we are to meet the needs, demands and expectations of our internal and external customers as regards quality, it is essential that our quality policy forms a common platform for all our work, and the benchmark for every employee in all areas of operations. Equally important is that all employees view quality as their own personal responsibility and do their utmost to produce fault-free products.

### **Customer-oriented quality**

Our ability to create value for our customers, learn from our constant efforts to raise quality levels and 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, surveys are continuously carried out among customers within different market segments. These surveys confirm that we exceed the demands and expectations of our customers. However, new initiatives are regularly taken to bring about further long-term improvements in areas such as delivery reliability, product performance, product quality and customer support in order to move the business towards total quality.

We believe that our success in achieving this will be one of the key factors behind our continued growth 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, with process structures that lay the foundations for a clear, customer-oriented development.

Product development is quality-assured by preventive measures that involve strict controls on the work carried out. Verification and validation from the earliest stages of the development process ensure that new products meet the most stringent quality standards and surpass the needs and expectations of users. Our customers and suppliers are also involved throughout the entire development process

As a subcontractor to industry, NIBE Element's most important competitive advantages are its reliability as far as deliveries are concerned and the consistently high quality of its products: all products are factory-tested before despatch.

The very highest quality is also an essential 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 first tested for compliance with our specifications before they leave our suppliers' premises and then test-



*“Quality is what really counts in Germany, and we’re constantly working on improvements and feedback to NIBE in Sweden.”*

ed repeatedly during our own manufacturing processes to guarantee the quality of the end-product. Additional, extensive functional tests are subsequently carried out prior to despatch to ensure that the products we supply to our customers fully meet their requirements for functionality.

For NIBE Stoves, quality means not only functionality and performance, but also the fact that all components conform to stringent technical specifications and that the end-product has an impeccable finish: the outward appearance of these products plays a great role in customer perceptions of quality.

Detailed quality audits of randomly selected products are carried out continuously to make sure that our own quality checks really do fulfil their function.

#### **Continuous improvements**

Sustained improvement work plays an equally crucial role for improving efficiency and reducing costs as it does for quality and customer satisfaction, and we are constantly seeking ways to react more quickly to the needs of our customers. 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. Quantifiable quality targets are set and we seek continuous improvement 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 always 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.

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

The Group’s global expansion means that our products are now being sold in new markets. This makes even greater demands on products and routines, as our new customers are further away from us geographically and may have different expectations, based on local needs and circumstances.

Priority is being given to improving internal communication between production units and subsidiaries to raise awareness of quality at every level, and we also work closely with our sub-contractors to guarantee the quality of components and subassemblies.



**Klaus Ackermann,**  
*Managing Director of NIBE Systemtechnik GmbH in Celle, Germany*

#### **Quality is the focus in Germany**

Germany has grown into one of Europe’s largest markets for heat pumps, and for the past ten years NIBE has had a subsidiary there, NIBE Systemtechnik GmbH, with heat pumps as its main product.

*“Heat pumps have grown in popularity, partly because they mean energy savings for the consumer and partly because of the ongoing climate debate among both politicians and the general public,” says Klaus Ackermann, Managing Director of our German company.*

*“Many heat-pump customers demand high standards of quality, especially when it comes to ease of use, design and workmanship. Despite fierce competition, NIBE is faring well thanks to the high efficiency of its products and their low noise levels.”*

As a sales and service company without its own production facilities, it is important for NIBE Systemtechnik to maintain a constant dialogue with development and production in Sweden.

*“We keep in constant touch with the whole organisation, and communication about everything from day-to-day service issues to more strategic product development works well. Quality is what really counts in Germany, and we’re constantly working on suggestions for improvements and feedback to NIBE in Sweden. By organising tours of the factory in Markaryd, we give our resellers a chance to see that quality is at the very heart of what we do.”*



Christer Fredriksson,  
Business Area Manager

## NIBE Element

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 in a broad spectrum of applications:

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

### Strategy

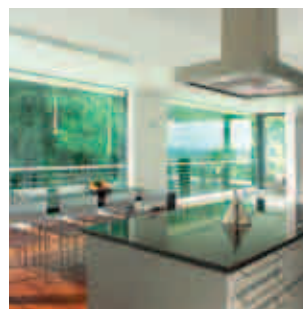
NIBE Element's goal is to rank among the world's leading manufacturers. To do this, it will make appropriate acquisitions to increase the number of domestic markets in which it operates. In these domestic markets it will maintain a local presence and sell a complete range: here, the product programme 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.



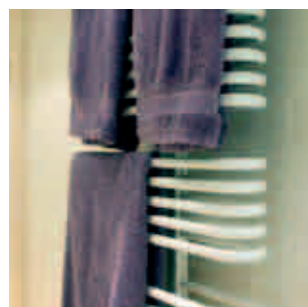
Small household appliances



Domestic white goods



Professional equipment



Comfort - air



Comfort - water



*“We have adapted capacity to reduced levels of demand and focused on developing products to meet future needs.”*

**The year in brief**

For NIBE Element the downturn in the economy began to make itself felt as early as autumn 2007 with the first signs of a drop in demand from the white goods and car industries. Subsequently this gradually spread to the sector for professional equipment and finally to investment-related projects.

It is our opinion that volumes in the markets for our products in Europe, North America and Asia have fallen by 25–30% in the intervening period. This is partly due to cutbacks in production in response to falling demand among our customers, but also to the substantial reductions in stocks implemented during this period. As the effects of the fall in demand became increasingly noticeable, we reduced the workforce in the majority of production units to adapt capacity to the lower demand. Overall during the downturn we slimmed down our workforce by just over 20%, incurring costs for lay-offs and overcapacity last year that are estimated to be in the region of SEK 25 million.

In autumn 2009 we saw a rise in demand from the white goods and car industries, which were the first sectors to be affected by the downturn. As we believe that our customers have now reduced their stocks as far as they can, this suggests that we should see some increase in demand as their future orders will need to keep pace with actual sales.

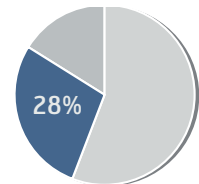
Our product development work and the marketing of both system products and products that are of strategic future interest, particularly within the energy efficiency and infrastructure segments, has continued as before, so our resources within these areas have been unaffected. Our focus is on segments with the potential to deliver good growth even if the general economic downturn persists. For example, resources have been allocated under the name NIBE Wind Components to a special venture to develop and market a product range of components and systems for the wind-power industry.

To make the best possible use of capital tied up, reduce logistics costs and improve customer services, we have made extensive efforts to transfer administration and responsibility for logistics to our low-cost production units.

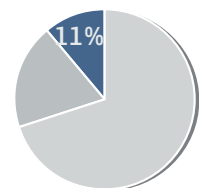
Prices of most raw materials rose slightly towards the end of the year and are now at what can be considered normal levels. Exchange rates remained volatile throughout 2009, causing turbulence in some markets and confusing the competitive situation in certain segments.

In spring 2009 NIBE took over the operations of the Finnish company, Bencon Oy. Bencon, which has annual sales of SEK 7 million and specialises in electrical measurements, control equipment and electric heating solutions, has been integrated into our Finnish industrial company, Meyer Vastus Oy.

Contribution to Group



Net sales



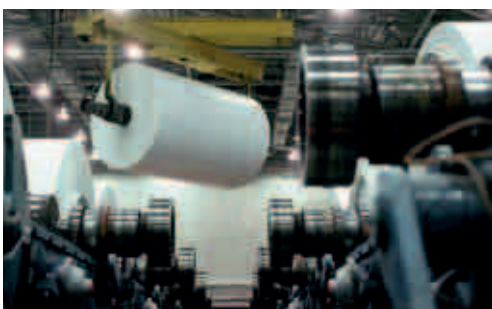
Operating profit



Vehicles and transport



Process industry/projects



Maintenance/spares



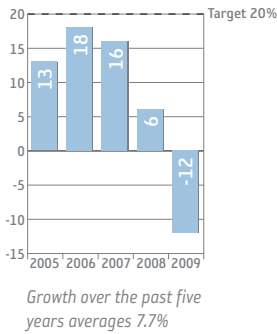
Special



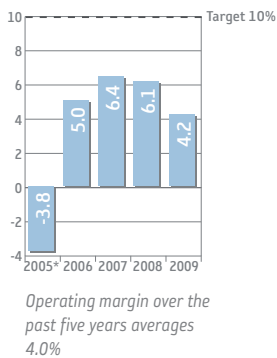
## Business Areas

NIBE Element NIBE Energy Systems NIBE Stoves

### Objective fulfilment Growth (%)

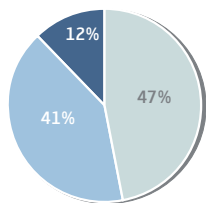


### Objective fulfilment Operating margin (%)



\*) Figures affected by provisions of SEK 70 million for restructuring reserve

### Sales by geographical region



- Nordic countries
- Rest of Europe
- Other markets

### Outlook for 2010

The main focus for 2010 will be on continuing to develop product areas related to the sales of system products to the professional sector. We believe that demand from this sector will rise somewhat during the year.

Since product areas related to infrastructure investments were the last ones to be affected by the downturn in the economy, it seems reasonable to assume that they will also be the last to fully recover, so we expect demand for these groups to remain low throughout 2010.

Within the consumer-oriented sector, where volumes tend to reflect the current state of the economy more closely, there have been signs of a tentative recovery in demand since last autumn. The process of structural change continues in this sector, with more and more manufacturing being transferred to countries with lower production costs.

Overall we expect to see a slight increase in demand for the business area in 2010.

In a strategic move that reflects the thinking behind our establishment of NIBE Wind Components in 2009, we are now making plans to set up a similar special unit for rail infrastructure equipment. We will allocate resources to this project in order to be able to offer clients in this niche market access to the full spectrum of the business area's products and know-how.

Our decisions in recent years to transfer production abroad have been fully justified. Access to low-cost production in Poland, the Czech Republic, China and Mexico gives us the flexibility to adapt to fluctuating exchange rates and cost trends on three continents, while optimising our logistics at the same time.

It is our opinion that our strategy of combining intensive product development and rational production with a local presence will stand us in good stead to capture more new shares of the market during the year.

After successfully adapting production capacity to current levels of demand in 2009, we now believe that we have every opportunity of reporting an improvement in earnings even if the economy remains depressed.

### Market

The market for components and systems for electric heating tends to keep pace with national industrial development and the growth in national GDP. As a result, trends in most of our domestic markets – including former growth markets, such as Eastern Europe and Asia – have pointed



During the past year a new organisation, NIBE Wind Components, has been established to develop and market products for the wind-power industry.

downwards since the second half of 2008.

In contrast, many markets are showing considerable interest in alternative energy production and more efficient energy use, which is still fuelling growth in these segments. However, as sales in these segments are now even more dependent than before on various types of government grant and energy-saving incentives, it is difficult to accurately forecast demand from year to year.

Our goal remains to gradually increase our total 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 running 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.

We have also set up a regional sales office in Shanghai, to focus predominantly on the Chinese engineering and energy industries.

The process of structural change differs from

industry to industry, and in certain segments the pace has accelerated in recent years. This has resulted in an increasing tendency 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 European production plants while expanding capacity in Eastern Europe.

Recent developments have also meant that products for electric direct-heating of domestic properties, 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 heating solutions based on renewable sources of energy gradually gain ground.

For equipment for professional use, the trend is different once again. Production continues in existing units, but there is increased interest in buying complete systems from subcontractors. We are meeting this trend with a wider 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 offer 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 the product programme and increasing the content of deliveries to customers has fuelled relatively good growth in these segments. However, 2009 saw a sharp drop in demand here, too, and this has inevitably undermined profitability in the industry as whole.

The relentless trend towards larger corpo-

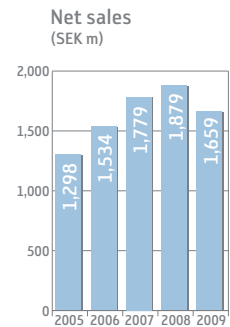
rate groupings continues. Historically ours has been an industry of small and medium-sized family businesses with a strong local presence. In recent years, however, instead of passing from one generation to another, these firms have often been sold as it becomes increasingly difficult to maintain profitability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

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

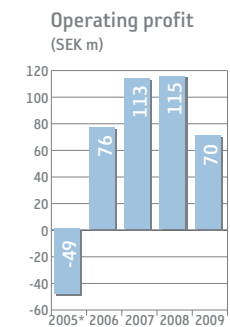
We believe that our strategy of offering industry and the professional segment locally manufactured products, while our units in low-cost countries manufacture mostly for the volume segment, is well suited to industry trends and further reinforces our position and our future potential.

### 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 materi-

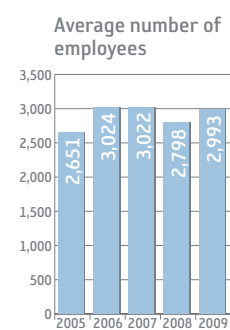


Net sales fell by 11.7% in 2009

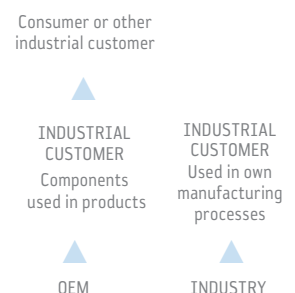


Operating profit fell by 39.0% in 2009

\*) See page 26



### Distribution





*In 2009 we launched System Blue Point, a unique, new, computer-controlled system for heating and operating railway switch points..*

als 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.

During the year the business area acquired the operations of the Finnish company, Bencon Oy, thus broadening our product portfolio and adding 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 for establishing NIBE Element as the leading supplier of electric heating components for industrial customers in each of the business area’s respective domestic markets.

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 lifts/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.

### 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 qualities of heating elements with regard to temperature ranges, insulation, etc. One example, launched this year, are the new electrical connection boxes used for controlling high-efficiency, modern energy solutions.
- ▲ Product adaptation is usually conducted in close collaboration with clients 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 2009 of complete new system solutions for producing steam.
- ▲ Process development is carried out with the aim of optimising production as regards the choice of materials, the quality and the technical performance of a product. In 2009 we carried out further materials optimisation projects in order to be able to use alternative materials with a lower nickel content.

- ▲ 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 to eliminate the use of trichloroethylene in the manufacturing process for tubular elements.

### Production

NIBE Element has a total of 28 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 gradually becoming more specialised when it comes to large series and unique products.

During the course of 2009 our new standardised business system has been rolled out at our foil element operations and in our English industrial company, paving the way for improved coordination and integration between the various production units.

In Mexico we have started work on restructuring our operations there to increase capacity and improve productivity.

A number of projects undertaken during the year have sought to reduce tied-up capital and the cost of logistics. One result of this has been a leap in the proportion of directly invoiced sales from our low-cost units, leading to improvements in customer service and reductions in costs.

To adapt capacity to what has been an accelerating downturn in demand, there have been further cuts in staffing at most production units. In all, the workforce has been reduced by just over 20% as a consequence of the economic situation.

### 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



Kjell Ekermo,  
Business Area Manager

## NIBE Energy Systems

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 domestic heating and indoor comfort. 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.



Ground-source/geothermal heat pumps



Air/water heat pumps



Exhaust-air heat pumps



*“The intensification of our research and development activities has resulted in our most successful product launches to date.”*

**The year in brief**

Overall the Swedish market for heat pumps remains stable, albeit with certain variations within the different product segments. During the second half of the year demand for ground source and geothermal heat pumps rose relatively steeply, but the fall-off in the number of private homes being built had a negative effect on exhaust-air heat pumps. The main reason for the increase in the number of ground source/geothermal heat pump installations – the heating solution that delivers the greatest energy savings for the customer – is thought to be simplified routines for tax relief for private individuals on home renovation and improvement projects.

The market for electric water heaters remains stable both here at home and elsewhere in Europe, while demand for district-heating products, conventional domestic boilers and pellets-fired products has stayed weak.

After the sharp downturn in the global economy in autumn 2008, the heat pump market for Europe as a whole stagnated last year. This was mainly due to the dramatic drop in the construction of new homes and apartments more or less throughout the continent. The market in Germany fell steeply and reductions in subsidies in France saw the market there contract significantly. However, we were able to compensate for the decline in these markets by increasing our market share and by increasing sales elsewhere, primarily in the U.K., Poland and Austria. Interest in energy efficiency and in making more use of products for renewable energy in the future remains generally strong in all of Europe.

Following the intensification of our research and development activities in the renewable energy segment, last year witnessed our most successful product launches to date. The entire market – from installation engineers to service technicians and end-users – reacted very positively to our new generation of ground source/

geothermal heat pumps and to the new NIBE split air/water heat pumps, thus confirming our position at home and abroad as a world leader in heat pump technology.

The market also reacted positively towards the products of the Swedish solar panel specialist Sol & Energiteknik AB and operations are now being expanded in Sweden and abroad. The company, acquired in May, has annual sales of some SEK 20 million.

At the end of March a further 24% stake was acquired in CJSC EVAN, increasing our ownership to 75%. The company, which has 150 employees and annual sales of approximately SEK 100 million reported some slight growth and continued good profitability in 2009, despite the weak state of the Russian economy.

**Outlook for 2010**

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.

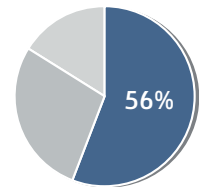
Product development, corporate acquisitions and our own organisation are increasingly being adapted to our ongoing internationalisation, which it is hoped will provide an even broader and firmer platform for the business area to stand on.

It is our opinion that the international market for ground-source/geothermal heat pumps and air/water heat pumps will continue to develop positively. We are also seeing increased international interest in exhaust-air heat pumps.

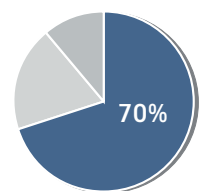
In addition to heating during the winter months, there is an ever more urgent need for cooling during the summer months, especially in Southern Europe.

A number of European countries have already introduced government grants to promote energy-saving conversions, and it is highly probable that the future will bring further financial incentives to support similar initiatives. There

Contribution to Group



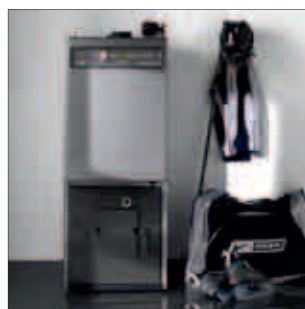
Net sales



Operating profit



Solar panels



Domestic boilers and pellet burners



Accumulators



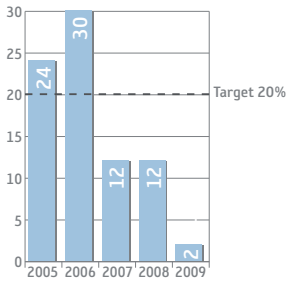
District heating products



## Business Areas

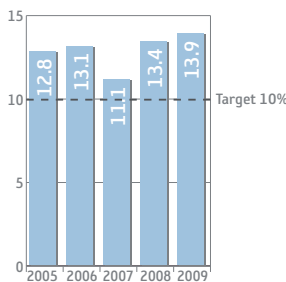
NIBE Element NIBE Energy Systems NIBE Stoves

### Objective fulfilment Growth (%)



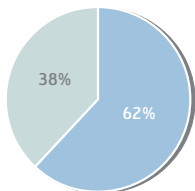
Growth over the past five years averages 15.6%

### Objective fulfilment Operating margin (%)



Operating margin over the past five years averages 12.9%

### Sales by geographical region



- Nordic countries
- Rest of Europe
- Other markets

is also a marked increase in interest from politicians outside Europe, most noticeably in the USA, to promote the use of environmentally sound heating solutions.

Never before have we had so strong a range of products, nor one that is more all-embracing in its scope. Our significantly increased investments in product development are now also beginning to result in ever more frequent product launches in the markets that we have chosen to prioritise. During the first six months of the year we will be introducing more new products in many of our product areas that build on the success of our unique concept for a new generation of technically sophisticated, high-performance ground-source/geothermal heat pumps.

Following the introduction of new Swedish building regulations at the start of the year, we have adapted our products to meet current requirements. To do this we have worked closely with Sweden's private home-builders, who, in our opinion, are international leaders in the industry. As a result, we can now offer unique product innovations for new builds.

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.

On the other hand, interest in solar energy products is increasing in Sweden and the rest of Europe – in many cases with the support of government subsidies – and we are therefore gradually expanding our operations within this segment of the market.

Assuming that developments in the international economy do not lead to any further downturn in demand, 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. 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 in 2009, especially during the second half of the year thanks to the effect of simplified routines for tax deductions for renovation, maintenance and improvement work on private houses. In contrast, the market for air/water heat pumps, which represents a smaller segment in the RMI sector than ground-source/geothermal pumps, contracted slightly.

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

Around 7,500 new, private homes were built in Sweden in 2009, compared with some 10,100 in 2008. This is a relatively low level by both historical and international standards, but the figure for 2010 is expected to be somewhat higher as the economy begins to move into recovery. 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. However, new building regulations have necessitated certain adaptations to our products for this market.

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.





### 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 pieces 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 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 our prioritised 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 that part of the world. We are growing all the time, but the competition is intensifying. Large international companies are showing an interest in energy-efficient heating solutions that can counteract wild fluctuations 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 (2006–2008) the French market for heat pumps all but collapsed in 2009 as state grants for heat-pump installations were slashed and the construction sector struggled to find work. Even so, France remains the largest market in Europe for heat pumps for water-borne systems.

Demand from the German heat-pump market also slowed in 2009 as the construction of new, single-family homes plummeted to a historically low level. However, Germany's programme for supporting investment in energy-saving technology – including heat pumps – extends to 2012, and it is anticipated that this will contribute to a recovery in the market there in due course.

In most 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, the fall in the numbers of new homes being built more or less throughout the continent will inevitably impact on growth.

Sales of our district-heating products, which

are directed mainly at Denmark, Sweden, the UK, Germany and the Netherlands, have tended to contract over 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 decisive factors in this process that speak loudly in our favour.

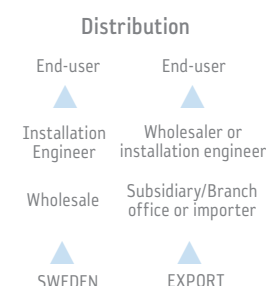
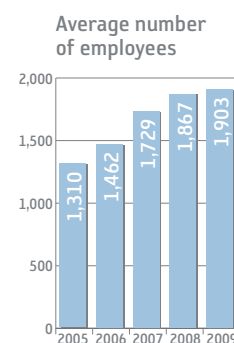
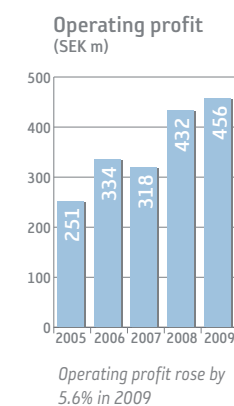
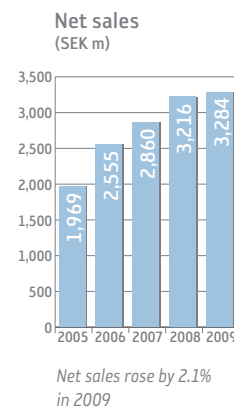
Product design and distribution channels differ from country to country, but most markets show a clear trend towards more energy-efficient, environmentally adapted solutions. At the same time, requirements for ventilation and heat recovery in newly built properties are becoming more stringent, and there 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 alternatives often create an imbalance: consumer choice is governed by the focus of the grants and subsidies rather than by any objective consideration 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 represents a clear potential for the industry, but it also makes great demands on knowledge 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





*Participating in major international trade fairs is a key element of our product marketing strategy. Many European customers visited the ISH Fair in Frankfurt in spring 2009.*



in a number of countries, NIBE Energy Systems is well placed to assert itself in tomorrow's European market.

### Products

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

The first six months of 2010 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/geothermal heat pumps.

At the same time, work is also ongoing 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, environmentally sound, cost-effective solutions for heating and a comfortable indoor climate, 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 programme 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.

A process of continuous improvement and the rationalisation of product development are essential if we are to achieve the goals we have set for ourselves regarding the integration of innovative solutions into high-quality, eco-friendly, easy-to-use products with an appealing design. Continually reinforcing our team with highly educated 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 demands 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 established, and resources here focus on developing high-quality, cost-efficient, environmentally adapted products. Design, too, has become an increasingly significant consideration for end-users.

NIBE Energy Systems has strong and highly competent R&D resources, both in Markaryd and out among the subsidiaries, and there is an increased focus on international product requirements in all areas of operation.

### Production

NIBE Energy Systems has ten production plants in Sweden, Denmark, Norway, Finland, Poland, the Czech Republic, Russia and Austria, all of which are continuously engaged in 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, enabling us to meet the increased demand for new heating products. In 2009 we upgraded our heat-pump production facilities in order to be able to manufacture the new generation of heat pumps under the most rational conditions.

Ongoing investment in our Polish and Czech 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 prioritised markets that are subject to fierce competition on price.

Our stake in the Russian electric-boiler manufacturer EVAN has further bolstered our manufacturing capacity and given us improved access to cost-effective production.

A review of manufacturing methods is undertaken each year within the 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
- + Access to rational production in countries with lower labour costs
- + Highly sophisticated in-house product development
- + Political decisions on energy and the environment
- + 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



Niklas Gunnarsson,  
Business Area Manager

## NIBE Stoves

NIBE Stoves is the market leader for wood-burning stoves in Sweden 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.

### The year in brief

After a few years when demand for wood-stove products has fallen in Sweden as a result of the general slowdown in the economy, the market stabilised at much the same level as in 2008 despite the dramatic fall in the number of new builds. Low interest rates and the introduction of simpler routines for tax relief for private individuals on home renovation and improvement projects had a positive effect on demand.

As far as the other Nordic markets are concerned, developments in Norway mirrored those in Sweden, while the general economic downturn and plummeting construction levels – especially in Finland – saw demand for wood-stove products fall further both there and in Denmark.

In Germany demand for wood-stove products remained relatively good throughout the year, while in France the market has been bolstered by government subsidies for the purchase of wood stoves. One trend common to virtually all our main markets was that demand in the fourth quarter was significantly stronger than at the end of 2008.

We still enjoy a very strong position in our main markets, thanks to consistent marketing work and direct distribution to a well developed network of resellers. We also offer a broad product programme with the combustion technology, environmental adaptation and design that today's market demands.

There was a large number of new product



Wood-burning stoves (sheet metal)



Wood-burning stoves (soapstone)



Masonry stoves



Cast-iron stoves



*“We have a very strong position in our main markets, thanks to consistent marketing work and direct distribution to a well-developed network of resellers.”*

launches during the first half of 2009, but the bulk of the deliveries did not take place until the fourth quarter. Some of these new products were in the sheet metal segment, our strongest product area for wood-burning stoves, while others were large fire inserts with various types of surrounds, which is a very big product area in central and southern Europe. The reception from the market has been positive, without exception.

Work at the new production facility in Markaryd, which was opened in the summer of 2008, focused last year on fine-tuning. Because the highly positive results of this work did not make themselves felt until the end of the year and in view of the fact that, by the middle of the year, we had carried out the planned reductions in our stock levels, delivery reliability was less than satisfactory throughout most of the autumn. Now the plant is fully functional, but there is, as always, scope for further improvements in productivity.

In 2008 an agreement was signed giving us the option to acquire the Danish company Lotus Heating Systems A/S in 2010. Lotus is one of Denmark’s leading manufacturers of steel-bodied wood stoves, with sales totalling approximately SEK 120 million a year. It is our intention to realise this option towards the end of the first quarter of this year.

**Outlook for 2010**

It is our opinion that demand for wood-stove products in most of our main markets this year will be on a par with, if not slightly better than, the level for 2009. Low interest rates that translate into more disposable income for many households and a partial recovery in the market for newly built homes are two factors that are expected to make a positive contribution to demand over the coming year. The long, cold winter of 2009–2010, which led to high energy prices and occasional power cuts, has also had a positive effect on de-

mand, albeit more short-term in character.

Today there is a great deal of motivation throughout Europe to invest in energy-efficient products that can be powered by energy from renewable sources and thus reduce our reliance on fossil fuels.

As part of our ambition to safeguard the business area’s organic growth, our marketing work and our expansion into new markets will continue with undiminished vigour. At the same time, we are also very much aware of the potential to further improve our market share in our existing main markets through consistently professional marketing activities.

Our product development work continues to progress at an impressive pace and we stand firm in our ambition to become Northern Europe’s number one in our sector. From a competitive perspective, tomorrow’s tougher criteria with regard to the need to manufacture products that combine the right design with sophisticated combustion technology and lower particle emissions suit us just fine.

Our new wood-stove 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 the future, the ability to manufacture products with only minimal environmental impact will become an increasingly important competitive advantage.

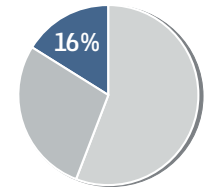
Against this background, it is our firm opinion that there are good opportunities for us to achieve sustained growth in sales without compromising our good profitability.

**Market**

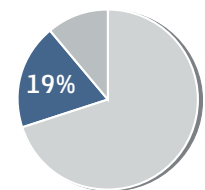
**Sweden**

The market for wood-burning stoves tends to follow the business cycle, with sales of capital items rising during times of economic prosperity. However, energy prices and government energy poli-

Contribution to Group



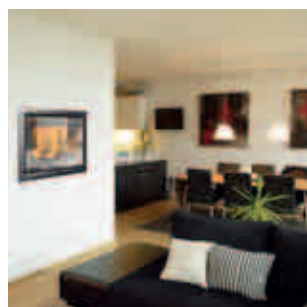
Net sales



Operating profit



Accessories



Wood-burning inserts



Chimneys

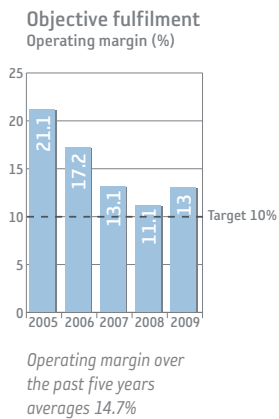
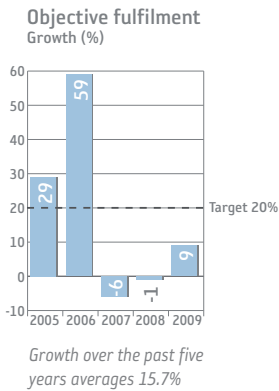


Tiled stoves



## Business Areas

NIBE Element NIBE Energy Systems **NIBE Stoves**



cies also impact on sales. The general economic trend over recent years has had a negative effect on demand for wood-stove products, but the current consensus is that the market has now stabilised.

Most sales are made to home-owners and those 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 a broad and comprehensive product range, 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 the demand for wood-stove products throughout 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 the heavy, 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.

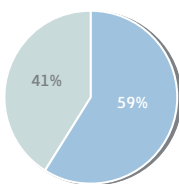
Such distinctive variations in taste generally result from a specific style being established in a market by one or more domestic manufacturers. In recent years, however, several markets have begun to show a much greater willingness than before to accept new products in a new design from foreign manufacturers.

### 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-size manufacturers, almost all of them producing stoves in steel plate and many with a long tradition of supplying the German market. There are also a number

### Sales by geographical region



- Nordic countries
- Rest of Europe
- Other markets



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.

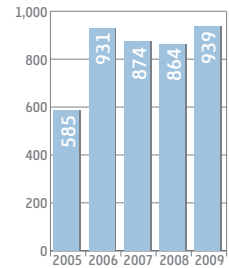
We develop and sell our own products under the Handöl, Contura, Cronspisen, Roslagsspisen, Nordpeis, Varde Ovne and TermaTech brands. As all our brands are so strong, particularly in their own domestic markets, all have been protected as trademarks.

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. These easily assembled, stainless steel systems can be installed without the need for an existing chimney flue and offer very good value for money.

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

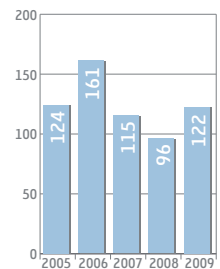
There are clear signs that products are becoming more similar throughout Europe in terms of function and design. We believe that

Net sales (SEK m)



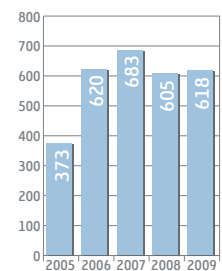
Net sales rose by 8.8% in 2009

Operating profit (SEK m)



Operating profit rose by 27.1% in 2009

Average number of employees



### Distribution





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





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 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 take 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 significantly reduce development times.

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 of 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.

The acquisition of Nordpeis has given NIBE Stoves 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 range
  - General economic climate



Leif Gustavsson,  
Financial Director

# Administration Report

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 5,500 employees and business activities in 19 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 statement over the past five years

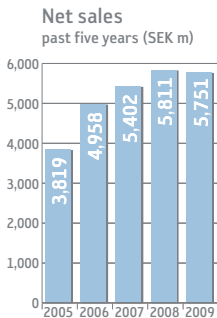
Sales have grown over the past five years. The target has been annual growth of 20%, preferably with half of this total generated by organic growth and half by acquired business. Sales have risen from SEK 3,161.0 million to SEK 5,751.2 million during the period, through a combination of organic growth and an aggressive acquisition strategy that has seen the takeovers of 13 different companies and lines of business.

Growth during the period has averaged 12.7%, with organic growth accounting for 7.5% and acquired sales for 5.2%.

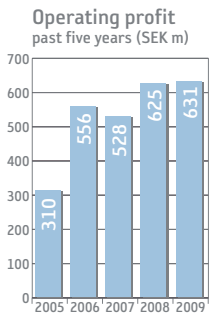
The profitability target during the period has been an operating margin of at least 10% in each of the Group's business areas, and a return on equity of at least 20% for the Group as a whole.

NIBE Element's operating margin during the five-year period has averaged 4.9% excluding provisions for the restructuring reserve, and 4.0% if these provisions are included. The average operating margin for NIBE Energy Systems is 12.9%, and for NIBE Stoves 14.7%.

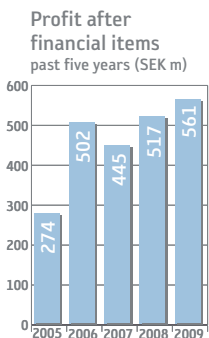
The Group's return on equity during the period averaged 22.7% including provisions to the restructuring reserve.



Net sales fell by 1.0% in 2009



Operating profit rose by 1.0% in 2009



Profit after financial items rose by 8.6% in 2009

### Income statements

(in millions of SEK)	2009	2008	2007	2006	2005
Net sales	5,751.2	5,810.5	5,402.5	4,958.0	3,819.1
Cost of goods sold	- 3,928.6	- 4,108.7	- 3,828.2	- 3,409.0	- 2,763.9
<b>Gross profit</b>	<b>1,822.6</b>	<b>1,701.8</b>	<b>1,574.3</b>	<b>1,549.0</b>	<b>1,055.2</b>
Selling expenses	- 992.2	- 917.7	- 838.2	- 786.2	- 578.0
Administrative expenses	- 371.5	- 347.1	- 292.3	- 266.4	- 224.0
Other operating income	172.4	188.3	84.2	59.6	56.9
<b>Operating profit</b>	<b>631.3</b>	<b>625.3</b>	<b>528.0</b>	<b>556.0</b>	<b>310.1</b>
Net financial items	- 70.4	- 108.6	- 83.0	- 54.5	- 36.5
<b>Profit after net financial items</b>	<b>560.9</b>	<b>516.7</b>	<b>445.0</b>	<b>501.5</b>	<b>273.6</b>
Tax	- 148.8	- 140.6	- 130.3	- 150.7	- 89.9
<b>Net profit for the year</b>	<b>412.1</b>	<b>376.1</b>	<b>314.7</b>	<b>350.8</b>	<b>183.7</b>
Non-controlling interest's participation in profit after tax	3.0	6.3	-	-	1.7
Includes the following amounts for depreciation according to plan	210.2	188.3	163.7	141.0	121.1

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

## Five-year review

### Balance sheet over the past five years

Over the past five years total assets have risen from SEK 2,496.1 million to SEK 4,793.5 million.

Inventories and current receivables (mainly trade receivables) account for around 41% 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.

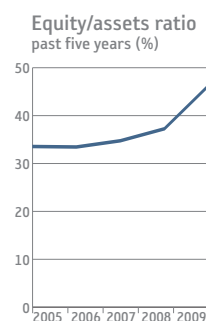
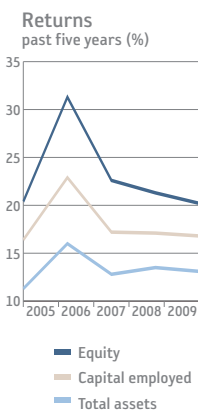
Tangible assets consist solely of property, plant and equipment, the value of which has increased by SEK 523.1 million over the five-year period. Of this increase, approximately 25% was added through acquisitions of companies and lines of business, and the remaining 75% through investments in existing businesses, primarily in the Group's facilities in Markaryd, Sweden, where most of the production facilities for NIBE Energy Systems and NIBE Stoves are located.

Non-current, non-interest-bearing liabilities and provisions consist mainly of deferred tax, warranty provisions and restructuring provisions, and have grown from SEK 205.1 million to SEK 239.1 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 grown from SEK 812.5 million to SEK 1,519.0 million during the period. The increase is due partly to the expansion of existing units in the NIBE Group and partly to interest-bearing liabilities at companies and lines of business acquired.

The Group's target is for the equity/assets ratio not to fall below 30%. The average for this key figure during the period was 36.9%.

Current non-interest-bearing liabilities and provisions have grown by SEK 258.4 million during the period, from SEK 586.9 million to SEK 845.3 million. Accrued expenses and customary trade payables, which are both directly related to the expansion of the business, account for approximately 78% of the total.



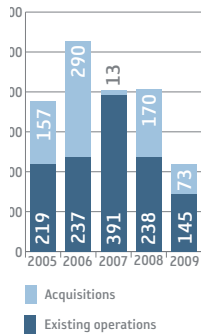
### Balance sheets

(in millions of SEK)	2009	2008	2007	2006	2005
Intangible assets	1,018.4	944.7	732.2	670.3	458.5
Tangible assets	1,398.8	1,500.5	1,374.4	1,116.3	1,015.2
Financial assets	57.0	63.3	35.7	28.2	36.0
<b>Total non-current assets</b>	<b>2,474.2</b>	<b>2,508.5</b>	<b>2,142.3</b>	<b>1,814.8</b>	<b>1,509.7</b>
Inventories	1,038.0	1,227.5	1,344.0	1,007.9	831.1
Current receivables	932.2	1,059.1	829.3	857.0	651.2
Investments	-	2.3	-	4.8	1.1
Cash and bank balances	349.1	349.3	207.9	218.3	132.2
<b>Total current assets</b>	<b>2,319.3</b>	<b>2,638.2</b>	<b>2,381.2</b>	<b>2,088.0</b>	<b>1,615.6</b>
<b>Total assets</b>	<b>4,793.5</b>	<b>5,146.7</b>	<b>4,523.5</b>	<b>3,902.8</b>	<b>3,125.3</b>
Equity	2,190.0	1,888.7	1,547.7	1,283.5	1,031.0
Long-term liabilities and provisions, non-interest-bearing	239.1	246.9	210.2	247.8	265.2
Long-term liabilities and provisions, interest-bearing	1,360.0	1,971.2	1,866.5	1,317.8	1,025.8
Current liabilities and provisions, non-interest-bearing	845.3	859.1	760.3	914.0	685.4
Current liabilities and provisions, interest-bearing	159.1	180.8	138.8	139.7	117.9
<b>Total equity and liabilities</b>	<b>4,793.5</b>	<b>5,146.7</b>	<b>4,523.5</b>	<b>3,902.8</b>	<b>3,125.3</b>

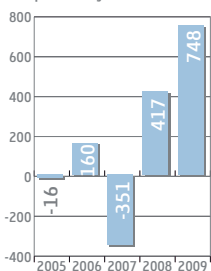


## Five-year review

Investments past five years (SEK m)



Operating cash flow 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 an upward 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 2005 and again in 2006, rising to almost SEK 400 million in 2007. In 2008 investment totalled more than SEK 200 million and in 2009 almost SEK 150 million. 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 improved operating cash flow 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

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

During 2008 and 2009 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 2009, 13 takeovers of companies and lines of business have been made, of which five relate to the NIBE Element business area, five 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 full tax. Over the most recent five-year period, share dividends have accounted for between 29.2% and 34.3% of the net profit for the year after full tax but before allocations to the structural reserve.

### Statements of cash flows

(in millions of SEK)	2009	2008	2007	2006	2005
Cash flow before change in working capital	676.3	480.0	439.5	489.9	312.6
Change in working capital	217.4	174.0	-399.4	-93.4	-109.4
<b>Cash flow from operating activities</b>	<b>893.7</b>	<b>654.0</b>	<b>40.1</b>	<b>396.5</b>	<b>203.2</b>
Investments in current operations	-145.3	-237.5	-390.9	-236.6	-219.0
<b>Operating cash flow</b>	<b>748.4</b>	<b>416.5</b>	<b>-350.8</b>	<b>159.9</b>	<b>-15.8</b>
Acquisition of companies	-72.6	-170.1	-13.2	-289.8	-156.7
<b>Cash flow after investments</b>	<b>675.8</b>	<b>246.4</b>	<b>-364.0</b>	<b>-129.9</b>	<b>-172.5</b>
Financing	-559.8	-14.2	451.6	291.4	296.1
Dividend to shareholders	-108.0	-108.0	-108.0	-70.4	-70.4
<b>Cash flow for the year</b>	<b>8.0</b>	<b>124.2</b>	<b>-20.4</b>	<b>91.1</b>	<b>53.2</b>
Liquid funds at the beginning of the year	349.3	207.9	218.3	132.2	88.6
Exchange rate difference in liquid funds	-8.2	17.2	10.0	-5.0	-9.6
<b>Liquid funds at year-end</b>	<b>349.1</b>	<b>349.3</b>	<b>207.9</b>	<b>218.3</b>	<b>132.2</b>



## Risk Management

### Dependence on customers

All three business areas work with a wide range of customers. None is so dependent on any one customer or group of customers that the loss of that customer/group could 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

A significant proportion of the materials used to manufacture the Group's products is 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 2009, 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 50,000 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 below shows the effect of a variety of changes on the Group's result, based on the income statement for 2009.

	Basis for calc. (SEK m)	Change %	Impact
Net sales (margin constant)	5,751.2	+/- 1.0 %	SEK 21.8 m
Operating margin (volume constant)		+/- 0.1 %	SEK 5.8 m
Material cost	2,335.9	+/- 1.0 %	SEK 23.4 m
Payroll expenses	1,399.2	+/- 1.0 %	SEK 14.0 m
Interest-bearing liabilities (interest constant)	1,519.0	+/- 10.0 %	SEK 5.5 m
Interest rate % (interest-bearing liability constant)	3.6 %	+/- 1.0% point	SEK 15.2 m

Based on Income Statement 2009



## Annual Accounts 2009

### Income statement 2009

#### Net sales

Group net sales fell by 1.0% to SEK 5,751.2 million (2008: SEK 5,810.5 million). NIBE Element's sales fell by 11.7, with a 2.8% increase from acquired businesses, but a 14.5% drop in organic sales. NIBE Energy Systems increased its sales by 2.1%, of which 1.4% was organic and 0.7% was acquired. Sales for NIBE Stoves rose by 8.8%, of which 5.2% was organic and 3.6% was acquired.

Group net sales outside Sweden totalled SEK 4,144.7 million, a contraction of SEK 82.2 million compared with the 2008 total of SEK 4,226.9 million. Net sales abroad accounted for 72.1% (2008: 72.7%) of total net sales. Net sales in the Swedish market rose by 1.4% to SEK 1,606.5 million (SEK 1,583.6 million).

Overall Group net sales fell by SEK 59.3 million. As acquired sales growth during the year totalled SEK 107.3 million, this means that organic sales fell by SEK 166.6 million. Acquired growth accounted for sales of SEK 52.9 million at NIBE Element, SEK 23.6 million at NIBE Energy Systems and SEK 30.9 million at NIBE Stoves.

#### Operating profit

Group operating profit totalled SEK 631.3 million, an increase of 1.0% on the figure of SEK 625.3 million reported in 2008. The operating margin was 11.0% (10.8%).

NIBE Element's operating profit fell by 39.0% or SEK 45.0 million from SEK 115.4 million in 2008 to SEK 70.4 million in 2009.

The business area's operating margin was 4.2% (6.1%).

NIBE Energy Systems' operating profit rose by SEK 23.6 million from SEK 432.2 million to SEK 455.8 million, an increase of 5.5%. The operating margin was 13.9% (13.4%).

NIBE Stoves' operating profit rose by SEK 26.0 million from SEK 96.2 million to SEK 122.2, an increase of 27.1%. The operating margin was 13.0% (11.1%).

#### Goodwill

The Group's goodwill is tested annually for impairment by calculating the present value of each business area's cash flows. These are calculated on the basis of annual growth of 10% with deductions for increased working capital requirements and investments corresponding to the annual rate of depreciation. Calculations for 2008 gave no indication of any impairment.

#### Profit after financial items

Profit after financial items rose by 8.6% to SEK 560.9 million (SEK 516.7 million) to yield a pre-tax profit margin of SEK 9.8% (8.9%). Financial items generated net expense of SEK 70.4 million for the year as against a net expense of SEK 108.6 million in 2008.

#### Tax

The tax expense for the year was SEK 148.8 million (SEK 140.6 million), which gives an effective tax rate of 26.5% (27.2%). The nominal tax rate in Sweden is 26.3% (2008: 28%). The reason why the actual tax rate is lower than the nominal tax rate is the Swedish parliament's decision to reduce income tax rates with effect from 2009.

### Key ratios

		2009	2008	2007	2006	2005
Net sales	SEK m	5,751.2	5,810.5	5,402.5	4,958.0	3,819.1
Growth	%	- 1.0	+ 7.6	+ 9.0	+ 29.8	+ 20.8
Operating profit	SEK m	631.3	625.3	528.0	556.0	310.1
Profit after net financial items	SEK m	560.9	516.7	445.0	501.5	273.6
Net investments in fixed assets	SEK m	217.9	407.6	404.1	526.4	375.7
Gross margin	%	14.6	14.0	12.8	14.1	11.3
Operating margin	%	11.0	10.8	9.8	11.2	8.1
Profit margin	%	9.8	8.9	8.2	10.1	7.2
Capital employed	SEK m	3,709.0	4,040.7	3,552.9	2,741.0	2,174.7
Equity	SEK m	2,190.0	1,888.7	1,547.7	1,283.5	1,031.0
Return on capital employed	%	16.8	17.1	17.2	22.9	16.4
Return on equity	%	20.2	21.3	22.6	31.3	20.4
Return on total assets	%	13.1	13.5	12.8	16.0	11.3
Asset turnover	times	1.16	1.20	1.28	1.41	1.36
Equity/assets ratio	%	45.7	36.7	34.2	32.9	33.0
Proportion of risk-bearing capital	%	48.6	39.7	36.9	36.1	36.7
Operating cash flow	SEK m	748.4	416.5	- 350.8	159.9	- 15.8
Interest cover	times	7.3	4.8	5.7	9.2	7.2
Interest-bearing liabilities/Equity	%	69.4	113.9	129.6	113.6	110.9
Average number of employees		5,519	5,275	5,439	5,111	4,339

## Balance sheet 2009

### Equity ratio and returns

The Group's equity ratio at the end of the year was 45.7% (36.7%). Equity totalled SEK 2,190.0 million (SEK 1,888.7 million).

The Group's return target is a return on equity of at least 20% in the long term. The return on equity in 2009 was 20.2% (2008: 21.3%). The return on capital employed was 16.8% (17.1%). The profitability target for the business areas is an operating margin of at least 10% for each profit centre over a complete business cycle. For NIBE Element the operating margin was 4.2% (6.1%), for NIBE Energy Systems 13.9% (13.4%) and for NIBE Stoves 13.0% (11.1%). The operating margin for the Group as a whole was 11.0% (10.8%).

### Cash and cash equivalents

The Group's cash and cash equivalents at the end of the financial year amounted to SEK 349.1 million (SEK 349.3 million), to which may be added unutilised overdraft facilities of SEK 1,223.2 million (SEK 794.4 million). During the year, the Group's net overdraft was reduced by SEK 24.4 million. Acquisitions provided SEK 1.5 million, which enabled the previous overdraft to be reduced by SEK 25.9 million.

## 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% (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 2009****Cash flow from operating activities**

The consolidated cash flow for 2009 after changes in working capital amounted to SEK 893.7 million (2008: SEK 654.0 million)

**Investment**

Group acquisitions of subsidiary companies/lines of business totalled SEK 72.6 million (SEK 170.1 million). Investment in existing units totalled SEK 145.3 million (SEK 237.5 million), allocated as follows:

(in millions of SEK)	2009	2008
Machinery and equipment	88.4	150.3
Properties	6.8	3.0
Construction in progress	31.2	28.0
Other fixed assets	18.9	56.2
<b>Total</b>	<b>145.3</b>	<b>237.5</b>

Consequently, cash flow after investment activities was SEK 675.8 million (SEK 246.6 million). Operating cash flow (i.e. after investments, but excluding acquisitions of subsidiary companies/lines of business) was SEK 748.4 million (SEK 416.5 million).

**Credits from finance institutions and pensions funds etc.**

(in millions of SEK)	2009	2008
Loans with floating interest and repayments over 10 yrs	1,110.7	1,291.8
Utilised portion of overdraft facilities w. floating interest rate	380.7	833.9
Pensions provisions	27.5	26.2
Other provisions	0.1	0.1
<b>Total interest-bearing liabilities</b>	<b>1,519.0</b>	<b>2,152.0</b>
Unutilised overdraft facilities	1,223.2	794.4
Other unutilised credits	758.5	752.5
<b>Total credit available</b>	<b>3,500.7</b>	<b>3,698.9</b>

The Group's total interest-bearing liabilities at the year-end amounted to SEK 1,519.0 million (SEK 2,152.0 million). The average interest expense for the total of interest-bearing liabilities was 3.6% (5.6%). The Group's net liabilities, which consist of interest-bearing liabilities minus cash and bank balances and short-term investments totalled SEK 1,169.9 million (SEK 1,800.4 million).

**Important events during the year**

During the year, Sol & Energiteknik SE AB was acquired, as was a further 24% stake in the Russian company, CJSC EVAN. In addition, the operations of Bencon Oy were taken over. For more information on acquisitions during the year, see Note 28.

**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 2010 is determined according to the same principles as those laid down in 2009.

**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**

NIBE's environmental work is governed by the maxim "A holistic view of the environment", in accordance with which priority is given to five key areas: product development, choice of materials, production plant, product function and recycling. During the year a number of development projects have been undertaken with the aim of making our products 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

We are convinced that it is inevitable that efforts to build a sustainable society will continue to make their mark on the world around us throughout the foreseeable future. This means that NIBE's corporate philosophy and product programme are ideally suited to the times in which we are living.

Our financial position is robust, our production plants are well invested and the products we launched in 2009 have been well received by the market.

The combination of our own strengths together with the first signs of what seems to be renewed faith in the future encourages us to remain optimistic about our prospects for 2010.

### 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 181.8 m
Profit for the year	SEK 217.7 m
<b>Total</b>	<b>SEK 399.5 m</b>

The Board of Directors proposes issuing a dividend to shareholders of SEK 1.30 per share: in total, SEK 122.1 million. It is anticipated that the dividend will be paid on 25 May 2010.

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	
		2009	2008	2009	2008
Net sales	Note 3	5,751.2	5,810.5	2.4	2.4
Cost of goods sold		- 3,928.6	- 4,108.7	-	-
<b>Gross profit</b>		<b>1,822.6</b>	<b>1,701.8</b>	<b>2.4</b>	<b>2.4</b>
Selling expenses		- 992.2	- 917.7	-	-
Administrative expenses	Note 4	- 371.5	- 347.1	- 21.7	- 20.0
Other operating income	Note 9	172.4	188.3	-	0.1
<b>Operating profit</b>	Note 3 - 9	<b>631.3</b>	<b>625.3</b>	<b>- 19.3</b>	<b>- 17.5</b>
<b>Profit from financial investments</b>					
Profit from participations in Group companies	Note 10	-	-	267.6	240.6
Interest income and similar profit/loss items	Note 11	18.4	25.7	13.5	37.0
Interest expense and similar profit/loss items	Note 12	- 88.8	- 134.3	- 44.0	- 74.6
<b>Profit after financial items</b>		<b>560.9</b>	<b>516.7</b>	<b>217.8</b>	<b>185.5</b>
Tax	Note 13	-148.8	-140.6	- 0.1	- 0.1
<b>Profit for the year</b>		<b>412.1</b>	<b>376.1</b>	<b>217.7</b>	<b>185.4</b>
<b>Other recognised income</b>					
Market value of future currency contracts		17.4	- 13.5		
Market value of future commodity contracts		0.1	-		
Currency hedge		35.2	- 96.3		
Translation of loans to subsidiaries		- 4.3	20.3		
Translation of foreign subsidiaries		- 36.1	138.7		
Tax attributable to other recognised income	Note 13	-12.9	23.1		
<b>Total other recognised income</b>		<b>- 0.6</b>	<b>72.3</b>		
<b>Total recognised income</b>		<b>411.5</b>	<b>448.4</b>		
<b>Net profit attributable to</b>					
Parent company shareholders		409.1	369.8		
Non-controlling interest		3.0	6.3		
<b>Net profit</b>		<b>412.1</b>	<b>376.1</b>		
<b>Total recognised income attributable to</b>					
Parent company shareholders		409.1	442.0		
Non-controlling interest		2.4	6.4		
<b>Total recognised income</b>		<b>411.5</b>	<b>448.4</b>		
<i>Includes depreciation according to plan as follows</i>		210.2	188.3		
<i>Number of shares at year-end</i>		93,920,000	93,920,000		
<i>Net profit per share SEK</i>		4.36	3.94		
<i>Proposed dividend per share (SEK)</i>		1.30	1.15		

# Income statements

## Quarterly data

Consolidated income statements (in millions of SEK)	2009				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	1,305.4	1,280.6	1,467.3	1,697.9	1,236.5	1,329.7	1,517.5	1,726.8
Operating expenses	- 1,198.8	- 1,178.4	- 1,272.1	- 1,470.6	- 1,143.3	- 1,229.9	- 1,324.5	- 1,487.5
<b>Operating profit</b>	<b>106.6</b>	<b>102.2</b>	<b>195.2</b>	<b>227.3</b>	<b>93.2</b>	<b>99.8</b>	<b>193.0</b>	<b>239.3</b>
Net financial items	- 27.2	- 8.6	- 19.5	- 15.1	- 23.0	- 26.0	- 31.9	- 27.7
<b>Profit after net financial items</b>	<b>79.4</b>	<b>93.6</b>	<b>175.7</b>	<b>212.2</b>	<b>70.2</b>	<b>73.8</b>	<b>161.1</b>	<b>211.6</b>
Tax	- 22.2	- 25.8	- 47.0	- 53.8	- 21.8	- 20.8	- 44.6	- 53.4
<b>Net profit for the year</b>	<b>57.2</b>	<b>67.8</b>	<b>128.7</b>	<b>158.4</b>	<b>48.4</b>	<b>53.0</b>	<b>116.5</b>	<b>158.2</b>

### Net sales – by business area

NIBE Element	447.1	401.8	381.1	429.0	458.2	471.5	435.9	513.7
NIBE Energy Systems	698.5	773.9	876.9	935.2	649.1	755.5	876.4	935.4
NIBE Stoves	197.7	150.1	230.2	361.4	163.5	138.0	235.4	326.7
Group eliminations	- 37.9	- 45.2	- 20.9	- 27.7	- 34.3	- 35.3	- 30.2	- 49.0
<b>Group total</b>	<b>1,305.4</b>	<b>1,280.6</b>	<b>1,467.3</b>	<b>1,697.9</b>	<b>1,236.5</b>	<b>1,329.7</b>	<b>1,517.5</b>	<b>1,726.8</b>

### Operating profit – by business area

NIBE Element	30.7	13.1	8.5	18.1	34.1	21.0	19.2	41.1
NIBE Energy Systems	62.6	93.0	150.1	150.1	56.8	83.5	147.2	144.7
NIBE Stoves	15.2	1.1	38.7	67.2	5.0	0.4	30.7	60.1
Group eliminations	- 1.9	- 5.0	- 2.1	- 8.1	- 2.7	- 5.1	- 4.1	- 6.6
<b>Group total</b>	<b>106.6</b>	<b>102.2</b>	<b>195.2</b>	<b>227.3</b>	<b>93.2</b>	<b>99.8</b>	<b>193.0</b>	<b>239.3</b>



## Balance sheets

Assets (in millions of SEK)	Group		Parent company		
	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008	
<b>NON-CURRENT ASSETS</b>					
<b>Intangible assets</b>					
Goodwill	Note 14	913.5	862.8	-	-
Other intangible assets	Note 15	104.9	81.9	-	-
<b>Total</b>		<b>1,018.4</b>	<b>944.7</b>	<b>-</b>	<b>-</b>
<b>Tangible assets</b>					
Land and buildings	Note 16	720.5	752.2	-	-
Machinery and equipment	Note 17	642.6	713.7	-	0.1
Construction in progress	Note 18	35.7	34.6	-	-
<b>Total</b>		<b>1,398.8</b>	<b>1,500.5</b>	<b>-</b>	<b>0.1</b>
<b>Financial assets</b>					
Shares in subsidiaries	Note 19	-	-	1,333.3	1,282.8
Receivables from Group companies		-	-	289.0	634.4
Shares in associated companies	Note 20	-	-	-	-
Investments held as non-current assets		2.0	0.6	0.5	-
Deferred tax asset	Note 13	50.7	59.4	22.3	30.4
Other long-term receivables		4.3	3.3	-	-
<b>Total</b>		<b>57.0</b>	<b>63.3</b>	<b>1,645.1</b>	<b>1,947.6</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,474.2</b>	<b>2,508.5</b>	<b>1,645.1</b>	<b>1,947.7</b>
<b>CURRENT ASSETS</b>					
<b>Inventories</b>					
Raw materials and consumables		460.6	619.5	-	-
Work in progress		93.9	114.8	-	-
Finished products and goods for resale		483.5	493.2	-	-
<b>Total</b>		<b>1,038.0</b>	<b>1,227.5</b>	<b>-</b>	<b>-</b>
<b>Current receivables</b>					
Accounts receivable – trade		802.3	867.6	-	-
Receivables from Group companies		-	-	8.6	6.5
Tax assets		25.4	69.0	0.5	0.5
Other receivables		58.9	73.9	1.6	0.4
Prepaid expenses and accrued income		45.6	48.6	0.3	0.3
<b>Total</b>		<b>932.2</b>	<b>1,059.1</b>	<b>11.0</b>	<b>7.7</b>
<b>Current investments</b>		<b>-</b>	<b>2.3</b>	<b>-</b>	<b>-</b>
Cash and bank balances		349.1	349.3	28.0	10.5
<b>TOTAL CURRENT ASSETS</b>		<b>2,319.3</b>	<b>2,638.2</b>	<b>39.0</b>	<b>18.2</b>
<b>TOTAL ASSETS</b>		<b>4,793.5</b>	<b>5,146.7</b>	<b>1,684.1</b>	<b>1,965.9</b>

## Equity and liabilities

(in millions of SEK)	Group		Parent company	
	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2009
<b>EQUITY</b>			Restricted equity	
Share capital	Note 21	58.7	58.7	58.7
Capital contributed/restricted reserves		67.4	74.9	74.9
<b>Total restricted equity</b>			<b>133.6</b>	<b>133.6</b>
			Non-restricted equity	
Other reserves/Fair value reserve		131.9	- 61.9	- 85.2
Profit brought forward		1,924.8	461.4	352.1
<b>Equity attributable to parent company</b>		<b>2,182.8</b>		
Non-controlling interest		7.2	-	-
<b>Total non-restricted equity</b>			<b>399.5</b>	<b>266.9</b>
<b>Total equity</b>		<b>2,190.0</b>	<b>533.1</b>	<b>400.5</b>
<b>UNTAXED RESERVES</b>				
Accelerated depreciation		-	-	0.1
<b>Total untaxed reserves</b>		<b>-</b>	<b>-</b>	<b>0.1</b>
<b>NON-CURRENT LIABILITIES AND PROVISIONS</b>				
Provisions for post-employment benefits	Note 22	32.7	29.8	0.6
Provisions for taxes	Note 13	138.3	153.7	-
Guarantee risk reserve	Note 23	66.5	58.9	-
Others provisions, interest-bearing	Note 23	0.1	0.1	-
Others provisions, non-interest-bearing	Note 23	11.4	13.7	-
Bank overdraft facilities	Note 24	380.7	833.9	205.6
Liabilities to credit institutions	Note 6	950.0	1,110.7	480.0
Liabilities to Group companies		-	-	365.9
Other liabilities, interest-bearing		1.8	0.3	-
Other liabilities, non-interest-bearing		17.6	17.0	-
<b>Total non-current liabilities and provisions</b>		<b>1,599.1</b>	<b>2,218.1</b>	<b>1,052.1</b>
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
Liabilities to credit institutions		159.0	180.8	82.6
Accounts payable		355.8	343.1	1.5
Advance payments from customers		2.8	6.5	-
Liabilities to Group companies		-	-	-
Tax liability		29.2	14.9	-
Other liabilities		153.2	199.2	7.3
Accrued expenses and deferred income	Note 25	304.4	295.4	7.5
<b>Total current liabilities and provisions</b>		<b>1,004.4</b>	<b>1,039.9</b>	<b>98.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,793.5</b>	<b>5,146.7</b>	<b>1,684.1</b>
Pledged assets	Note 26	2,157.4	1,987.5	418.3
Contingent liabilities	Note 27	63.7	24.4	33.2



## Changes in equity

### Group

(in millions of SEK)	Share capital	Contributed capital	Other reserves <sup>1)</sup>	Profit brought forward	Equity attributable to parent company	Non-controlling interest	Total equity
Equity 31 Dec 2007	58.7	67.4	59.6	1,362.0	1,547.7		1,547.7
Profit for the year			72.2	369.8	442.0	6.4	448.4
Change in participations by non-controlling interest						0.6	0.6
Dividend				- 108.0	- 108.0		- 108.0
Equity 31 Dec 2008	58.7	67.4	131.8	1,623.8	1,881.7	7.0	1,888.7
Total recognised income 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

### 1) Other reserves

(in millions of SEK)	Revaluation reserve	Exchange rate difference	Total other reserves
Other reserves 31 Dec 2007	2.8	56.8	59.6
Market value of commercial forward exchange agreements after tax allowance	- 9.9		- 9.9
Exchange rate differences		82.1	82.1
Other reserves 31 Dec 2008	- 7.1	138.9	131.8
Market value of commercial forward exchange agreements after tax allowance	13.0		13.0
Market value of commercial forward commodity contracts after tax allowance	0.1		0.1
Exchange rate differences <sup>2)</sup>		- 13.0	- 13.0
Other reserves carried forward 31 Dec 2009	6.0	125.9	131.9

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

The year's exchange rate difference for foreign subsidiaries translated in accordance with the current method	- 36.1
The year's exchange rate difference on translation of loans to foreign subsidiaries	- 3.5
The year's exchange rate difference on translation of loans in foreign currencies in connection with the acquisition of foreign subsidiaries: SEK 35.2 million, of which the tax effect is SEK 9.2 million	26.0
<b>Total exchange rate difference for the period</b>	<b>- 13.6</b>
of which attributable to parent company	- 13.0
of which attributable to non-controlling interest	- 0.6
<b>Specification of accumulated exchange rate difference on translation of figures for foreign subsidiaries</b>	
Accumulated exchange rate difference at start of year	215.8
Exchange rate difference for the year in foreign subsidiaries	- 36.1
<b>Accumulated exchange rate difference at year-end</b>	<b>179.7</b>

### Parent company

(in millions of SEK)	Share capital	Statutory reserve	Fair value reserve	Profit brought forward	Total equity
Equity 31 Dec 2007	58.7	74.9	- 19.0	274.7	389.3
The year's exchange rate difference on translation of loans in foreign currencies in connection with the acquisition of foreign subsidiaries: SEK - 89.2 million, of which the tax effect is SEK - 23.0 million			- 66.2		- 66.2
Profit for the year				185.4	185.4
Dividend				- 108.0	- 108.0
Equity 31 Dec 2008	58.7	74.9	- 85.2	352.1	400.5
The year's exchange rate difference on translation of loans in foreign currencies in connection with the acquisition of foreign subsidiaries: SEK 31.5 million, of which the tax effect is SEK 8.2 million			23.3		23.3
Group contribution				- 0.4	- 0.4
Profit for the year				217.7	217.7
Dividend				- 108.0	- 108.0
Equity 31 Dec 2009	58.7	74.9	- 61.9	461.4	533.1

## Statements of cash flows

(in millions of SEK)	Group		Parent company	
	2009	2008	2009	2008
<b>OPERATING ACTIVITIES</b>				
Operating profit	631.3	625.3	- 19.3	- 17.5
+ depreciation/amortisation & impairment charged to this profit	210.2	188.4	-	0.1
+ capital losses / - capital gains	1.7	- 29.4	-	-
- non-controlling interest's participation in net earnings		- 3.0	- 6.3	--
<b>Total</b>	<b>840.2</b>	<b>778.0</b>	<b>- 19.3</b>	<b>- 17.4</b>
Interest received and similar items	18.4	25.7	13.5	37.0
Interest paid and similar items	- 90.5	- 133.6	- 44.1	- 74.6
Tax paid	- 91.8	- 190.1	- 0.1	- 0.1
<b>Cash flow before change in working capital</b>	<b>676.3</b>	<b>480.0</b>	<b>- 50.0</b>	<b>- 55.1</b>
<b>Change in working capital</b>				
Change in inventories	165.6	239.3	-	-
Change in current receivables	69.6	- 113.4	- 3.4	6.1
Change in current liabilities	- 17.8	48.1	- 4.9	10.5
<b>Cash flow from operating activities</b>	<b>893.7</b>	<b>654.0</b>	<b>- 58.3</b>	<b>- 38.5</b>
<b>INVESTING ACTIVITIES</b>				
Investments in machinery and equipment	- 92.4	- 168.9	-	-
Investments in buildings and land	- 6.8	- 42.1	-	-
Investment in construction in progress	- 31.2	- 28.4	-	-
Investment in other intangible assets	- 27.3	- 25.0	-	-
Sale of machinery and equipment	4.0	18.6	-	-
Sale of buildings and land	-	39.1	-	-
Sale of construction in progress	-	0.4	-	-
Change in non-current receivables and other securities	8.4	- 31.2	328.3	- 150.7
<b>Cash flow from investing activities</b>	<b>- 145.3</b>	<b>- 237.5</b>	<b>328.3</b>	<b>- 150.7</b>
<b>OPERATING CASH FLOW</b>	<b>748.4</b>	<b>416.5</b>	<b>270.0</b>	<b>- 189.2</b>
Acquired companies/lines of business <sup>1)</sup>	- 72.6	- 170.1	- 50.5	- 149.3
<b>FINANCING ACTIVITIES</b>				
Change in non-controlling interest	0.2	6.7	-	-
Profit from participation in Group companies	-	-	267.2	240.6
Amortisation of non-current loans	- 248.4	- 179.4	- 99.2	- 82.4
Other changes in non-current liabilities and provisions	- 311.6	158.5	- 262.0	296.0
Shareholders' dividend	- 108.0	- 108.0	- 108.0	- 108.0
<b>Cash flow from financing activities</b>	<b>- 667.8</b>	<b>- 122.2</b>	<b>- 202.0</b>	<b>346.2</b>
<b>Cash flow for the year</b>	<b>8.0</b>	<b>124.2</b>	<b>17.5</b>	<b>7.7</b>
Cash and cash equivalents at the beginning of the year		349.3	207.9	10.52.8
Exchange rate difference for cash and cash equivalents		- 8.2	17.2	--
<b>Cash equivalents at year-end</b>	<b>349.1</b>	<b>349.3</b>	<b>28.0</b>	<b>10.5</b>

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



# Notes

## Note 1 General information about the business

NIBE Industrier is a European 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 5,500 employees and conducts business activities in nine 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 29 March 2010. 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 they have been 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 those adopted in the preceding year with the exception of the revised IAS 1 ("Presentation of Financial Statements"). The revised standard forbids presentations of income and expense items (i.e. changes in equity excluding transactions with owners) in statements of changes in equity. It requires these to be reported in equity as a separate component from changes that relate to transactions with shareholders. It requires that all changes in equity that do not relate to owners be reported in one statement (statement of comprehensive income) or in two statements (an income statement and a statement of comprehensive income). If an entity makes a retroactive restatement or a reclassification of comparable information, it must present a balance sheet as at the beginning of the comparative period, in addition to the standing requirement that it present balance sheets at the end of the current period and the comparative period.

The change in IAS 23, which requires certain borrowing costs to be capitalised, has had no significant impact on the Group's financial statements. The changes in IFRS 7 and IFRS 8 have had no effect at all, other than to require additional disclosures.

The parent company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2.2 ("Accounting for legal entities"). Where the parent company applies accounting policies that differ from those applied by the Group, this is indicated under the appropriate section in this note.

The parent company's accounting policies are unchanged from those adopted in previous years.

At the time of the preparation of the consolidated financial statements as at 31 December 2009, a number of standards, amendments and interpretations had been published, but were not yet effective. A preliminary assessment of the effect of the introduction of these standards and interpretations on the NIBE Group's financial statements is given below.

### IAS 27 (Revised) Consolidated and Separate Financial Statements

The amendments are effective for annual periods beginning on or after 1 July 2009. The revised standard requires that the effects of all transactions with non-controlling interests are recognised in equity unless they lead to a change in control, and these transactions no longer give rise to goodwill or gains and losses. The standard also states that when a parent company loses control, any remaining participation is revalued at fair value, and a gain or loss recognised in profit or loss. The NIBE Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests with effect from 1 January 2010.

### IFRS 3 (Revised) Business Combinations

The standard continues to prescribe that the acquisition method be applied to business combinations, but with a number of significant changes. For example, all consideration for acquisitions is recognised at fair value on the acquisition date, while any subsequent contingent consideration is classified as a liability which is then revalued in profit or loss. Non-controlling interests in business combinations may be valued on a transaction-by-transaction basis either at fair value or the non-controlling interest's proportionate share of the net assets of the acquired company. All transaction costs in respect of the acquisition must be expensed. The NIBE Group will apply IFRS 3 (Revised) prospectively to all business combination with effect from 1 January 2010.

### 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.

One of the implications of IFRS 3 is that the net assets in an acquired company are determined on the basis of a market valuation of assets and liabilities on the date of acquisition. Such market valuations constitute the Group's acquisition cost, which is referred to as "historical cost". The historical cost of an acquired business consists of the fair value of assets transferred in settlement and liabilities that arise or are taken over from the date of transfer plus costs directly attributable to the acquisition itself. The difference between the historical value of the shares in the subsidiary and the value of the net assets calculated in the acquisition analysis is recorded as Group goodwill. If the difference is a negative one, it is recognised in the income statement.

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 (2008: 26.3) per cent: 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 recognising transactions with non-controlling interests as transactions with third parties. In acquisitions of non-controlling interests where the consideration paid exceeds the carrying amount of the non-controlling interest's share of the net assets of the subsidiary, the difference is recognised as goodwill. On disposals to non-controlling interests, where the consideration received differs from the carrying amount of the share of net assets disposed of, the gain or loss is recognised in profit or loss.

### Associates

Companies in which NIBE Industrier AB has a long-term shareholding equivalent to between 20 and 50 percent of the votes, or those in which it has a significant influence over operations and financial management in some other way are classified in the accounts as associates. Holdings in associates are recognised in the Group according to the equity method and in the parent 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.

### 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. 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 2.2 ("Accounting for legal entities").

## Leasing

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

## Goodwill

Goodwill has arisen in connection with the acquisition of operations and companies. The useful life of these assets cannot be calculated with certainty, since it is dependent on a number of unknown factors such as technological developments and market trends. NIBE applies IFRS 3 ("Business combinations"), which means that goodwill is no longer amortised. Instead, an annual impairment test is carried out in accordance with IAS 36. The assets are valued by business area, which means that future cash flows from each business area as a cash generating unit are estimated. The value recognised per business area is shown in Note 14. In estimating future cash flows, the following assumptions have been made:

- An annual growth rate of 10% (10%), which experience has shown to be conservative.
- A discount rate of 13.1% (12.0%), based on actual cost of capital.
- A forecast period of 5 years (5 years).

The estimates have not indicated that there is a need for impairment in any business area.

## Other intangible and tangible assets

The heading "Other intangible assets" refers to tenancy rights, patents, licences, trademarks 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 amortisation/depreciation periods have been used:

Intangible assets	10 – 20%
Buildings	2.5 – 5%
Land improvements	3.75 – 5%
Machinery and equipment	10 – 25%
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 2008 and 2009, NIBE has no balance sheet items classified as financial liabilities measured at fair value in profit or loss.

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.

With effect from 1 January 2009, NIBE is applying the change in IFRS 7 in respect of financial instruments measured at fair value. The change means that the method of measurement is to be disclosed. The estimated fair values of NIBE's financial instruments are based either on observable data other than quoted prices on active markets or derived from such prices.

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.

### Financial instruments measured at fair value through profit or loss

This class of financial instrument includes financial assets held for trading. An asset is classified as held for trading if it is acquired for the purpose of selling in the short term. Derivative instruments are classified as held for trading unless they are designated for hedge accounting. Assets in this category are measured continuously at fair value, with changes in value recognised through profit and loss. On 31 December 2009 NIBE held no securities classified as belonging to this category.

### 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 2009, 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-per cent "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 test for goodwill

Every year, the Group tests whether any impairment is required for goodwill 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". 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.

### Note 3 Information about business areas

(in millions of SEK)	ELEMENT		ENERGY SYSTEMS		STOVES		ELIMINATIONS		TOTAL	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
<b>Income</b>										
Total earnings	1,879.9	2,192.2	3,867.2	3,765.7	1,067.0	979.2	- 1,062.9	- 1,126.6	5,751.2	5,810.5
Internal sales	- 220.9	- 312.9	- 582.7	- 549.3	- 127.6	- 115.6	931.2	977.8	-	-
External sales	1,659.0	1,879.3	3,284.5	3,216.4	939.4	863.6	- 131.7	- 148.8	5,751.2	5,810.5
<b>Profit</b>										
Profit per business area	70.4	115.4	455.8	432.2	122.2	96.2	-	-	648.4	643.8
Undistributed costs									-17.1	- 18.5
Operating profit									631.3	625.3
Financial income									18.4	25.7
Financial expense									- 88.8	- 134.3
Tax for the year									- 148.8	- 140.6
<b>Net profit for the year</b>									<b>412.1</b>	<b>376.1</b>
<b>Other information</b>										
Assets	1,448.9	1,671.6	2,355.8	2,467.2	1,014.4	1,038.5	- 1,420.8	- 1,362.0	3,398.3	3,815.3
Undistributed assets									1,395.2	1,331.4
<b>Total assets</b>									<b>4,793.5</b>	<b>5,146.7</b>
Liabilities	1,301.4	1,514.5	1,294.8	1,511.7	604.1	680.6	- 1,459.0	- 1,379.7	1,741.3	2,327.1
Undistributed liabilities									862.2	930.9
<b>Total liabilities</b>									<b>2,603.5</b>	<b>3,258.0</b>
Investment	33.1	39.1	103.5	89.7	16.9	77.0				
Depreciation/amortisation	63.6	59.2	108.0	95.8	38.6	33.3				

SEK 1,606.5 million (SEK 1,583.6 million) of the Group's net sales relate to the Swedish market. SEK 1,928.9 million (SEK 1,904.2 million) of the Group's non-current assets are located in Sweden.

Parent company 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 (SEK 0.4 million) and expenses other than audit expenses of SEK 0.7 million (SEK 0.4 million).

Group (in millions of SEK)	2009		2008	
	Auditing services	Others services	Auditing services	Other services
SET Revisionsbyrå AB	1.0	0.8	0.9	0.5
Other accountants	4.7	1.1	4.4	1.0
<b>Group total</b>	<b>5.7</b>	<b>1.9</b>	<b>5.3</b>	<b>1.5</b>

(in millions of SEK)	2009		2008	
	Social security contrib's	of which pensions expenses	Social security contrib's	of which pensions expenses
Parent company	4.9	2.0	4.4	1.7
Subsidiaries	287.0	73.1	284.0	68.5
<b>Group total</b>	<b>291.9</b>	<b>75.1</b>	<b>288.4</b>	<b>70.2</b>

SEK 0.7 million (SEK 0.6 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 0.5 million (SEK 0.0 million). The corresponding amount for the Group was SEK 4.3 million (SEK 3.3 million). The Group's outstanding pension obligations to the previous Board of Directors and CEO totalled SEK 0.9 million (SEK 0.9 million).

### Note 5 Salaries, average number of employees and numbers of men/women in senior positions

#### Salaries and other remunerations

(in millions of SEK)	2009	2008
Parent company	6.9	6.2
Subsidiaries	1,115.9	1,115.9
<b>Group total</b>	<b>1,122.8</b>	<b>1,122.1</b>

Board and senior management (in thousands of SEK)	2009		2008	
	Salaries and other remuneration	Retirement benefit contributions	Salaries and other remuneration	Retirement benefit contributions
Arvid Gierow	300	-	280	-
Georg Brunstam	150	-	140	-
Hans Linnarson	150	-	140	-
Arne Frank	150	-	140	-
Rune Dahlberg	-	-	-	95
Gerteric Lindquist	2,666	671	2,552	556
Other senior executives: 4 (4) individuals	8,150	2,770	7,171	2,304
<b>Group total</b>	<b>11,566</b>	<b>3,441</b>	<b>10,423</b>	<b>2,955</b>



### 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 2009 and the Board proposes that the same principles continue to apply for 2010, 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

	2009		2008	
	Total	Men	Total	Men
<b>Board of directors</b>				
Parent company	5	5	5	5
Subsidiaries	90	86	90	87
<b>Corporate management</b>				
Parent company	2	2	2	2
Subsidiaries	87	80	93	85

### Salaries and other remuneration by country for the Board/MD and other employees

(in millions of SEK)	2009		2008	
	Board and MD	Other employees	Board and MD	Other employees
Parent company	3.3	4.3	3.2	3.8
Subsidiaries in				
Sweden	2.9	389.6	3.9	393.8
Norway <sup>a)</sup> (0.2 and 0.1)	4.4	59.8	4.2	69.8
Finland <sup>a)</sup> (0.4 and 0.4)	6.9	121.7	6.6	123.8
Denmark <sup>a)</sup> (0.6 and 0.6)	12.3	195.7	9.8	195.8
France <sup>a)</sup> (0.1 and 0.2)	1.2	3.4	1.1	2.0
Germany <sup>a)</sup> (0.1 and 0.1)	0.9	24.8	2.0	21.5
Poland <sup>a)</sup> (0.4 and 0.1)	4.0	99.2	4.0	112.3
Czech Rep. <sup>a)</sup> (0.5 and 0.2)	2.5	50.8	5.4	52.4
Slovakia	0.3	0.6	0.2	0.3
Italy	0.9	10.1	0.9	9.0
Netherlands <sup>a)</sup> (0.2 and 0.1)	2.4	18.0	2.0	14.8
UK <sup>a)</sup> (0.5 and 0.1)	2.6	20.2	2.0	23.1
Spain	1.5	16.6	1.4	15.1
Russia	0.2	10.2	0.5	6.8
Austria <sup>a)</sup> (0.2 and 0.0)	1.4	9.0	0.8	7.7
Switzerland	0.9	1.2	0.2	0.4
China	1.2	16.2	1.0	15.5
Mexico	1.1	18.9	0.1	3.4
USA	0.5	1.9	0.4	1.8
<b>Group total</b>	<b>51.4</b>	<b>1,072.2</b>	<b>49.7</b>	<b>1,073.1</b>

<sup>a)</sup> (of which bonus in millions of SEK)

### Average numbers of employees and gender distribution

	2009		2008	
	Number of employees	Number of men	Number of employees	Number of men
Parent company	5	3	5	3
Subsidiaries in				
Sweden	1,226	1,013	1,239	1,017
Norway	125	96	152	121
Finland	366	256	410	279
Denmark	396	281	440	315
France	11	6	7	4
Germany	60	44	60	42
Poland	1,449	852	1,552	871
Czech Republic	514	289	603	357
Slovakia	6	6	5	4
Italy	37	22	38	23
Netherlands	40	31	35	29
UK	77	56	87	53
Spain	59	45	59	44
Russia	156	117	106	81
Austria	22	16	21	14
Switzerland	4	3	1	1
China	308	167	355	186
Mexico	652	288	94	48
USA	6	6	6	6
<b>Group total</b>	<b>5,519</b>	<b>3,597</b>	<b>5,275</b>	<b>3,498</b>

### 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)	2009	2008
Accounts receivable wholly or partly impaired		
– overdue by less than 3 months	7.0	5.4
– overdue by more than 3 months	31.8	24.7
Accounts receivable which have not been impaired		
– overdue by less than 3 months	125.6	189.1
– overdue by more than 3 months	15.3	15.5
<b>Total overdue accounts receivable</b>	<b>179.7</b>	<b>234.7</b>
Provision for bad debt losses	-26.7	-23.7
<b>Total accounts receivable overdue but not impaired</b>	<b>153.0</b>	<b>211.0</b>

#### Provision for bad debt losses

(in millions of SEK)	2009	2008
Provisions brought forward	23.7	13.8
Provisions in acquired companies	-	0.5
Established bad debt losses	- 1.3	- 2.0
Reversed provisions	- 9.0	- 4.2
Provisions for the year	13.7	14.7
Translation differences	- 0.4	0.9
Provisions carried forward	26.7	23.7

The profit for the year has been charged with SEK 5.5 million (SEK 11.1 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 2009 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	8.6	0.1	- 3.0	-
CNY	- 30.1	- 0.3	-	-
CZK	- 3.2	-	-	-
DKK	81.8	0.8	- 0.3	-
EUR	508.6	5.1	- 3.8	-
GBP	140.5	1.4	-	-
HKD	- 5.5	- 0.1	-	-
JPY	- 12.9	- 0.1	-	-
NOK	91.8	0.9	- 0.2	-
PLN	- 94.0	- 0.9	-	-
RUB	3.4	-	-	-
USD	- 24.3	- 0.2	-	-
<b>Total</b>	<b>664.7</b>		<b>- 7.3</b>	

At the end of 2009, 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 360.0 million (SEK 356.1 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 2009 constitutes an unrealised exchange gain of SEK 13.8 million.

The item "Other receivables" in the consolidated balance sheet includes derivatives with positive fair values of SEK 16.4 million (SEK 8.9 million). The item "Other liabilities" includes derivatives with negative fair values of SEK 2.6 million (SEK 33.0 million).

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

Curr- ency	Flow Q1	Flow Q2	Flow Q3	Flow Q4	Average forward rate	Closing day rate	Unrealised	Unrealised
							gain 31 Dec 09	gain 31 Dec 08
DKK	9.3	9.3	9.0	12.1	1.43	1.39	1.7	- 5.5
EUR	7.9	5.0	4.8	6.9	10.70	10.35	8.6	- 27.5
GBP	1.5	1.1	0.5	0.3	12.18	11.49	2.4	7.9
NOK	5.9	5.0	3.1	3.1	1.28	1.24	0.6	0.7
USD	- 0.9	- 0.9	- 0.5	- 0.9	7.06	7.21	0.5	0.4
<b>Total</b>							<b>13.8</b>	<b>- 24.0</b>
Of which recognised in profit or loss on the closing date							5.8	- 14.6
Of which recognised in the hedge reserve on the closing date							8.0	- 9

### 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 2009, 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	2009	2008
CHF	5.3	2.3
CZK	100.5	125.1
DKK	133.6	160.6
EUR	241.3	253.7
GBP	61.9	- 3.9
HKD	5.0	57.3
MXN	67.0	52.3
NOK	284.9	172.3
PLN	208.7	227.9
RON	1.3	1.5
RUB	18.7	6.7
SKK	-	3.8
USD	- 51.0	- 31.9
<b>Total</b>	<b>1,077.2</b>	<b>1,027.7</b>

If the Swedish krona falls in value by 1% against the named currencies, this means that the Group's equity is strengthened by SEK 10.8 million (SEK 10.3 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 17.5 million (SEK 17.9 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	2009	2008
CZK	210.0	219.6
DKK	238.7	258.8
EUR	190.9	199.2
NOK	-	42.4
<b>Total</b>	<b>639.6</b>	<b>720.0</b>

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 6.4 million (SEK 7.2 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	
	2009	2008	2009	2008
Exchange gains and exchange losses on currency derivatives used for hedge accounting				
- recognised in profit or loss	- 15.5	- 0.4	-	-
- recognised in other comprehensive income	17.4	- 13.5	-	-
Gains and losses on raw materials derivatives used in hedge accounting				
- recognised in profit or loss	- 1.2	-	-	-
- recognised in other comprehensive income	0.1	-	-	-
Exchange gains and exchange losses in other financial assets and liabilities	12.6	15.1	- 3.8	5.1
Bad debt losses on accounts receivable	- 5.5	- 11.1	-	-
<b>Total</b>	<b>7.9</b>	<b>- 9.9</b>	<b>- 3.8</b>	<b>5.1</b>

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 2009	Loans receivable and accounts receivable	Assets held for trading	Assets available for sale	Derivative 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
<b>Total assets</b>	<b>1,198.0</b>	<b>-</b>	<b>2.0</b>	<b>16.6</b>	<b>3,576.9</b>	<b>4,793.5</b>	

Assets 31 Dec 2008	Loans receivable and accounts receivable	Assets held for trading	Assets available for sale	Derivative used for hedge accounting	Non-financial assets	Total carrying amount	Fair value
Intangible assets	-	-	-	-	944.7	944.7	
Tangible assets	-	-	-	-	1,500.5	1,500.5	
Investments held as non-current assets	-	-	0.6	-	-	0.6	0.6
Deferred tax assets	-	-	-	-	59.4	59.4	
Other non-current receivables	3.3	-	-	-	-	3.3	3.3
Inventories	-	-	-	-	1,227.5	1,227.5	
Accounts receivable	867.6	-	-	-	-	867.6	867.6
Tax assets	-	-	-	-	69.0	69.0	
Other receivables	65.0	-	-	8.9	-	73.9	73.9
Prepaid expenses and accrued income	-	-	-	-	48.6	48.6	
Other investments	-	2.3	-	-	-	2.3	2.3
Cash and bank balances	349.3	-	-	-	-	349.3	349.3
<b>Total assets</b>	<b>1,285.2</b>	<b>2.3</b>	<b>0.6</b>	<b>8.9</b>	<b>3,849.7</b>	<b>5,146.7</b>	

Equity and liabilities 31 Dec 2009	Financial liabilities valued at accrued acquisition value	Derivative 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
<b>Total equity and liabilities</b>	<b>2,322.7</b>	<b>2.6</b>	<b>2,468.2</b>	<b>4,793.5</b>	

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

Equity and liabilities 31 Dec 2008	Financial liabilities valued at accrued acquisition value	Derivative used for hedge accounting	Non-financial items	Total carrying amount	Fair value
Equity	-	-	1,888.7	1,888.7	
Provisions	-	-	256.2	256.2	
Non-current liabilities*	1,961.9	-	-	1,961.9	1,961.9
Current liabilities to credit institutions	180.8	-	-	180.8	180.8
Accounts payable	343.1	-	-	343.1	343.1
Advance payments from customers	6.5	-	-	6.5	6.5
Tax liabilities	-	-	14.9	14.9	
Other liabilities	166.2	33.0	-	199.2	199.2
Accrued expenses and deferred income	295.4	-	-	295.4	295.4
<b>Total equity and liabilities</b>	<b>2,953.9</b>	<b>33.0</b>	<b>2,159.8</b>	<b>5,146.7</b>	

\* of which SEK 764.3 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. interest payments

(in millions of SEK)	Group		Parent company	
	2009	2008	2009	2008
1 – 3 years	308.5	369.0	157.3	197.3
3 – 5 years	336.1	286.9	157.4	167.3
5 – 7 years	185.0	241.2	143.3	150.8
7 – 9 years	108.9	167.8	83.9	96.9
10 years or more	30.9	63.1	15.0	15.8
<b>Total</b>	<b>969.4</b>	<b>1,128.0</b>	<b>556.9</b>	<b>628.1</b>

The effect of a change in interest rates is described below under the heading "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 1,519.0 million. The average interest rate was 3.6%. A rise in the interest rate of 1% on constant liabilities would have a negative impact on the Group of SEK 15.2 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 845.2 million. A change in the interest rate of 1% on constant liabilities would affect parent company results by SEK 8.5 million.

## Hedge accounting

During 2009 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 2009 outstanding contracts maturing in Q1 2010 totalled SEK 0.8 million, with SEK 0.1 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 50.

## 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 36.9%. 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 54). 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 0.5 million (SEK 1.3 million) were capitalised. Leasing charges amounting to SEK 12.9 million (SEK 10.8 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	0.8	0.1	0.7	11.9
Due for payment within 2 – 5 years	1.0	0.1	0.9	11.8
Due for payment within 6 years or more	0.0	0.0	0.0	0.0
<b>Total</b>	<b>1.8</b>	<b>0.2</b>	<b>1.6</b>	<b>23.7</b>

Non-current assets held through finance leasing agreements

	Cost	Depreciation	Carrying amount
Machinery	0.4	0.2	0.2
Equipment and fittings	1.0	0.3	0.7
<b>Total</b>	<b>1.4</b>	<b>0.5</b>	<b>0.9</b>

## Note 8 Research and development costs

A total of SEK 98.3 million (SEK 97.0 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	
	2009	2008	2009	2008
Profit on sale of non-current assets	0.9	32.8	–	–
Exchange gains	151.2	134.5	–	–
Other	20.3	21.0	–	0.1
<b>Total</b>	<b>172.4</b>	<b>188.3</b>	<b>–</b>	<b>0.1</b>

## Note 10 Result of participations in Group companies and associated companies

### Result of participations in Group companies

(in millions of SEK)	Group		Parent company	
	2009	2008	2009	2008
Group contributions	–	–	50.0	55.0
Dividend	–	–	217.6	185.6
<b>Total</b>	<b>–</b>	<b>–</b>	<b>267.6</b>	<b>240.6</b>



### Note 11 Interest income and similar profit/loss items

(in millions of SEK)	Group		Parent company	
	2009	2008	2009	2008
Interest income, Group companies	-	-	8.1	23.8
Interest income, other	3.9	7.3	0.3	1.2
Exchange gains	13.8	18.3	5.1	12.0
Other financial income	0.7	0.1	-	-
<b>Total</b>	<b>18.4</b>	<b>25.7</b>	<b>13.5</b>	<b>37.0</b>

### Note 12 Interest expense and similar profit/loss items

(in millions of SEK)	Group		Parent company	
	2009	2008	2009	2008
Interest expense, Group companies	-	-	1.3	1.7
Interest expense, other	66.8	117.3	33.9	66.0
Exchange losses	20.8	15.6	8.8	6.9
Other financial expense	1.2	1.4	-	-
<b>Total</b>	<b>88.8</b>	<b>134.3</b>	<b>44.0</b>	<b>74.6</b>

### Note 13 Tax

(in millions of SEK)	Group		Parent company	
	2009	2008	2009	2008
Actual tax for the year	173.3	116.5	0.3	0.1
Actual tax attributable to preceding years	- 2.0	- 0.7	-	-
Deferred tax	- 22.5	24.8	- 0.2	-
<b>Total</b>	<b>148.8</b>	<b>140.6</b>	<b>0.1</b>	<b>0.1</b>

#### Tax in respect of items charged directly against other recognised income

(in millions of SEK)	Group	
	2009	2008
Market valuation of currency futures	4.5	- 3.6
Currency hedge	9.3	- 24.9
Currency translation of loans to subsidiaries	- 0.9	5.4
<b>Total</b>	<b>12.9</b>	<b>- 23.1</b>

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

(in millions of SEK)	Group		Parent company	
	2009	2008	2009	2008
Pre-tax profit	560.9	516.7	217.8	185.5
Tax at current rate	147.5	144.7	57.3	52.0
Non-deductible expenses	14.5	19.5	-	0.1
Non-taxable earnings	- 8.1	- 6.3	-	-
Dividends from subsidiaries	-	-	- 57.2	- 52.0
Effect of changes in tax rates on deferred tax	-	- 6.9	-	-
Adjusted tax for preceding years	- 2.0	- 0.7	-	-
Deficit deductions not carried fwd	5.3	- 0.7	-	-
Effect of foreign tax rates	- 8.4	- 9.0	-	-
<b>Recognised tax expenses</b>	<b>148.8</b>	<b>140.6</b>	<b>0.1</b>	<b>0.1</b>

#### 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% (28%).

#### 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.

(in millions of SEK)	Group		Parent company	
	2009	2008	2009	2008
Group surplus value in non-current assets	28.5	26.2	-	-
Untaxed reserves	81.1	93.3	-	-
Temporary differences in non-current assets	9.8	13.8	-	-
Other factors	18.9	20.4	-	-
<b>Total</b>	<b>138.3</b>	<b>153.7</b>	<b>-</b>	<b>-</b>

(in millions of SEK)	Group surplus value in non-current assets		Temporary differences in non-current assets		Other factors	Total
	Untaxed reserves					
Amount at start of year	26.2	93.3	13.8	20.4	153.7	
Acquired companies	2.5	-	-	-	2.5	
Recognised as income	1.3	- 12.2	- 3.2	- 1.5	- 15.6	
Recognised as other recognised income	-	-	-	0.9	0.9	
Translation difference	- 1.5	-	- 0.8	- 0.9	- 3.2	
<b>Amount at end of year</b>	<b>28.5</b>	<b>81.1</b>	<b>9.8</b>	<b>18.9</b>	<b>138.3</b>	

(in millions of SEK)	Group		Parent company	
	2009	2008	2009	2008
Amount at start of year	0.2	4.4	-	-
Loss carry-forwards	8.0	5.8	-	-
Hedge of net investment	23.1	32.4	22.1	30.4
Other factors	19.4	16.8	0.2	-
<b>Total</b>	<b>50.7</b>	<b>59.4</b>	<b>22.3</b>	<b>30.4</b>

(in millions of SEK)	Temporary differences in non-current assets		Loss-carry forward		Hedge of net investment in foreign operations		Other factors		Total
Amount at start of year	4.4	5.8	32.4	16.8	59.4				
Recognised as income	- 4.1	2.4	-	8.5	6.8				
Recognised as other recognised income	-	-	- 9.3	- 3.6	- 12.9				
Translation difference	- 0.1	- 0.2	-	- 2.3	- 2.6				
<b>Amount at end of year</b>	<b>0.2</b>	<b>8.0</b>	<b>23.1</b>	<b>19.4</b>	<b>50.7</b>				

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 139.7 million (SEK 85.5 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	
	2009	2008
Due date 1-5 yrs	13.4	12.9
Due date 6-10 yrs	-	-
Due date 10 years or more	49.6	45.6
Due date undetermined	76.7	27.0
<b>Total</b>	<b>139.7</b>	<b>85.5</b>



### Note 14 Goodwill

(in millions of SEK)	Group	
	2009	2008
<b>Acquisition value</b>		
Acquisition value brought fwd	954.9	775.2
Investment for the year	63.3	97.3
Translation differences	- 15.7	82.4
<b>Accumulated acquisition value carried forward</b>	<b>1,002.5</b>	<b>954.9</b>
<b>Amortisation</b>		
Amortisation brought forward	92.1	84.1
Translation differences	- 3.1	8.0
<b>Accumulated amortisation carried forward</b>	<b>89.0</b>	<b>92.1</b>
<b>Carrying amount carried forward</b>	<b>913.5</b>	<b>862.8</b>
<b>Carrying amount by business area</b>		
NIBE Element	161.3	150.3
NIBE Energy Systems	485.1	464.1
NIBE Stoves	267.1	248.4
<b>Total</b>	<b>913.5</b>	<b>862.8</b>

### Note 15 Other intangible assets

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

(in millions of SEK)	Group	
	2009	2008
<b>Acquisition value</b>		
Acquisition value brought fwd	113.0	64.2
Acquisition value in companies acquired	-	5.9
Investment for the year	37.0	41.4
Sales and retirements	-	- 3.6
Reclassifications	0.3	1.4
Translation differences	- 2.2	3.7
<b>Accumulated acquisition value carried forward</b>	<b>148.1</b>	<b>113.0</b>
<b>Amortisation</b>		
Amortisation brought forward	31.1	20.7
Amortisation in companies acquired	-	1.2
Sales and retirements	-	- 1.1
Amortisation for the year	13.4	7.9
Translation differences	- 1.3	2.4
<b>Accumulated amortisation carried forward</b>	<b>43.2</b>	<b>31.1</b>
<b>Impairment</b>		
Impairment brought forward	-	2.4
Sales and retirements	-	- 2.5
Translation differences	-	0.1
<b>Accumulated impairment carried forward</b>	<b>-</b>	<b>-</b>
<b>Carrying amount carried forward</b>	<b>104.9</b>	<b>81.9</b>

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

(in millions of SEK)	Group	
	2009	2008
Cost of goods sold	11.5	5.5
Selling expenses	0.4	0.7
Administrative expenses	1.5	1.7
<b>Total</b>	<b>13.4</b>	<b>7.9</b>

### Note 16 Land and buildings

(in millions of SEK)	Group	
	2009	2008
<b>Aquisition value</b>		
Acquisition value brought fwd	1,068.3	826.2
Acquisition value in companies acquired	-	37.7
Investment for the year	6.8	42.1
Sales and retirements	-	- 16.0
Reclassifications	10.4	136.3
Translation differences	- 23.1	42.0
<b>Accumulated acquisition value carried forward</b>	<b>1,062.4</b>	<b>1,068.3</b>
<b>Depreciation</b>		
Depreciation brought forward	316.1	274.9
Depreciation in companies acquired	-	0.1
Sales and retirements	-	- 6.9
Depreciation for the year	33.5	29.5
Translation differences	- 7.7	18.5
<b>Accumulated depreciation carried forward</b>	<b>341.9</b>	<b>316.1</b>
<b>Carrying amount carried forward</b>	<b>720.5</b>	<b>752.2</b>
of which, land	52.6	54.1
Carrying amount of land and buildings in Sweden	306.5	315.2
Assessed tax value (Sweden)	132.9	87.0
of which, land	13.4	13.4

New construction, renovations and rebuilds in Sweden during 2009 have not yet been assessed for tax purposes.

### Note 17 Machinery and equipment

(in millions of SEK)	Group		Parent company	
	2009	2008	2009	2008
<b>Aquisition value</b>				
Acquisition value brought fwd	1,842.1	1,600.4	0.4	0.4
Acq. value in companies acq'd	0.2	12.2	-	-
Investment for the year	92.4	168.9	-	-
Sales and retirements	- 47.5	- 58.9	-	-
Reclassifications	17.7	33.0	-	-
Translation differences	- 35.8	86.5	-	-
<b>Accumulated acquisition value carried forward</b>	<b>1,869.1</b>	<b>1,842.1</b>	<b>0.4</b>	<b>0.4</b>
<b>Depreciation</b>				
Depreciation brought fwd	1,127.4	952.7	0.3	0.3
Depreciation in companies acq'd	-	2.5	-	-
Sales and retirements	- 41.8	- 39.5	-	-
Reclassifications	-	- 0.4	-	-
Depreciation for the year	163.2	150.9	0.1	-
Translation differences	- 23.4	61.2	-	-
<b>Accumulated depreciation carried forward</b>	<b>1,225.4</b>	<b>1,127.4</b>	<b>0.4</b>	<b>0.3</b>
<b>Impairment</b>				
Impairment brought fwd	1.3	1.4	-	-
Translation differences	-	- 0.1	-	-
<b>Accumulated impairment carried forward</b>	<b>1.3</b>	<b>1.3</b>	<b>-</b>	<b>-</b>
<b>Reversal of impairment amounts</b>				
Reversal of impairment amounts brought fwd	0.3	0.2	-	-
Translation differences	- 0.1	0.1	-	-
<b>Accumulated reversal of impaired amounts carried forward</b>	<b>0.2</b>	<b>0.3</b>	<b>-</b>	<b>-</b>
<b>Carrying amount carried fwd</b>	<b>642.6</b>	<b>713.7</b>	<b>-</b>	<b>0.1</b>



## Note 18 Construction in progress

(in millions of SEK)	Group	
	2009	2008
<b>Acquisition value</b>		
Acquisition value brought fwd	34.6	176.6
Expenses during the year	31.2	28.4
Sales and retirements	-	- 0.3
Re-allocations during the year	- 28.7	- 171.3
Translation differences	- 1.4	1.2
<b>Accumulated acquisition value carried fwd</b>	<b>35.7</b>	<b>34.6</b>

## Note 19 Shares in subsidiaries

	Proportion of capital	Number of shares	Carrying amount
Backer BHV AB	100%	37,170	169.9
Bröderna Håkansson Värme AB	100%	15,000	10.5
Calesco Foil AB	100%	10,500	37.5
DZD Strojirna s.r.o.	100%	7	198.9
Focus Värme AB	100%	3,000	0.9
Handöl-Form AB	100%	1,000	0.1
Jevi A/S	100%	1	29.9
Kaukora Oy	100%	1,100	135.6
Loval Oy	100%	768	39.6
METRO THERM A/S	100%	3,400	180.6
NIBE AB	100%	400,000	153.2
Nordpeis AS	100%	12,100	155.4
Russian boilers holding AB	75%	150,000	115.4
SAN Electro Heat A/S	100%	13	17.7
TermaTech A/S	100%	500	62.0
Vabro Holding ApS	100%	453	26.1
<b>Total parent company</b>			<b>1,333.3</b>

## 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 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
Calesco France SARL	100.0%	12,429
CJSC Evan	100.0%	8,331
Danotherm Electric A/S	100.0%	1,000
DZD Slovensko Spol s.r.o.	100.0%	
Eltop Praha s.r.o.	100.0%	
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
LübckeSan A/S	100.0%	1,000
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 Foyers France S.A.S.	100.0%	370
NIBE-Haato Oy	100.0%	15
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

## Details of subsidiaries

	Corporate ID number	Registered office
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 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
Bröderna Håkansson Värme AB	556108-0259	Höör, Sweden
Calesco Foil AB	556000-5034	Hallstahammar, Sweden
Calesco France Sarl	91379344781	Lyon, France
CJSC Evan	1065260108517	Nizhniy Novgorod, Russia
Danotherm Electric A/S	10 12 60 61	Rødovre, Denmark
DZD Slovensko Spol s.r.o.	36372056	Vrútky, Slovakia
DZD Strojirna s.r.o.	45148465	Benátky nad Jizerou, Czech Rep.
Eltop Praha s.r.o.	44795751	Miretice, Czech Rep.
Focus Värme AB	556316-1412	Partille, Sweden
Handöl-Form AB	556194-1393	Markaryd, Sweden
Heatrod Elements Ltd	766 637	London, UK
Høiax AS	936 030 327	Fredrikstad, Norway
Jevi A/S	12 85 42 77	Veile, Denmark
Kaukora Oy	0138194-1	Raisio, Finland
Kiloval Oy	0754792-2	Lovisa, Finland
KNV Energietechnik GmbH	78375h	Schörfing, Austria
KVM-Conheat A/S	14 46 85 87	Vissenbjerg, Denmark
Loval Oy	0640930-9	Lovisa, Finland
LübckeSan A/S	25 80 99 71	Brøndby, Denmark
METRO THERM AB	556554-1603	Kalmar, Sweden
METRO THERM A/S	20 56 71 12	Helsingør, Denmark
Meyer Vastus AB, Oy	0215219-8	Monninkylä, Finland
Naturenergi IWABO AB	556663-0355	Bollnäs, Sweden
NIBE AB	556056-4485	Markaryd, Sweden
NIBE 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 Foyers France S.A.S.	491 434 965	Lyon, France
NIBE-Haato Oy	09314276	Helsinki, Finland
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

## Note 20 Shares in associates

### Shares in associates held by the Group/parent company

Name	Corporate ID number	Registered office	Number 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 2009	Group share of equity 2009
(in millions of SEK)				
Linmet Glas-Keramik GmbH	33.3%	0.0	0.0	0.0
Naturwärme GmbH	30.0%	0.0	0.0	0.0
<b>Total</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Note 21 Share capital

(SEK)	Quota value	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 2009 proposed but not yet approved is SEK 1.30 per share. This corresponds to a total payout of SEK 122.1 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 2009 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

(in millions of SEK)	Group	
	2009	2008
FPG/PRI-pensions	27.5	26.2
Other pensions	5.2	3.6
<b>Amount at year-end</b>	<b>32.7</b>	<b>29.8</b>

### 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 2009 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 10.5 million (2008: SEK 7.8 million). Alecta's surplus can be distributed to the policy holders and/or the insured. At the 2009 year-end Alecta's surplus in the form of the collective funding ratio was 141% (2008: 112%). 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

(in millions of SEK)	Group	
	2009	2008
Pension commitments in unfunded plans, present value	47.8	40.7
Unrealised actuarial gains (+), losses (-), pension commitments	- 15.1	- 10.9
Provision for pensions, unfunded plans	32.7	29.8
<b>Net liability according to balance sheet</b>	<b>32.7</b>	<b>29.8</b>

### Total pension costs

(in millions of SEK)	Group	
	2009	2008
Pensions earned during the period	2.1	1.1
Interest on the commitment	1.7	1.6
Actuarial gains/losses during the period	0.4	0.4
Pension costs, defined-benefit plans	4.2	3.1
Pension costs, defined-contribution plans	70.9	67.1
<b>Total pension cost</b>	<b>75.1</b>	<b>70.2</b>

### Reconciliation of pension provisions

(in millions of SEK)	Group	
	2009	2008
Pension liabilities, balance brought forward	29.8	27.8
Pension costs	4.2	3.1
Benefits paid	- 1.3	- 1.1
<b>According to balance sheet</b>	<b>32.7</b>	<b>29.8</b>

Pension payments during 2010 are expected to total SEK 1.2 million.

### Reconciliation of pension commitments

(in millions of SEK)	Group	
	2009	2008
Pension commitments in unfunded plans, present value at start of year	40.7	38.9
Pension costs	4.2	3.1
Benefits paid	- 1.3	- 1.1
Actuarial gains/losses during the year	4.2	- 0.2
<b>Pension commitments in unfunded plans, present value at year-end</b>	<b>47.8</b>	<b>40.7</b>

### Actuarial assumptions

(%)	Group	
	2009	2008
Discount rate on 1 January	4.50%	4.50%
Discount rate on 31 December	4.00%	4.50%
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 0.6 million (2008: SEK 0.1 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

(in millions of SEK)	Group		
	Guarantee risk reserve	Other	Total
Amount at start of year	58.9	13.8	72.7
Provisions during the year	46.5	5.1	51.6
Amount utilised during year	- 33.6	- 4.1	- 37.7
Reversals in provisions	- 4.5	- 3.9	- 8.4
Translation differences	- 0.8	0.6	- 0.2
<b>Amount at year-end</b>	<b>66.5</b>	<b>11.5</b>	<b>78.0</b>

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.



### Note 24 Bank overdraft facilities

Credit facilities granted in the Group totalled SEK 1,603.9 million (SEK 1,628.3 million). The Group's overdraft was reduced during the year by SEK 24.4 million. The facility granted for the parent company was SEK 1,249.2 million (SEK 1,272.8 million), which represents a reduction of SEK 23.6 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	
	2009	2008	2009	2008
Accrued salaries	129.2	132.1	1.9	1.7
Accrued payroll overheads	54.1	53.8	1.6	1.4
Other items	121.1	109.5	4.0	1.5
Amount at year-end	304.4	295.4	7.5	4.6

### Note 26 Pledged assets

(in millions of SEK)	Group		Parent company	
	2009	2008	2009	2008
Floating charges	122.4	142.3	-	-
Real estate mortgages	341.6	352.2	-	-
Receivables	-	4.0	0.5	-
Shares in subsidiaries <sup>1)</sup>	1,693.4	1,489.0	417.8	365.0
Total pledged assets	2,157.4	1,987.5	418.3	365.0

<sup>1)</sup> Liabilities to credit institutions for which shares have been pledged as collateral

	807.6	1,273.8	807.6	1,273.8
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### Note 27 Contingent liabilities

(in millions of SEK)	Group		Parent company	
	2009	2008	2009	2008
Pension commitments not entered under liabilities or provisions	1.9	2.4	-	-
Contingent liabilities on behalf of other Group companies	-	-	33.2	32.7
Other contingent liabilities	61.8	22.0	-	-
Total contingent liabilities	63.7	24.4	33.2	32.7

### Note 28 Acquisitions of companies

At the end of March a further 24% stake was acquired in CJSC EVAN via Russian boilers holding AB. The company belongs to the NIBE Energy Systems business area, which now owns 75% of the shares. The remaining 25% will be acquired during 2011.

Early in May NIBE acquired Sol & Energiteknik SE AB, a specialist in solar energy with annual sales of approximately SEK 20 million and an operating profit of around SEK 1 million. The company was consolidated into the NIBE Energy Systems business area in May.

Also in early May NIBE acquired the Finnish company Bencon Oy with annual sales of approximately SEK 7 million. Bencon, which specialises in electrical measurements, control equipment and electric heating solutions, has formed part of the NIBE Element business area since May.

#### The purchase prices are made up as follows:

(in millions of SEK)	Group	
	2009	2008
Initial consideration	54.5	166.1
Contingent consideration	18.1	3.2
Direct acquisition costs	0.4	15.7
Total consideration	73.0	185.0
Fair value of net assets acquired	9.7	87.7
Goodwill	63.3	97.3
Consideration	73.0	185.0
Cash and cash equivalents in acquired companies	- 0.4	- 14.9
Effect on the Group's cash and cash equivalents	72.6	170.1

Goodwill is attributable to the profitability of the operations acquired as well as to the synergy effects, particularly in material supply and distribution, that are anticipated within the Group.

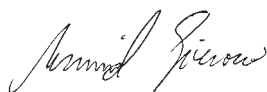
#### The purchase prices are made up as follows:

(in millions of SEK)	Fair value	Carrying amounts acquired
Market position	9.7	-
Other intangible assets	0.2	0.2
Tangible assets	2.9	2.9
Inventories	3.5	3.5
Cash and bank balances	0.4	0.4
Provisions	- 2.6	- 0.1
Liabilities	- 4.4	- 4.6
Net assets acquired	9.7	2.3

## 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.

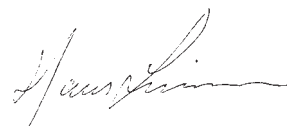
Markaryd, Sweden – 29 March 2010



Arvid Gierow  
Chairman of the Board



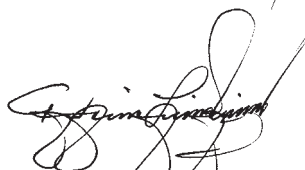
Georg Brunstam  
Director



Hans Linnarson  
Director



Arne Frank  
Director



Gerteric Lindquist  
MD/Chief Executive Officer

The balance sheets and income statements will be presented for approval at the Annual General Meeting on 17 May 2010.

## 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 2009. The annual accounts and the consolidated accounts of the company are included on pages 42–68 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. The statutory administration report is 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 – 29 March 2010

SET/Revisionsbyrå AB



Bengt Ekenberg  
Authorised Public Accountant

For further information about auditing please refer to; page 59, Note 4 Payment to the auditors, and page 72, Corporate Governance Report.



# 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 listing agreement with the NASDAQ OMX Stock Exchange in Stockholm and the Swedish Code of Corporate Governance (the Code).

NIBE has its registered office in Markaryd, Sweden, and has been listed on the Mid Cap list of the NASDAQ OMX Stock Exchange in Stockholm since 1997.

On 1 February 2010 a revision of the Swedish Code of Corporate Governance, originally introduced in December 2004, came into force. 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.

The company's auditors have not reviewed this Corporate Governance Report.

## 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, decides 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 14 May 2009 in Markaryd, was attended by 325 shareholders. Those present represented 51% of the number of shares and 77% 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.

## Board procedures

NIBE Industrier's Board of Directors consists of five members, elected by the AGM. The members of the Board are presented on page 74. Directors and the Chairman of the Board are elected annually by the AGM to serve for the period until the next AGM. Company employees participate in board meetings as required to submit reports or to contribute expert knowledge in individual matters.

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

The Chairman of the Board 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 operations in consultation 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 2009 the Board of Directors held 19 meetings, ten of which were telephone conferences. All meetings were minuted.

Attendance at board meetings was high: all members of the Board attended all the round-table meetings.

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.



*Arvid Gierow, Chairman of the Board*



*Georg Brunstam, Director*



*Gerteric Lindquist, MD/Chief Executive Officer*



*Arne Frank, Director*



*Hans Linnarson, Director*



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 September, 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.

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

The senior auditor has 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, 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 Industrier 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 Industrier 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 Industrier 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 2009 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 2009 amounted to SEK 750,000 in accordance with a resolution upheld by the AGM. Of this amount, the Chairman of the Board received SEK 300,000 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 2009 amounted to SEK 2,582,000. A free car is also provided. Salaries paid to other senior management executives totalled SEK 7,973,000. 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 Direc-



tor/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 2009, 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](http://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 2009**

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 section 10.5 of the Code.

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, that is 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.

The internal control report is not reviewed by the company's auditors.



**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 can not be considered an independent director of the company.



**GEORG BRUNSTAM** (born 1957)  
Board member since 2003. M.Sc. in Engineering.  
President/CEO and director of HEXPOL AB.  
Director of DIAB Group AB and AB Wilh. Becker  
Shareholding in NIBE Industrier: 0.  
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. Director of Beijer Electronics AB.  
Shareholding in NIBE Industrier: 0.  
Independent director.



**ARNE FRANK** (born 1958)  
Board member since 2008. M.Sc. in Engineering. Chairman of the Board of Contex Holding A/S. Chairman of the Board of Carl Zeiss Vision Holding GmbH.  
Shareholding in NIBE Industrier: 19,800 B shares.  
Independent director.

**SENIOR EXECUTIVES**



**GERTERIC LINDQUIST** (born 1951)  
Please refer to Board profile on left.



**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.



**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.

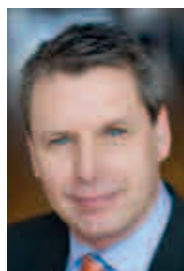


**KJELL EKERMO** (born 1956)  
M.Sc. in Engineering. Business Area Manager for NIBE Energy Systems. Employed by NIBE since 1998.  
Shareholding in NIBE Industrier: 107,200 B shares.



**NIKLAS GUNNARSSON** (born 1965)  
Engineer. Business Area Manager for NIBE Stoves. Employed by NIBE since 1987.  
Shareholding in NIBE Industrier: 107,200 B shares.

**AUDITOR**



**SET REVISIONSBYRÅ AB**  
Senior Auditor  
Bengt Ekenberg (born 1960)  
Authorised Public Accountant

# Companies in the NIBE Group

## Nordic Region

### SWEDEN

<b>NIBE Industrier AB</b>	MARKARYD
Ω <b>NIBE Element</b>	SÖSDALA
Backer BHV AB	SÖSDALA
Backer BHV AB/Calesco Div.	KOLBÄCK
✦ <b>NIBE AB/</b>	
<b>NIBE Energy Systems</b>	MARKARYD
METRO THERM AB	KALMAR
Sol & Energiteknik SE AB	HUSKVARNA
🔥 <b>NIBE AB/NIBE Stoves</b>	MARKARYD

### DENMARK

Ω <b>Danotherm Electric A/S</b>	RØDOVRE
JEVI A/S	VEJLE
LübckeSan A/S	BRØNDBY
NIBE Wind Components	ESBJERG
SAN Electro Heat A/S	GRÆSTED
✦ <b>KVM-Conheat A/S</b>	VISSENBJERG
METRO THERM A/S	HELSINGE
Vølund Varmeteknik	VIDEBÆK
🔥 <b>TermaTech A/S</b>	HASSELAGER
Varde Ovne A/S	GRAM

### FINLAND

Ω <b>Loval Oy</b>	LOVISA
Oy Meyer Vastus AB	MONNINKYLÄ
✦ <b>Kaukora Oy</b>	RAISIO
NIBE - Haato Oy	VANTAA

### NORWAY

Ω <b>Norske Backer AS</b>	KONGSVINGER
✦ <b>Høiax AS</b>	FREDRIKSTAD
NIBE - Norge	NESBRU
🔥 <b>Nordpeis AS</b>	LIERSKOGEN

## EUROPE (excl. Nordic region)

### FRANCE

Ω <b>Backer-Calesco France Sarl</b>	LYON
NIBE Element	CERGY POTOISE
🔥 <b>NIBE Foyers France S.A.S.</b>	REVENTIN

### GERMANY

Ω <b>NIBE Element</b>	OBERURSEL
✦ <b>NIBE Systemtechnik GmbH</b>	CELLE

### UK

Ω <b>Heatrod Elements Ltd.</b>	MANCHESTER
✦ <b>NIBE Energy Systems Ltd</b>	CHESTERFIELD

### ITALY

Ω <b>Backer FER s.r.l.</b>	S. AGOSTINO
REBA Div. Industrial Applications	MILANO

### CZECH REPUBLIC

Ω <b>Backer Elektro CZ a.s.</b>	HLINSKO
Eltop Praha s.r.o.	MIRETICE
✦ <b>DZ Drazice - Strojirna s.r.o.</b>	BENATKY NAD JIZEROU

### AUSTRIA

✦ <b>KNV Energietechnik GmbH</b>	SCHÖRFLING AM ATTERSEE
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### NETHERLANDS

Ω <b>Sinus-Jevi Electric Heating B.V.</b>	MEDEMBLIK
✦ <b>NIBE Energietechnik B.V.</b>	WILLEMSTAD

### SWITZERLAND

✦ <b>NIBE Wärmtechnik AG</b>	FLURINGEN
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### POLAND

Ω <b>Backer OBR Sp. z o.o.</b>	PYRZYCE
✦ <b>NIBE-BIAWAR Sp. z o.o.</b>	BIALYSTOK
🔥 <b>Northstar Poland Sp. z o.o.</b>	TRZCIANKA

### SPAIN

Ω <b>Backer Facsa, S.L.</b>	AIGUAFREDA
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## REST OF THE WORLD

### MEXICO

Ω <b>Backer Alpe, S. de R.L. de C.V.</b>	TLAHUAC
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### RUSSIA

✦ <b>CJSC Evan</b>	NIZHNIY NOVGOROD
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### CHINA

Ω <b>Shel NIBE Manufacturing Co Ltd.</b>	SHENZHEN
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### USA

Ω <b>Backer Heating Technologies Inc</b>	ELGIN, ILL
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For further information about these companies, please refer to our homepage

[www.nibe.com](http://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 development, manufacturing and marketing.

# NIBE