

NIBE

- world-class solutions in sustainable energy



Annual Report 2012



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Calendar

15 May 2013

First quarter report, January – March 2013

Annual General Meeting

16 August 2013

Second quarter report, January – June 2013

15 November 2013

Third quarter report, January – September 2013

Capital Markets Day

NIBE operations in 2012

Net sales	Operating profit	Operating margin	Profit after net financial items	Profit margin
SEK 9,192.3 m	SEK 1,041.3 m	11.3%	SEK 1,007.6 m	11.0%

The year in figures

		2012	2011	Change
Net sales	SEK m	9,192.3	8,139.8	13 %
Growth	%	12.9	25.0	- 12.1 % point
Operating profit	SEK m	1,041.3	991.3	5 %
Profit after net financial items	SEK m	1,007.6	941.2	7 %
Investments	SEK m	477.5	3,815.2	- 87 %
of which in existing plant & machinery	SEK m	251.5	333.4	- 25 %
Gross margin	%	15.3	15.6	- 0.3 % point
Operating margin	%	11.3	12.2	- 0.9 % point
Profit margin	%	11.0	11.6	- 0.6 % point
Capital employed	SEK m	9,360.8	9,337.5	0 %
Equity	SEK m	4,926.0	4,487.2	10 %
Return on capital employed	%	11.8	16.0	- 4.2 % point
Return on equity	%	15.8	19.9	- 4.1 % point
Return on total assets	%	9.5	12.3	- 2.8 % point
Asset turnover	times	0.79	0.96	- 18 %
Equity/assets ratio	%	42.6	38.2	4.4 % point
Proportion of risk-bearing capital	%	47.2	43.2	4.0 % point
Operating cash flow	SEK m	767.8	786.7	- 2 %
Net debt/EBITDA	times	2.5	3.0	- 17 %
Interest cover	times	11.1	10.7	4 %
Interest-bearing liabilities/Equity	%	90.0	108.1	- 18.1 % point
Average number of employees		8,006	6,895	16 %

Please refer to page 54 for definitions.

Acquisition of

- remaining 1.3% stake in the Schulthess Group AG, Switzerland
- 70% stake in Akvaterm Oy, Finland
- element operations of Springfield Wire Inc., USA
- 60% of shares in the Stovax Heating Group Ltd, UK (2013)
- Eltwin Group, Denmark (2013)

Annual General Meeting

The Annual General Meeting of shareholders will be held at NIBE in Markaryd in Sweden on Wednesday 15 May 2013 at 17.00 (5pm).

Financial information

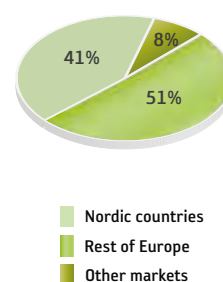
The complete annual report and call to the AGM are sent to all shareholders unless they have informed the company that they do not wish to receive any written information.

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

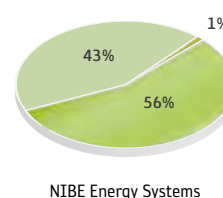
Dividend

The Board of Directors proposes that the Annual General Meeting approve a dividend of SEK 2.00 per share for the financial year 2012, corresponding to a total payout of SEK 220.5 million. If this proposal is accepted, it is anticipated that the dividend will be despatched from Euroclear Sweden AB on Thursday, 23 May 2013.

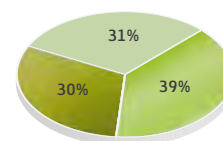
Sales by geographical region



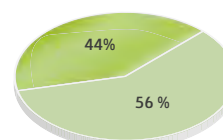
Business area sales by geographical region



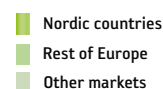
NIBE Energy Systems



NIBE Element



NIBE Stoves



Business built on entrepreneurship

NIBE's growth is fuelled to a great degree by the entrepreneurial spirit that permeates the company, the passion for doing business that this inspires and the satisfaction that accompanies the responsibilities of ownership.

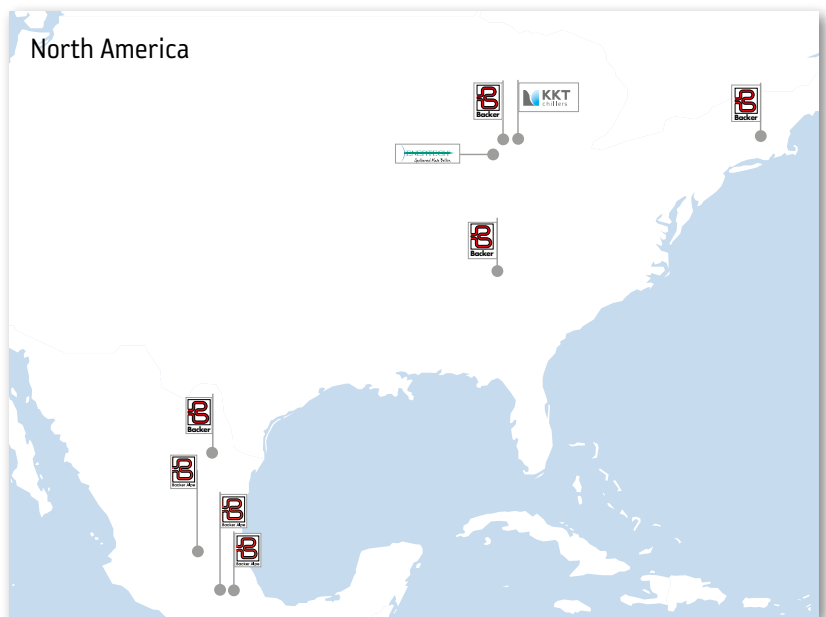
In many instances, keeping companies and management intact in the environments where they were originally established not only provides the optimum conditions for them to realise their full potential, but also helps to develop and invigorate the local communities in which they play such an important part.

Good entrepreneurship also holds the key to opening up future opportunities by constantly arousing curiosity, inspiring creativity and commitment, and motivating employees to take a greater share of ownership in the companies for which they work.

The traditional values we hold dear here in the southern Swedish province of Småland – thriftiness, common sense, honesty, perseverance, simple solutions and a long-term outlook – will never go out of fashion. This makes our corporate culture resilient, regardless of the state of the economy or wherever in the world we choose to operate.

Our operations are divided into three business areas: NIBE Energy Systems, NIBE Element and NIBE Stoves. As a whole the NIBE Group employs approximately 8,000 people in Europe, North America and Asia.

Each business area has its own operational management with responsibility for profits. Issues of importance to the Group as a whole – financing, strategies, corporate acquisitions, financial control, HR policy, etc. – are co-ordinated through our parent company, NIBE Industrier AB.



NIBE Energy Systems



Indoor comfort and heating solutions

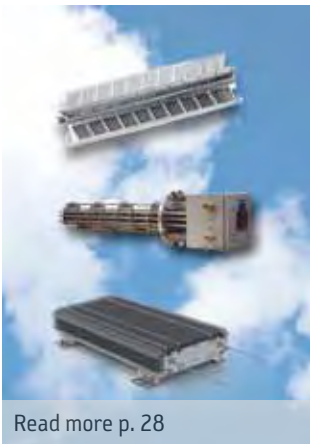
NIBE Energy Systems has a wide range of products to provide end-users in single-family homes, multi-family properties and other large premises with solutions for indoor climate comfort, hot water and space heating. Over the years the range has developed from a handful of fairly basic heating products to numerous hi-tech concepts for heating, cooling, ventilation and heat recovery.

2012

Net sales, SEK m	5,901.1
Growth, %	18.3
Operating profit, SEK m	810.8
Operating margin, %	13.7
Average number of employees	3,088



NIBE Element



Industrial partner with customised solutions

The NIBE Element product range comprises components and solutions for measuring, controlling and electric heating applications. Various technologies are used to produce heating elements and resistors that serve a wide variety of purposes in many different industries and items of equipment. NIBE Element also manufactures large numbers of customised solutions.

2012

Net sales, SEK m	2,336.8
Growth, %	10.0
Operating profit, SEK m	151.3
Operating margin, %	6.5
Average number of employees	4,231



NIBE Stoves



A wide selection of wood-burning stoves for different heating needs

The NIBE Stoves product range comprises value-for-money, wood-burning stoves in many different versions and styles. Customers can always be sure to find a model that will meet their needs for comfort and complement the character of their home. All the stoves incorporate technical solutions to ensure efficient combustion, and many carry the Nordic Swan ecolabel. NIBE Stoves also offers complete chimney solutions.

2012

Net sales, SEK m	1,064.4
Growth, %	- 7.7
Operating profit, SEK m	115.8
Operating margin, %	10.9
Average number of employees	680





Comfort, convenience and peace of mind – 24/7 all year round

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



The kitchen – the heart of the home

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



Hot water – always on tap

With children in the family, you always need plenty of hot water. So it feels good to be able to rely on a constant supply from a NIBE Energy Systems water heater, fitted with heating elements from NIBE Element.

Welcomingly warm floors

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

Help around the home

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



Cosy up to a wood-burning stove

There's nothing cosier than relaxing in front of a wood-burning stove. Our highly efficient combustion technology also saves you money and, by using heat from a renewable energy source, you can help to save the planet, too.

A pleasant indoor climate

A heat pump from NIBE Energy Systems is easy to use no matter which technology you choose. It's an energy-efficient solution for domestic heating that is kind to family finances while taking good care of the environment for future generations. Complement your heat pump with a wood-burning stove from NIBE Stoves and you can enjoy the best of both worlds.



We heat and cool properties that present a big challenge

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

Multi-family homes in the Netherlands

New residential properties in Gorinchem in the Netherlands provide a good example of how NIBE's concept solutions work in practice. Each home has its own heat pump that produces warm or cool air on demand and hot water all year round, but all share access to a central control and monitoring function.

State-of-the-art solution in an English stately home

Heat pumps combined with solar panels have solved the heating problems at Newton Hall, one of England's 18th-century Grade II-listed houses. This new solution has replaced the old oil-fired heating, cutting overall heating costs for the owner and greatly improving comfort throughout the entire building.

Heat pumps keep the ICEHOTEL cosy

Fourteen heat pumps at the ICEHOTEL in the far north of Sweden heat some 30 separate buildings with a total floor space of around 5,000 square metres. Since 2000 these installations have saved the hotel's owners millions of kronor compared with the cost of running alternative solutions.

Spanish pool switches to solar panels and heat pumps

The pools at the Monte Rojo holiday complex on Gran Canaria used to be heated by oil. This work is now done by an array of 45 solar panels and four heat pumps from NIBE Energy Systems. The new set-up has slashed heating costs by 90%. It is so efficient that the pay-back time is a mere four years or so.





We have solutions for measuring, control and electric heating

NIBE Element is a partner to many companies in many industries, developing and manufacturing components and systems for measuring, control and electric heating that offer various solutions for a host of specific applications.



Constant need for tubular heating elements

NIBE has been manufacturing tubular heating elements for many years. Clients have a huge variety of needs for heating solutions for special areas, cables, electric cabinets and surfaces that must remain ice-free. The manufacturing processes for tubular elements are constantly evolving as new applications and new functions in new sectors of industry ratchet up the pace of development.

In-car comfort generates new applications

Today virtually all types of vehicle make use of electric heating and element technology in many different ways. Heated wing mirrors, engine pre-heaters and a warm driving seat are no longer considered a luxury – not even for the farmer who spends many hours a day in his tractor. Heated cameras for ice-free night vision improve safety for drivers of heavy goods vehicles. And a new innovation from NIBE is heated windscreen wipers, which will also most likely become a standard feature on tomorrow's cars and lorries.



Reliable rail traffic in winter

NIBE provides solutions for many different applications in the rail industry. One example is the control cabinets that measure and monitor the temperature along railway tracks. Weather forecasts are transmitted online, automatically activating and regulating electric heating elements that keep railway switch points free of ice, helping trains to run to schedule even in the depths of winter.

Resistors with many applications

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



Products that help improve energy efficiency

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



Hybrid vehicles

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

Wind turbines

The 21st century has seen a surge in the numbers of new wind farms on land and offshore. The technology is being constantly developed to improve reliability and efficiency. In many instances NIBE Element acts as a development partner to the industry, supplying heating equipment for the nacelles and hardware to compensate for fluctuations in power production.

Offshore industry

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



Heat-pump modules for frequency control

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



Stable margins and resolute internationalisation – despite a weaker second half



*Gerteric Lindquist,
Managing Director and CEO*

Market situation

Group sales rose by 12.9% in 2012. However, as acquired growth for the year amounted to 19.4%, this means that sales contracted by 6.5% in organic terms. In 2011 sales rose by 25.0% and organic sales by 4.6%.

Demand has fluctuated wildly over the past year. There were already signs of a slowdown back in the fourth quarter of 2011, but the market recovered somewhat in the first six months of 2012 and even generated some organic growth. In the third quarter, however, the downturn was unmistakable with a 13% fall in organic sales. This was then followed by a fall of 11% in organic sales in the fourth quarter. The effect of the decrease in volumes was compounded by the negative impact on earnings of a strong Swedish krona.

There has been a marked downturn in the vast majority of markets and in most product segments. Nevertheless, Central Europe – Germany, in particular – Eastern Europe and North America have proved to be relatively robust in withstanding the economic headwinds.

In contrast, the Swedish market has seen a significant drop in demand compared with 2011 in all three business areas. Not since the early 1990s has demand been so weak in our segments of the domestic market. The main reasons for this are the extremely low number of new builds, lower electricity prices and, of course, the financial uncertainty that has rattled nerves throughout the year.

It is gratifying, therefore, to be able to report that we have succeeded in improving our own market shares despite the worrying market situation both here at home and internationally. The main reasons for this success are good quality, a consistent distribution strategy and a product range offering outstanding technical performance.

Capacity adaptation

In view of the weak market trends we have successively adapted production capacity and reduced our fixed costs. Neither of these measures, however, has necessitated any reduction in our R&D or sales workforce.

Stockbuilding for NIBE Energy Systems and

NIBE Stoves, which traditionally takes place over the first six months in order to meet peak-season demand in the second half of the year, was less extensive in 2012. Instead there was a greater focus on introducing more flexible seasonal working hours for production staff. The results of this modified approach to production needs have been so positive in terms of productivity and delivery reliability that we intend to continue with this system in the future.

Earnings trend

Operating profit improved by 5.0% compared with 2011, while the operating margin of 11.3% was lower than the previous year's figure of 12.2%. The strong Swedish krona had a negative effect on the year's operating profit, but it should also be noted that earnings for 2011 were charged with SEK 61.8 million in acquisition costs as opposed to a figure of just SEK 14.5 million in 2012.

Profit after net financial items improved by 7.1%, but the profit margin of 11.0% was below the level of 11.6% reported in 2011. Net financial items in 2012 were affected positively by exchange rate gains of SEK 27.8 million relating to the repayment of bank loans in foreign currencies. Corresponding exchange rate gains for 2011 totalled SEK 16.3 million.

In connection with the acquisition of the Schulthess Group, a target was set to achieve synergy effects totalling SEK 84 million before the end of 2013. Following synergy effects of just over SEK 30 million on the Group's operating profit in 2012, we now anticipate achieving around a further SEK 30 million in synergies in 2013 and the remainder during the course of 2014.

Product development is key

In late autumn the Swedish Energy Agency published the results of extensive tests of the ground-source/geothermal heat pumps and exhaust/air heat pumps available on the domestic market. The findings clearly demonstrate that NIBE ground-source/geothermal and exhaust-air heat pumps perform best in the vast majority of benchmark tests and offer homeowners the best value for money.

This is an important endorsement of our long-term commitment to product development, and it confirms that our efforts in this regard are also bearing fruit.

Well-invested production facilities

The year's investments in existing operations totalled SEK 251.5 million; this means that the rate of investment in 2012 was well below the figure of SEK 368.4 million for depreciation according to plan. In 2011, on the other hand, the level of investment was slightly above the planned rate of depreciation for the year.

Investment for the current year is anticipated to be on a par with depreciation according to plan. This means that the levels of quality and productivity in our production plants will continue to be highly satisfactory, and that there will also be significant capacity within the current organisation for further increases in volumes.

Resolute internationalisation

Despite the challenging market situation we have continued to pursue our strategy of expanding our business through international acquisitions.

In June NIBE reached an agreement to acquire the Eltwin Group of Denmark, which produces steering and control technology for the energy sector. Eltwin reports annual sales of some SEK 85 million and an operating margin of approximately 9%.

In August NIBE acquired 70% of the shares in Akvaterm Oy of Finland, a manufacturer of accumulator tanks. Akvaterm has annual sales of approximately SEK 60 million and an operating margin of around 15%. It was consolidated into the NIBE Energy Systems business area in September. Agreement has been reached to acquire the remaining 30% stake in 2015.

At the end of December NIBE acquired the element manufacturing operations of Springfield Wire Inc., with annual sales of approximately SEK 330 million and an operating margin of approximately 4%. The main focus of business activities, which are carried out in the USA, Mexico and China, is the manufacture of tubular elements for use in white goods

and various industrial applications. The North American units will be integrated into the NIBE Group's existing operations, while the Chinese business will continue to function independently.

At the end of January 2013 NIBE acquired a 60% stake in the English wood-burning stove manufacturer, Stovax Heating Limited, which has annual sales of some SEK 380 million and an operating margin of approximately 15%. With a product range that includes both wood-fired and gas-fired stoves, Stovax commands a leading position in its domestic market. Agreement has also been reached on the acquisition of the remaining 40% of shares in the company in 2016.

These four acquisitions are all strategically appropriate and have the added advantage of making NIBE less vulnerable to fluctuations in demand in the Swedish market.

Continued expansion – the NIBE way

For most people and most companies in Europe, the mood of restraint and economic uncertainty that is currently permeating more or less the entire continent, is a source of real adversity. However, despite this situation we intend to continue to take a proactive role in the processes of consolidation that are deemed to be necessary in the three sectors in which we do business.

It is our opinion that, in a time of transition and change such as we are experiencing, the NIBE corporate culture will play a decisive role in the success of our endeavours.

A corporate culture built on:

- a genuine entrepreneurial spirit, balanced by a responsible approach to business
- values that speak for themselves – such as thriftiness, common sense, honesty, perseverance, simple solutions and a long-term outlook – combined with sustainable value creation and the best quality throughout the entire value chain
- the realisation that good profitability is the most important factor behind long-term success and sustained growth.

Based on so firm a foundation as this, we remain resolute in our objective to build an even stronger NIBE Group with good market coverage in Europe and throughout the rest of the world.

Outlook for 2013

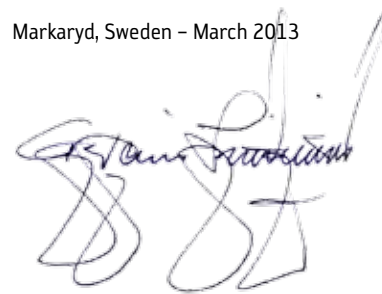
Our corporate philosophy and our product programme with their focus on sustainability and saving energy are well suited to the times in which we are living.

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

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

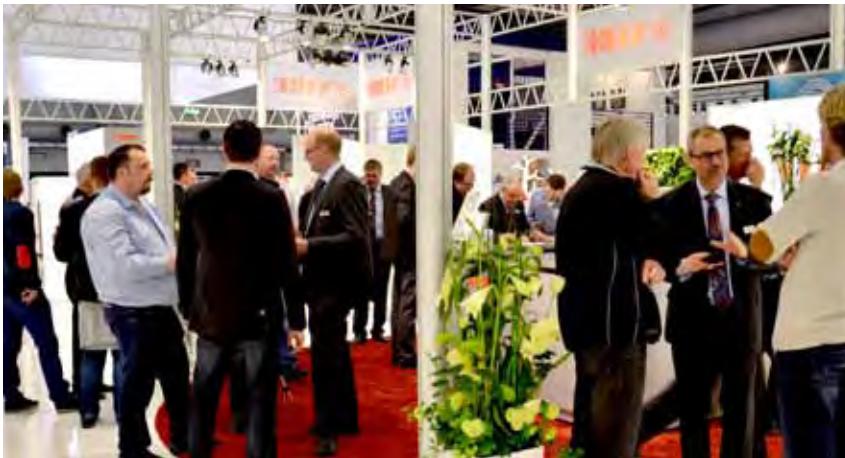
While we wait for demand to pick up once again, our operational focus will be on defending our margins through continual initiatives to improve productivity and by observing great caution with regard to our fixed costs.

Markaryd, Sweden – March 2013



Gerteric Lindquist
Managing Director and CEO

First quarter



NIBE F1345 launched at Nordbygg

In March NIBE Energy Systems took part in Nordbygg in Stockholm, the Nordic construction industry's largest annual forum. Under the theme 'A World of Opportunities' NIBE presented products and solutions to meet the great majority of customers' heating needs. Visitors to the trade fair expressed a great deal of interest in the new products on show, particularly the new NIBE F1345 ground-source heat pump for larger residential and commercial properties



NIBE Uplink

NIBE Uplink is a new service for property owners who have invested in our latest generation of heat pumps. With NIBE Uplink they can monitor and change the settings of the heat-pump installation via their tablet computer, laptop or smartphone.

Second quarter



Eltwin Group joins NIBE

In June an agreement was signed to acquire the Danish Eltwin Group, which develops, produces and sells industrial electronics. Eltwin's area of special expertise is the steering and control of electric motors. This acquisition strengthens NIBE's commitment to develop world-class solutions in sustainable energy.



EVAN sets its sights on expansion

For NIBE's Russian subsidiary, EVAN, 2012 was a record year. Now EVAN's sights are set on further expansion: a network of 150 distributors will cover the entire Russian heating market. Training the new Russian installation engineers is crucial to success, and several of them visited our training centre in Sweden in late spring.



New insert from Contura

The Contura i5, launched in spring 2012, is designed to be installed in existing open fireplaces. The insert, which adapts easily to fit various sizes of fireplace, is the only Swedish eco-labelled insert on the market.

Third quarter



NIBE celebrates 60 years of success

In August NIBE celebrated the 60th anniversary of the Group's operations in Markaryd, Sweden, with a grand banquet for employees and their partners, as well as invited guests. More than 1,000 people, including representatives of the Bernerup family that founded the company, joined the festivities in the place that has been home to NIBE since 1952.



Acquisition of Akvaterm Oy in Finland

In August NIBE Energy Systems acquired a 70% share in Akvaterm, located in Kokkola, Finland. Founded in 1993, Akvaterm today produces mostly accumulator tanks, as well as cold storage vessels and special tanks for sale in the Nordic countries and the UK.

Fourth quarter



Impressive test results for NIBE heat pumps

In late autumn the Swedish Energy Agency published the results of its tests of ground-source/geothermal heat pumps and exhaust-air heat pumps. The NIBE F1245 emerged as the best choice of geothermal heat pump for homeowners with water-borne radiator heating. In all, NIBE had the highest score in 14 of the 25 categories examined. Among exhaust-air heat pumps the NIBE F750, which is most often installed in newly built single-family properties, came top in 14 of the 20 categories examined, proving that NIBE is the best choice in this segment of the market, too.



Continued expansion outside Europe

At the end of 2012 NIBE acquired the element manufacturing business of Springfield Wire Inc., which has operations in the USA, Mexico and China. This acquisition moves NIBE Element yet another step closer to being a truly major player in the industry and even more of an all-round global supplier.

International expansion with the Nordic countries as our base

Vision

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

Mission statement

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

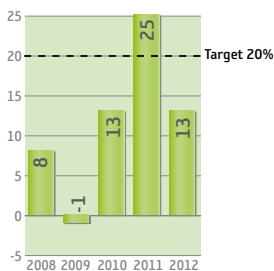
Objectives

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

The Group's four financial targets

Growth

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

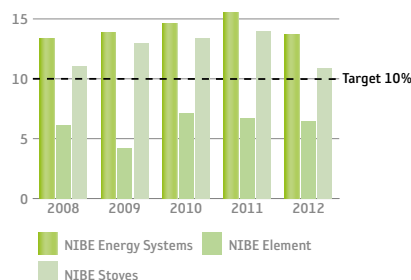


Annual growth over the past five years averages 11.2%.

20%

Operating margin

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

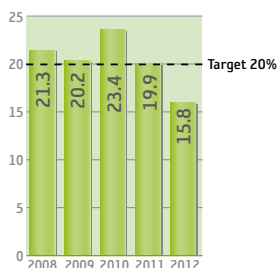


Average operating margin over the past five years: NIBE Energy Systems 14.3%, NIBE Element 6.2% and NIBE Stoves 12.6%.

10%

Return on equity

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

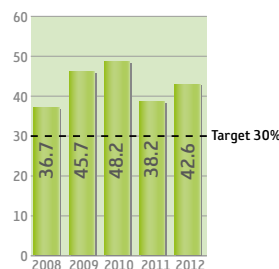


Return on equity over the past five years averages 19.3%.

20%

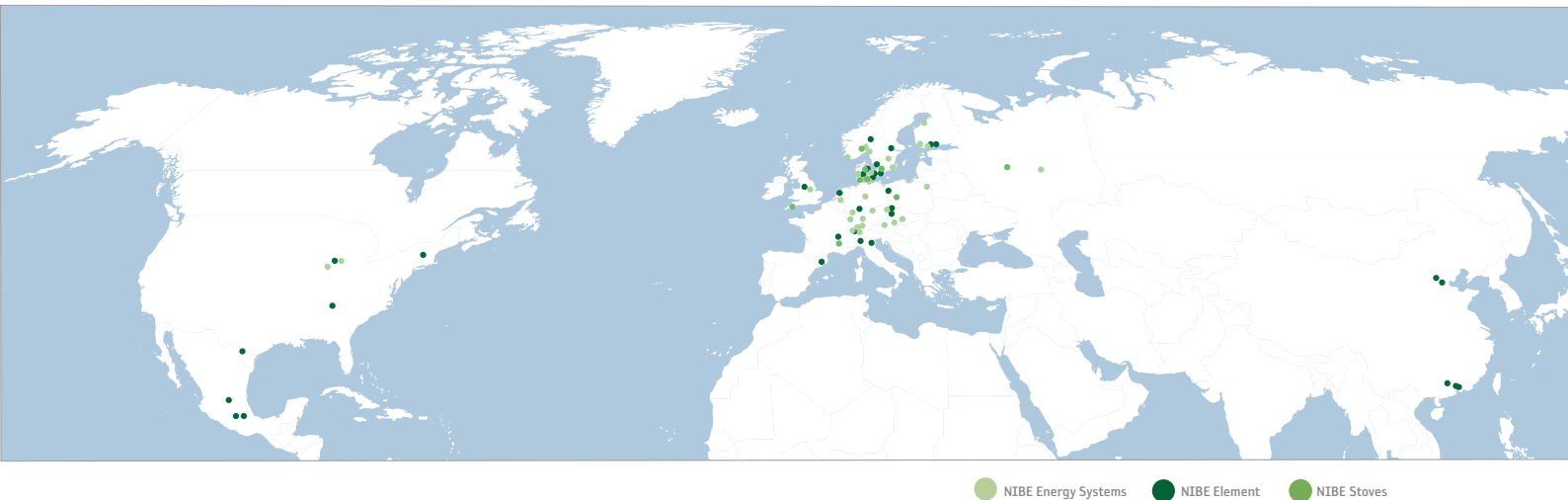
Equity/assets ratio

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



Equity/assets ratio over the past five years averages 41.6%.

30%



Strategy

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

Competitiveness

is improved through:

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

A holistic approach to environmental issues

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

Profitability

is maintained through:

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

Co-worker commitment

is further strengthened by:

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

Growth

is 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 that strengthen our position in selected markets, preferably of companies with strong brands, products that complement the existing NIBE range, and new technologies.

Customer satisfaction and peace of mind

is our constant goal, to be achieved 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.

Sincerity and an ethical attitude

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

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

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

The background to this strategy was the insight that continuous growth is crucial for good profitability. At that time there was also much talk in Europe that companies with sales of less than SEK 500 million would find it hard to survive after the advent of the EU's internal market. Given our determination to remain independent, this seemed another good reason to equip ourselves for good, sustainable growth and so achieve sufficient critical mass of our own.

Organic growth

Half of our targeted average year-on-year growth (in other words, 10%) is to be organic. Admittedly, we did not arrive at this figure as a result of any exact scientific theory: it was more an acknowledgement that organic growth of less than 5% is quite simply insufficient for good, sustainable profitability.

Since the underlying annual growth in demand in our three business areas is assumed to be linked to GDP growth, this target means that we can never rest on our laurels, but must strive constantly to increase our share of ex-

isting 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 16 years, since NIBE was first listed on the Stockholm stock exchange, the company has generated average year-on-year organic sales growth of 7%. This is attributable to a combination of aggressive product development, continuous improvements in productivity and systematic marketing measures.

Acquisitions

We have concluded that, in the mature market in which NIBE operates, organic growth alone cannot reasonably be expected to meet our overall year-on-year growth target of 20%. We have therefore made clear that organic growth must be complemented by growth through acquisitions that averages 10% a year. This level ensures that the additional workload is manageable and the degree of risk is reasonable.

The Group has acquired 51 companies over the past 16 years, representing average annual growth through acquisitions of 12%.

Acquisition criteria

NIBE is constantly analysing the opportunities for takeovers, and talks are almost always under way with potential acquisition candidates. The decisive factor behind any acquisition is that it must add new technology, enable us to establish a presence in new geographical markets and/or increase our share in existing markets.

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

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

Acquisition model

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

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

Timeline for acquisitions and establishments

Since the early 1990s NIBE has made around 60 acquisitions and new establishments. Four acquisitions were made in 2012.

1949	Nils Bernerup establishes Backer Elektro-Värme in Sösdala	2001	Roslagsspisen Norells Sweden AB Svend A. Nielsen A/S Heise Systemtechnik GmbH	2009	Sol- & Energiteknik SE AB CJSC EVAN (24%) Bencon
1952	Nils Bernerup creates NIBE-Verken in Markaryd through the acquisition of Ebe-Verken	2002	Jøtul ASA (22%) REBA	2010	NIBE Kamini LLC (new establishment) Lotus Heating Systems A/S ABK AS (50%) Lund & Sørensen A/S
1989	NIBE Industrier is formed when a number of employees take over Backer Elektro-Värme AB and NIBE-Verken AB	2003	Danotherm Electric A/S (80%) Backer Facsa Energietechnik B.V. (new establishment) METRO THERM A/S Finohm Sinus-Bobe Termos	2011	Thermtec Element division of Electrolux Prof AG CJSC Evan (25%) Schulthess Group AG (98.7%) Element division of Emerson Electric Co Enertech Global LLC (10%)
1994	Backer OBR sp z.o.o. (32%) Backer Oy (new establishment) Contura	2004	NETEK Shel Calesco Foil Inc. (new establishment) Kaukora OY Jøtul ASA (Disposal of 22% stake)	2012	Schulthess Group AG (1,3%) Akvaterm Oy (70%) Strukturgruppen AB Springfield Wire
1995	Vølund Loyal OY	2005	Northstar AS K M Jensen	2013	Stovax Heating Group Ltd (60%) Eltwin Group
1996	Pyrox TMV-Pannan	2006	Varde Ovne A/S Danotherm Electric A/S (20%) Naturenergi IWABO AB NIBE Energy Systems Ltd (new establishment) NIBE Foyers France S.A.S. (new establishment) DZ Drazice strojírna s.r.o. Heatrod Elements		
1997	NIBE is floated on the stock market NIBE Polska (new establishment) Backer OBR (68%) EPD	2007	Lübcke Rail A/S		
1998	Br Håkansson Värme AB Lodam Energi JEVI A/S Calesco Foil AB	2008	KNV Umweltgerechte Energietechnik GmbH CJSC EVAN (51%) TermaTech A/S NIBE Wärmetechnik AG (new establishment) Alpe		
1999	Haato Varaajat				
2000	Cronspisen AB Biawar sp z.o.o. Backer F.E.R Coates Backer CZ s.r.o Eltop Praha				



Our basic principles fuel the company's continued growth

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

Good profitability

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

High productivity

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

Aggressive product development

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

Quality in everything

– focus on the customer

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

Market-oriented expansion

- continuous growth is essential for the company's development
- a combination of good organic growth and prudent acquisitions is the best possible way to constantly breathe new life into the organisation

- expansion into new markets must be carefully considered and consistently implemented.

Focus on three core businesses

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

Committed employees

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

A long-term approach

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



Our values are reflected in our Code of Conduct

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



Respect for human rights

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

Good working conditions

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

Reduced environmental impact

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

Demands on suppliers

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

Product quality and product safety

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

Sound business ethics

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

Social commitment

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

Transparency

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



We have created a leading European supplier of sustainable energy solutions

NIBE Energy Systems is a market leader for heat pumps in Europe and one of Europe's major manufacturers of water heaters and other energy-efficient products for heating and cooling that are set apart by their distinctive eco-friendly features. The mission of NIBE Energy Systems is to supply homes and other 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.

Net sales 2012	SEK 5,901.1 m
Growth	+ 18.3 %
Operating profit	SEK 810.8 m
Operating margin	13.7 %
Average number of employees	3,088



Since December 2012 a highly advanced test facility for air/water heat pumps enables the simulation of all types of climate situations when conducting function tests.

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

The range comprises eight product areas:

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

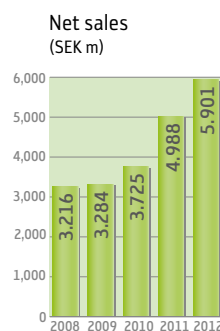
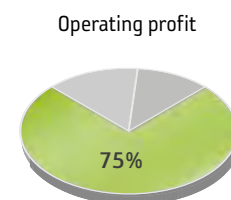
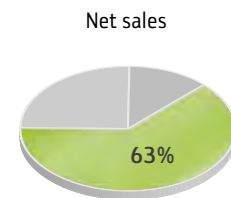
Strategy

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

Objective

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

Contribution to Group



Net sales rose by 18.3% in 2012

The year in brief

Throughout 2012, alongside work to adapt operations to developments in our various European markets, much of the focus was on integrating the Schulthess Group's business activities in order to achieve the desired synergies after our acquisition of Schulthess in 2011.

Demand in the European heat-pump market fluctuated greatly over the year, not only from month to month, but also from country to country. The economic downturn, financial uncertainty and low levels of new construction all had a negative effect on sales trends. There was, however, some growth in the markets in Eastern Europe and Germany, while those in Central Europe and the Nordic countries – with the exception of Sweden – remained fairly stable. Thanks to an increased market presence and a strong, all-round offer, we were able to increase sales in most of our chosen markets outside Sweden, apart from the UK and the Netherlands.

Most surprising, perhaps, is that the steepest drop in demand was seen in Sweden, which is currently considered to have one of Europe's most robust economies. After a weak start to the year, followed by signs of a recovery in the second quarter, sales of heat pumps suddenly plummeted by almost 30% in the second half of the year. The most obvious reasons for so sharp a drop are that new builds of single-family homes have fallen to a level not seen since the recession in 1992–94 and that the replacement market has contracted significantly at the same time. Swedish consumers in general have become extremely cautious about investments in capital goods. On the positive side, however, we have succeeded in increasing our market share in all product segments, and our overall share of the market in Sweden is higher now than it has ever been.

The market for traditional water heaters and for district-heating products has remained more or less stable both in the Nordic countries and in the rest of Europe, whereas demand for pellet-fired products and conventional domestic boilers is still very sluggish. Tougher energy-efficiency requirements in Europe are driv-

ing demand for heat-pump installations for hot water, which presents the business area with good opportunities for future growth.

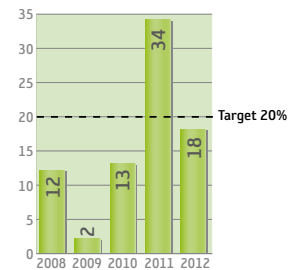
Weak sales trends, particularly in Sweden, together with the effects of a stronger Swedish krona, have had a negative impact on both sales and operating profit. Despite this, however, our success in consistently matching production capacity to demand and keeping a firm grip on fixed costs means that we have been able to limit the effects on the business area's operating margin.

Our expansion strategy remains unchanged and we are continuing to invest wholeheartedly in product and market development, with particular emphasis on climate-controlled system solutions for heating, cooling, ventilation and energy recovery.

Towards the end of the year the Swedish Energy Agency published detailed test reports for ground-source/geothermal heat pumps and exhaust-air heat pumps. In both categories NIBE emerged as the undisputed best choice for homeowners, with the highest scores in most of the functions and features tested. Such clear evidence that our products are first-class in terms of sophistication and performance confirms the soundness of our product development strategy.

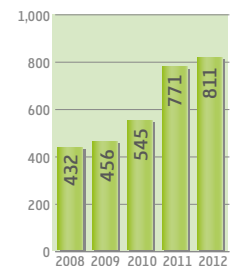
The partial acquisition of the Finnish accumulator tank manufacturer, Akvaterm Oy, in August showed positive results during the autumn. Accumulator tanks, with their ability to store heat effectively regardless of the original heat source, are becoming an increasingly important component in heating systems.

Objective fulfilment
Growth (%)



Growth over the past five years averages 15.6%

Operating profit
(SEK m)



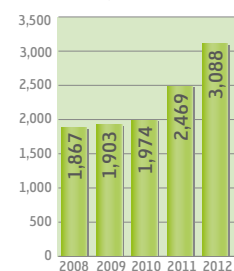
Operating profit rose by 5.2% in 2012

Objective fulfilment
Operating margin (%)



Operating margin over the past five years averages 14.3%

Average number
of employees



Outlook for 2013

Our international expansion, the pace of which has accelerated in recent years, is making an ever greater impact on operations as we systematically market ourselves as a reliable supplier of complete, high-performance solutions.

This coming year will once again see the integration of the business operations of the Schulthess Group as one of the main items on our agenda. The aim is to create an even broader and more robust platform for the ongoing process of internationalisation on which we have embarked. Work on optimising product development activities, manufacturing and production is progressing very well and is continually being taken to the next level. Alongside this, we continue to work hard to maximise synergies with the aim of achieving a total annual effect on earnings of just over SEK 80 million.

We expect markets to remain subdued in 2013, but we still believe that there are good, long-term prospects for growth in the international market for ground-source/geothermal

heat pumps and air/water heat pumps. We are also seeing increased international interest in our exhaust-air heat pumps and other products that use energy from renewable sources.

There is a marked increase in interest from politicians outside Europe in promoting the use of environmentally sound heating solutions. This is particularly noticeable in the USA, for example, where property owners installing a heat pump are entitled to claim a substantial tax deduction. Even so, the market for heat pumps in North America remains virtually unexploited.

Never before have we had such a strong and comprehensive range of products. We have continued to make substantial investments in product development and can now offer optimised all-round solutions for virtually every need in terms of indoor comfort and hot water in properties both small and large. Our successful heat-pump concept has now been complemented by remote-control functions and

facilities for monitoring key data over time. Meanwhile several more new product developments are waiting in the wings, ready to be unveiled to the market in the first six months of the year, initially at the ISH Fair in Frankfurt, Europe's biggest trade fair for building, energy and air-conditioning.

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

While we expect that it will be some time before the international economy recovers, we also see opportunities to strengthen our own position in the market by increasing our market share, particularly outside Sweden.



The Danish subsidiary KVM has supplied district-heating equipment for a large-scale project in Scotland to replace conventional electric radiators in the more than 1,500 homes on the Wyndford Estate built in the 1960s. Now residents can look forward to lower heating costs and a reduced environmental impact, thanks to a dramatic fall in the properties' carbon dioxide emissions.

Industry trends

As the strategic acquisitions of recent years so clearly demonstrate, NIBE Energy Systems is actively involved in the process of structural rationalisation that is taking place in the European heating, ventilation and air-conditioning industry, a sector that consists of a large number of players of varying sizes. Our proven expertise in heat-pump technology, together with our extensive product range, which includes, for example, water heaters, wood-burning boilers, ventilation plants and district heating substations, is a key factor in this process that speaks loudly in our favour.

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

frequently dictate the technical specifications for the products that can be sold. More often than not, the need for national or local test institutes to verify and approve products frustrates global companies' efforts to penetrate the market.

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

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

Interest in energy-efficient heating solutions for large properties is growing both in Sweden and internationally. This has clear potential for the industry, but also requires considerable expertise in areas such as systems management and technical dimensioning. The acquisition of the Schulthess Group has boosted our competitiveness in this area, as we can now offer a product range that includes solutions for both heating and cooling most types of property. The acquisition of Akvaterm, a Finnish manufacturer of accumulator tanks, has given us access to larger tanks that fit in well with our product concept for larger properties.

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



The 2012 Eesti Ehitab International Building Fair in Estonia was one of the highlights of the year for our local distributor, Kliimaseade, which also celebrated 15 successful years as a leading name behind the marketing of NIBE heat pumps and water heaters in Estonia.

Market

International markets

We believe there is significant sales potential for our products in the European market and in North America.

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

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 prospects for future sales look promising.

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

Within the heating market as a whole we remain a medium-sized player across much of Europe, as we do not deal in the gas- or oil-fired heating products that are still predominant in many continental countries. We are growing our business all the time, but competition is intensifying, not least from a significant number of non-European companies with their origins

in the air-conditioning industry. Several major multinational groups are also investing in energy-efficiency technology for reasons of economy and environmental responsibility.

After expanding rapidly between 2006 and 2008 the French market for heat pumps nosedived as state grants for heat-pump installations were slashed, oil prices fell and economic growth stalled. Latterly, however, the market has stabilised and, in terms of units sold, France remains one of the largest markets in Europe, even though the numbers are now lower than previously.

In 2009 and 2010 demand for heat pumps also slowed in Germany, chiefly as a consequence of changes to the system of grants and subsidies, and a fall in the number of new, single-family homes under construction. This trend was reversed in 2011, and in 2012 the German market again began to show signs of growth. The market here is still dominated by gas boilers, which represent a cheaper solution in terms of investment costs. While gas may not be classed as a renewable source of energy, it is nevertheless much cleaner than either coal or oil.

In the UK changes to subsidies, together with the very low levels of new construction that constitute the main sales channel for our heat pumps in the country, led to a temporary downturn in the market in 2012. We believe that in the long term the British market has the potential to be one of the largest in Europe in our product segment, but the need

for product modifications, product training and improved knowledge of the underlying technology is great.

In many of the other foreign markets where we are active, sales levels remain stable and there is increased interest in heat pumps as a heating solution. While recent contractions in levels of construction activity have temporarily slowed growth more or less throughout Europe, our partial acquisition of the US heat-pump specialist Enertech has enabled us to establish a bridgehead in the American market.

The water-heater market, which on the whole is relatively immune to the business cycle, remains stable, but the market for district-heating products, which mostly comprises Denmark, the Netherlands, the UK, Sweden and Germany, is still relatively sluggish.

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

In Europe the volume market for washing machines and tumble dryers is subject to fierce competition among large numbers of manufacturers and brands. Developments in the consumer market for premium products and in the market for commercial products – the two segments in which Schulthess is most active – are, on the other hand, more favourable.



Germany's KKT supplies industrial cooling plant, like the equipment seen here for cooling variable-speed electric motors at a mining facility at Los Bronces in Chile.

Domestic market

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

In recent years there has been an upsurge of interest among homeowners in investing in domestic renovation projects. This trend has been underpinned by the popularity of the tax allowance for invoiced work carried out on renovation, maintenance and improvement (RMI) projects, which currently account for the lion's share of sales. Consumers' eagerness to reduce their heating bills while improving indoor comfort provides the perfect scenario for a heat-pump installation. However, economic uncertainty in Sweden and beyond, compounded by the effects of the banks' tough restrictions on loans, meant that the heat-pump market plummeted in 2012, particularly in the second half of the year.

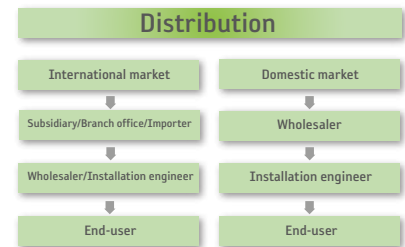
Construction of new private homes fell sharply in 2012 from an already low level to a figure of around a mere 4,000. By any standard this is a historically low number, the like of which has not been seen in Sweden since the early 1990s. It is widely expected that new builds will remain at this low level throughout 2013.

The vast majority of new, single-family homes are fitted with heating systems based on exhaust-air heat pumps that recover energy from spent air evacuated from the building. Our

exhaust-air heat pumps incorporate unique product solutions that meet the strict new requirements of the Swedish National Board of Housing, Building and Planning.

The alternative for new builds is district heating. However, as district-heating plants are rare outside urban areas, this form of heating tends to be restricted to properties within town and city boundaries.

Alongside the market for single-family homes, demand for heat pumps from the owners of multi-occupancy dwellings and other large premises is developing steadily. This is a segment that has huge potential for us both in Sweden and abroad. For this reason we are adapting our product range and our organisation to tap into this important market.

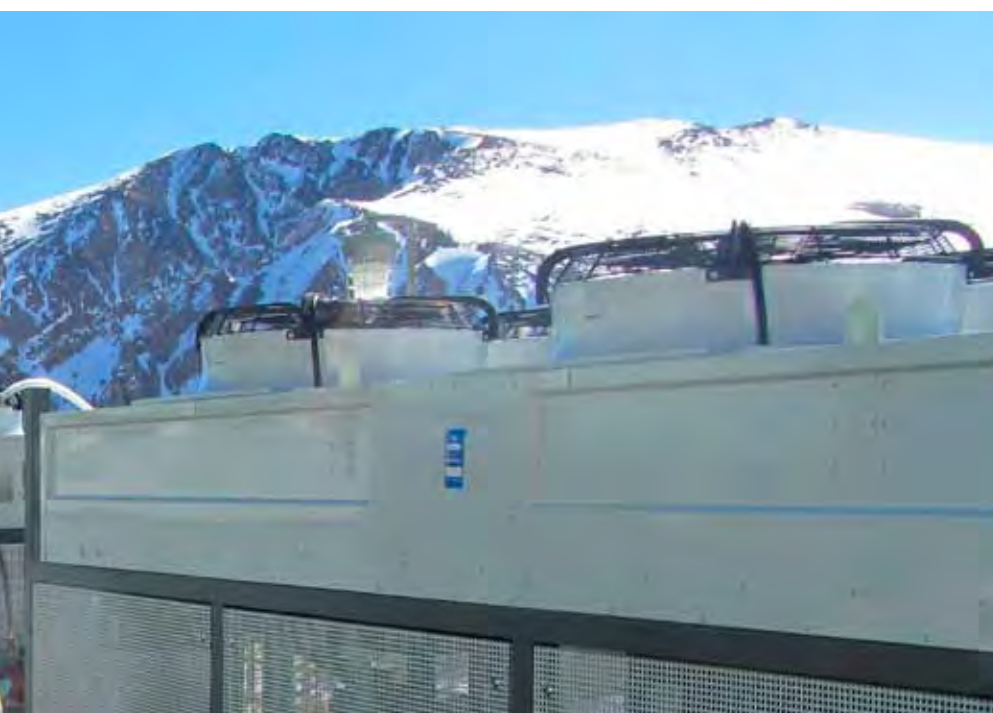


OPPORTUNITIES

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

THREATS

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





NIBE Uplink is an effective new tool that gives users full control over the heat pump in their property, quickly and simply, no matter where they are.

Products

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

During the year various new products were launched in most of our product areas. This has set the pattern for 2013, reinforcing market perceptions of NIBE Energy Systems as a leading European name in its field.

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

The acquisition of Schulthess has broadened the business area's product range and led to better market coverage, two factors that contribute towards making us a more all-round European supplier.

Work has begun in our R&D units to integrate cutting-edge European heat-pump technology with North America's traditional use of ducts to distribute both heating and cooling.

Production

NIBE Energy Systems' products are manufactured in thirteen plants in various European countries and in the part-owned US company, Eneritech.

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

Major investments are regularly made in the plants in Markaryd (Sweden) and Kasendorf (Germany), which are the business area's two largest, and extensive strategic investments have also been made at plants in Norway, Denmark and Finland.

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

Manufacturing methods in the NIBE Group are evaluated continually in order to optimise production processes and reduce environmental impact. The strategy of building up a number of specialised manufacturing units, each highly skilled in its own field, has already had positive effects in terms of production control, productivity and, not least, quality.



The latest in an ongoing programme of investments in cost-effective production at the Czech subsidiary DZ Drazice, whose main office and storage premises are shown above, is a rational new facility for manufacturing large hot-water accumulator tanks.

Development process

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

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

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

Market requirements vary and the ambition is to meet different wishes with a basic concept that nevertheless offers the potential for market adaptations. Our two specialist R&D centres for heat pumps in Sweden and Germany respectively are widely regarded as world-class.

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

We have strengthened our global position as a supplier of components and solutions for measuring, controlling and heating

NIBE Element is one of the leading international manufacturers of components and solutions for measuring, controlling and electric heating applications. NIBE Element's mission is to supply both manufacturers and users of components and systems within these three areas with solutions that improve the customer's competitive position. The market consists of two main groups: OEM (Original Equipment Manufacturing), where our product is used as a component in the customer's own product, and Industry, where the element is used primarily in the customer's own manufacturing process.

Net sales 2012	SEK 2,336.8 million
Growth	+ 10.0 %
Operating profit	SEK 151.3 million
Operating margin	6.5 %
Average number of employees	4,231



One of our recently developed products in the resistors segment that can be used, for example, to stabilise power generation in modern wind turbines.

NIBE Element's product range comprises mainly components and solutions for measuring, controlling and electric heating applications.

The range is gradually being expanded to encompass complete system solutions.

- tubular elements
- aluminium elements
- foil elements
- thick film elements
- PTC elements
- high-power elements
- open spirals
- heating cables
- ceramic elements
- vacuum brazing
- steering and control

Strategy

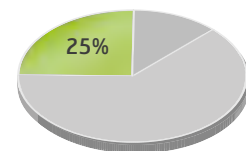
NIBE Element's goal is to rank among the world's leading manufacturers. To do this, it will make appropriate acquisitions to increase the number of domestic markets in which it operates. In these domestic markets it will maintain a local presence and sell a complete range: here, the product programme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

Objective

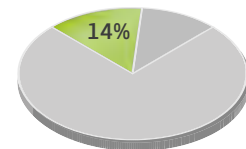
NIBE Element's objective is growth of at least 20% per annum, half of it organic, and an operating profit of at least 10% of sales over a complete business cycle.

Contribution to Group

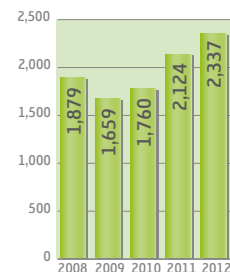
Net sales



Operating profit



Net sales (SEK m)



Net sales rose by 10.0% in 2012

The year in brief

During 2012, thanks to a number of new strategic acquisitions, we continued to move ever closer towards our goal of becoming a global supplier with an all-round range.

The takeover of element manufacturing operations in Springfield Wire Inc. in the USA towards the end of the year strengthened our position as one of the absolute front runners among North American heating element manufacturers. The work of integration has already begun by coordinating production in Springfield Wire's US and Mexican plants with NIBE's existing operations in North America.

In June agreement was reached on the acquisition of the Danish Eltwin Group, which develops, manufactures and sells industrial electronics, thus fulfilling our ambition to complement our product range with energy measuring and control technologies. R&D collaboration with Eltwin has already commenced and is making very good progress. During the autumn Eltwin has invested in building up its manufacturing unit for volume products in Poland and, under the terms of the agreement, will not be consolidated into the NIBE Group until 2013.

In the first quarter of 2012 NIBE acquired the Swedish Structurgruppen AB, a well-established supplier of industrial electric applications to customers in the Nordic region.

Sales on the international element market fluctuated wildly during the year. After a slow start, demand rose sharply in the second quarter only to fall back again in the final six months of the year. The downturn was greatest in Northern and Southern Europe, with demand in Central Europe remaining somewhat more stable. In North America, however, sales remained much brisker.

The main reason for the drop in demand is the widespread downturn in industrial production. However, this was compounded by weaker than anticipated second-half sales of a number of products in the indoor comfort segment after what had appeared to be a recovery around the middle of the year. We believe that these declining sales are linked to the poor performance of the construction sector and the increased pressure that some of our customers are experiencing from low-price competition. In contrast, project-related operations, mostly for the oil and gas industries, developed positively over the year.

Sales of resistors, a product area that serves many customers who are active in the energy-saving and renewable energy segments, also slowed and fell as the year progressed, mostly as a result of downward trends for the wind power industry.

Production capacity has been adapted to these lower levels of demand and measures have been taken to reduce fixed costs. Nevertheless, we remain steadfast in our resolve to pursue an aggressive marketing and product development strategy. We have therefore continued our commitment to R&D work and launched new products with an enhanced system content, gradually increasing the proportion of products that, in addition to the heating elements themselves, incorporate functions for measuring and control.

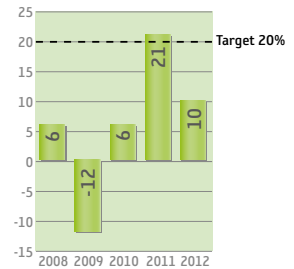
Work also continued to integrate the companies acquired in 2011. This involved, for example, turning the various North American plants into specialist units and merging operations in China. While these measures delivered the positive results we had expected, earnings for the year were undermined by the steep fall in volumes during the autumn.

In view of the current turmoil around raw material prices and exchange rates and the effect this has on pricing and competitiveness, it is an advantage for us to have production units in different currency zones. Even so, the rise in value of the Swedish krona has had a negative effect on both sales and earnings.



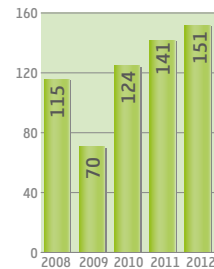
During the autumn a new line of modular resistors was launched. These have been specially developed to meet demands from customers in the offshore industry and are designed to save space, offer users even higher quality and be more readily available with shorter than usual delivery times for traditional resistors.

Objective fulfilment
Growth (%)



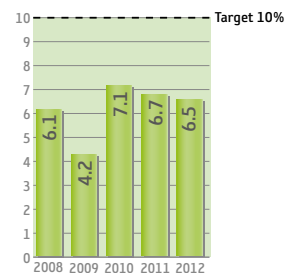
Growth over the past five years averages 5.6%

Operating profit
(SEK m)



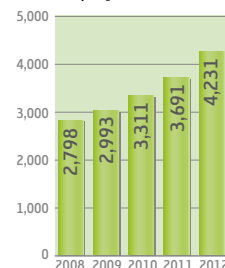
Operating profit rose by 7.1% in 2012

Objective fulfilment
Operating margin (%)



Operating margin over the past five years averages 6.2%

Average number of employees



Outlook for 2013

We expect that overall demand will be slightly more stable than over the past twelve months. While it is reasonable to assume that there will be a dip in sales in Europe, demand is expected to grow in the North American and Asian markets.

The acquisition of Springfield Wire moved us one step closer to becoming a global player and reduced our dependence on developments in Europe. It also means that we have a more complete range to offer the international market.

High-volume sales to the consumer-oriented sector tend to reflect the general state of the economy, and we anticipate that this will remain subdued in 2013. For investment-related segments the outlook is more varied, although

there is everything to suggest that segments linked to the oil and gas industries will continue to perform well over the year.

The coming year will see the completion of work begun in 2012 to integrate the operations of Springfield Wire with those in the rest of the business area. Coordinating Springfield's Mexican and US units with our existing operations in North America will create a rational, competitive business that will benefit from significant rationalisation synergies.

Product development and marketing activities will continue to focus on products with increased system content for both commercial and investment-related sectors. The acquisition of Eltwin has also given us specialist competence in industrial electronics and com-

ponents for measuring and controlling applications, and this will be of great benefit in our work to develop complete system solutions.

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



The acquisition of Eltwin, which develops and produces steering and control systems for electric motors, is fully in line with NIBE Element's strategic development plan to become an all-round supplier of steering, control and heating solutions.

Industry trends

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

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

The market for resistors has also continued

to expand to meet demand for products designed to improve energy efficiency and to utilise alternative sources of energy, such as wind power. Here, too, however, cutbacks in national budgets in a number of markets in 2012 resulted in a lower than anticipated rate of growth.

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

ers as possible.

Several competitors have followed our lead in establishing production units in low-cost countries in Eastern Europe, Mexico and China, but recent years have also seen increased competition in Western Europe, particularly from Asian manufacturers, who are systematically expanding exports of their own products. We believe that our strategy of offering locally manufactured products to industry and the commercial segment, while our units in low-cost countries manufacture mostly for the volume market, is well suited to current trends and further reinforces our position and our future potential.

Market

The market for components and systems for electric heating tends to keep pace with national industrial development and growth in GDP. As a result, there have been some considerable differences in the situation in our various markets in 2012.

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

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

In some of our major markets, such as Germany and France, we have chosen not to set up our own manufacturing operations, but to establish a presence in the form of a sales and technical support office instead, as this makes better financial sense. We also have a sales and technical support office in Beijing that almost exclusively serves the Chinese engineering and energy industries, including the nation's expansive wind power sector.

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

It seems likely that changes in exchange

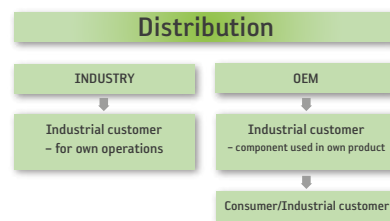
rates and cost levels over recent years will have an impact on the allocation of certain customers' production in different regions of the world. There is already a clear global trend towards transferring production from China to Mexico. Payroll costs are now roughly the same in the two countries and,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

Recent developments mean that products for electric domestic heating, which have traditionally been manufactured in Western Europe, are now increasingly being made in low-cost countries in Eastern Europe and Asia. We believe that our units in Poland, the Czech Republic, Mexico and China leave us well placed to meet these trends. However, this segment is expected to contract as conversions to products using energy from renewable sources gradually gain ground. In some markets changes in building regulations that are designed to discourage the use of solutions based exclusively on electricity are also beginning to impact on certain product segments. It seems highly probable, for example, that in the future conventional electric radiators will no longer be installed in newly built properties.

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

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

Alongside these developments, the need for steering and control functions is increasing in virtually all of our markets.



OPPORTUNITIES

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

THREATS

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



Heat exchangers and compact instantaneous water-heating elements are energy-saving alternatives for the manufacturers of heating equipment for professional applications.

Products

Tubular elements, which were the original technology embraced by the business area, still account for the majority of sales. They are widely used in all sorts of 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 materials used, performance, quality and manufacturing technology, and are continually being adapted to meet new needs in new environments.

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

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

ments, heating cables and diesel heaters that have been added to the NIBE Element range as a result of recent acquisitions.

Thanks to the acquisition of electronics and control technology manufacturer Eltwin, we have also broadened our offer for measuring and steering. This particularly applies to the frequency control of electric motors, where the right solution can lead to significant energy savings.

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

One important product segment is resistors, which are used for power electronics in lifts/elevators, rail equipment, wind power turbines, etc. This is a steadily expanding segment for which there is great potential in the energy sector.

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

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

There is still plenty of appetite for investments in the expansion of rail infrastructure and rail transport worldwide. In May 2012 NIBE Railway Components took part for the first time in a trade fair in Asia, namely the CRTS Rail Transit Technology Forum and Exhibition in Shanghai.





Internal training for staff at the Backer EHP factory in Nuevo Laredo, Mexico.

Production

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

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

Measures to increase efficiency and raise

quality levels are continually being introduced to improve competitiveness. Last year, for example, the Mexican factories were transformed into specialist manufacturing plants to boost competitiveness in both the volume and industrial sectors. Production at the recently acquired Springfield Wires company in North America will in time also be fully integrated into the existing Mexican units.

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



Production of tubular elements at the Backer EHP factory in Nuevo Laredo, Mexico.

Product development

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

Product development focuses on new types of elements or embedded functions, such as control and regulation. R&D work also aims to improve the properties of heating elements as regards temperature ranges, insulation, etc. In 2012, for example, a new series of water-cooled modular resistors was developed.

Product adaptation is usually conducted in close collaboration with customers to arrive at a solution that suits their specific needs, or, if required, to assume responsibility for the entire system, as with the introduction in 2012 of complete new system solutions for heating wind-screen wiper blades.

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 2012 we launched an advanced new vacuum-brazing technique, which has led to improvements in both productivity and quality.

Production engineering development seeks to develop methods and machinery that will rationalise the manufacturing process and reduce environmental impact. For example, over the course of the past year more of the production stages were automated.

We have worked hard to establish a very strong position for ourselves in the European market

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

Net sales 2012	SEK 1,064,4 million
Growth	- 7.7 %
Operating profit	SEK 115.8 million
Operating margin	10.9 %
Average number of employees	680



The Duo 4, manufactured by Nordpeis in Norway to a design by Ingvild Mørk and Karoline Bommen, is a modern wood-burning stove with clean, elegant lines and large expanses of glass to ensure that the cosy glow of the fire is visible throughout the entire room.

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

The range comprises seven product groups:

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

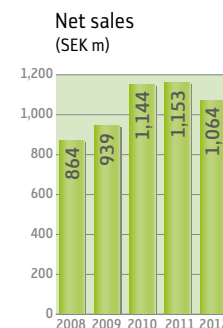
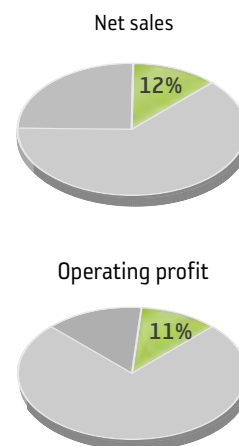
Strategy

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

Objective

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

Contribution to Group



Net sales decreased by 7.7% in 2012

The year in brief

Despite tough market conditions we increased our share of all our major markets in 2012. Much of this success is attributable to our consistent approach to marketing through a strong European network of dealers and agents, but also to our frequent launches of new products.

Widespread financial uncertainty, compounded by historically low levels of construction in Sweden and several of our other most important markets, plus an unusually mild autumn and early winter, had a negative effect on sales of wood-stove products throughout virtually all of Europe.

The decline was most noticeable in Sweden, where consumers are showing great reluctance to invest in capital goods and home renovation projects. Also, since it has become increasingly common to install wood-stoves in new builds, the steep decline in the number of new homes under construction has also affected sales badly. Nevertheless, despite the gravity of this state of affairs, we succeeded in defending our share of the Swedish market in 2012.

The situation is similar in most of our other markets. The exception here is Germany, where sales remained relatively good and volumes were fairly stable throughout the year. While much of the rest of Europe is in financial turmoil, the German economy continues to perform strongly and German consumers' purchasing power is still good.

We adapted production capacity to meet lower levels of incoming orders while also taking advantage of the opportunity to build up and maintain optimum stock levels to ensure we could meet our delivery commitments for new and old models during the busy autumn period.

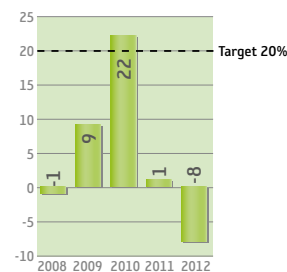
In terms of earnings, despite the adjustments in capacity and an unwavering focus on costs throughout the year, we were still unable to fully compensate for the fall in sales volumes. As a result, our operating margin declined slightly. Even so, we chose not to deviate from our long-term expansion strategy of investing in product development and marketing. That this is, indeed, the right strategy to pursue would seem to be confirmed by the fact that all of the new products we launched during the first six months of the year were received very positively by the market.

We took a new step in our expansion strategy in January 2013 by acquiring a 60% stake in the English wood-stove manufacturer, Stovax Heating Limited, which is the number one name in its field in the UK. In addition to annual sales of some SEK 380 million, an operating margin of 15% and a position as the UK market leader, Stovax also brings to the NIBE Group new technology in the form of a large range of gas-fired products. The remaining 40% of shares in the company will be acquired in 2016.



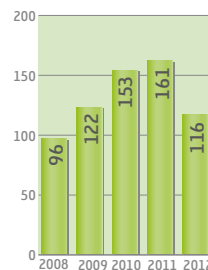
The Contura i5, launched in 2012, is a brand new, eco-labelled wood-burning insert for open fireplaces that already seems destined to become a modern classic. The discreet, contemporary styling that is the hallmark of Contura design looks at home in any setting.

Objective fulfilment
Growth (%)



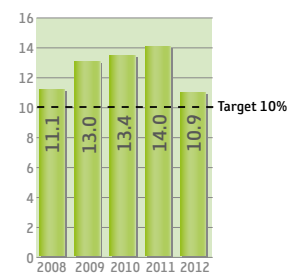
Growth over the past five years averages 4.0%

Operating profit
(SEK m)



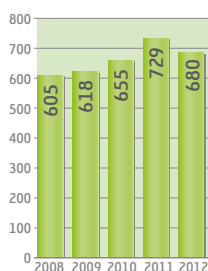
Operating profit fell by 28.2% in 2012

Objective fulfilment
Operating margin (%)



Operating margin over the past five years averages 12.6%

Average number of employees



Outlook for 2013

A significant degree of uncertainty about this year's sales is inevitable. There are some indications that the economy as a whole will continue to contract, and with that comes the clear risk that so, too, will sales. However, in principle, there is still a great deal of interest in wood-stoves and, thanks to our position as a market leader in Europe, the prospects look good for us to maintain a good level of profitability and continue to expand despite the difficult circumstances in which the industry now finds itself.

We have a strong, attractive range of wood-stove products and chimney systems, sold under various brand names that are suited to meet the needs of a number of major markets, particularly in Northern and Central Europe. We are also working hard to extend our range

to include products that will appeal to new markets.

We continue to develop and launch new products with ever greater regularity and this, too, strengthens our standing as the European market leader in wood-stove technology.

Our marketing model, building on the idea that each individual brand is sold by its own independent sales organisation, has proved successful in penetrating what is a relatively fragmented European market. Sales are made direct to selected dealers and, after many years of systematic marketing, we can today congratulate ourselves on having a very strong – and continually expanding – dealer network in Europe.

Our highly efficient production facilities play a pivotal role in our long-term strategy of

offering high-quality products at competitive prices. Manufacturing has only minimal environmental impact and is designed to be sustainable in the long term – two factors that will be increasingly important competitive advantages in the future.

The recent acquisition of Stovax Heating in the UK complements our activities in terms of both products and market penetration and consolidates our position as the undisputed market leader in our field in Europe. Operations relating to the two brands, Stovax and Gazco, will continue to be run by the existing management teams, who have already demonstrated their ability by building up such strong and profitable companies. With Stovax Heating in particular, the prospects look good for us to expand into new markets and attractive new product areas.



The new Contura 790 is a tall, handsome wood-burning stove in polished tiles or a more rustic soapstone finish. When fitted with optional heat-retaining stones, this stove will retain and slowly release heat for up to 12 hours after the fire has gone out.

Market

Sweden

The market for wood-burning stoves tends to follow the business cycle, with sales of capital items rising during times of prosperity. Consequently the economic turbulence of recent years has had a significant effect on demand in this market segment.

Energy prices and government energy policies also impact on sales, as does the weather, particularly during the autumn and winter. Most sales are made to homeowners and families with weekend cottages. While the proportion of sales related to new builds is steadily rising as more and more house-buyers opt for a wood-burning stove as a supplementary source of heat, the sharp fall in recent years in the construction of new homes has obviously had a negative impact on sales volumes.

The Swedish market is dominated by lightweight wood-burning stoves in sheet metal with a discreet design that looks at home in most settings. Thanks to its comprehensive product range and well-established brands, NIBE Stoves is the undisputed market leader in Sweden. Our aim is to defend and strengthen this position through aggressive marketing and a steady stream of attractive new products.

International markets

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

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

In Denmark lightweight sheet-metal stoves with sleek, contemporary styling and a low price-tag account for the vast majority of sales. Sheet-metal stoves also sell well in the German market, mostly free-standing models and often with a soapstone surround. Here too, however, various types of wood-burning inserts, frequently sold together with surrounds made of concrete or heat-retaining materials, account for a substantial share of the market. Further south – in France and Italy, for example – larger-bodied stoves with a stone or concrete surround predominate. Similar designs are also common in Eastern Europe and Russia. Pellet-fired stoves, which currently account for only a small portion of the total European market for solid-fuel stoves, are a very large and strategically important product segment in Italy.

These marked differences in taste from country to country are almost invariably the result of a specific style having been established in a particular market by one or more domestic manufacturers. In recent years, however, more and more markets have begun to show greater willingness to accept products with a more international appeal, including those from foreign manufacturers.

OPPORTUNITIES

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

THREATS

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

Industry trends

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

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

that are more discreet in design. Finland has several fairly large companies, mostly specialising in heavy, warm-body stoves, while Denmark has numerous small or medium-sized manufacturers of steel-plate stoves, many of them with a long tradition of supplying the German market. Central Europe is home to a relatively large concentration of large and small manufacturers, some more profitable than others, 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.

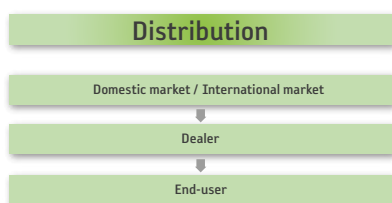
A number of the more successful models are plagiarised, produced in low-cost countries and sold at low prices, usually by Europe's big DIY multiples.

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



Lotus Living is a brand new and hugely exciting concept that was launched in 2012. Customers can choose from numerous options, and products come in several shapes, sizes and materials. Lotus Living has been designed by the Danish architect, Kaare Sølvsten.

Products



Our brands and trademarks, which convey certain messages about product quality to our customers, will become increasingly important. Today NIBE Stoves owns several well-known and highly respected brands and has a clear strategy for strengthening, integrating and developing these in the future. Each brand is independent and is responsible for its own product development and sales organisation in its chosen markets.

We develop and sell products under the Contura, Premodul, Nordpeis, Varde Ovne, Lotus Heating Systems and TermaTech brands, as well as under the newly acquired Stovax and Gazco brands. As these brands are so strong, particularly in their domestic markets, all of them have been protected as trademarks.

If customers do not already have a chimney in their home, NIBE offers complete modular chimney systems specially designed for use with the stoves we sell. Our own chimney systems in stainless steel are simple to install and offer extremely good value for money. TermaTech complements the product range with accessories for all types of wood-stove products.

One clear trend in Europe is that products are becoming increasingly similar in terms of function and design. We believe that the current trend for lightweight fire-boxes with clean lines and large expanses of glass will gain ground in virtually all of our sales markets – as evidenced in recent years by the sales successes of our new stoves designed to this formula.

Production

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

Production in the new plant builds on the concept we have successfully used for many years, but now with brand new, state-of-the-art production equipment and a significantly higher degree of automation. This means greater productivity and even higher quality in the end-product.

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

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

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



A new, in-store marketing concept launched in 2012 will strengthen and attract attention to the Contura brand.

Development process

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

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

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

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

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

Sustainability is integral to our corporate strategy

Taking responsibility for people and the environment is an integral part of NIBE's corporate strategy. Our overarching goal is to create profitable growth and value added for our stakeholders. To ensure the long-term sustainability of this objective, we never compromise on issues relating to the environment, product quality, working conditions and our corporate social responsibility. Sustainability is firmly rooted in the NIBE Group's long and proud tradition of responsible entrepreneurship.

NIBE's strategy for sustainable development includes the following key areas:

Our Values

"Our Values" is a document that lays down guidelines and defines a code of conduct for responsible entrepreneurship. Available in 14 languages, "Our Values" forms a framework for all our business operations and applies equally to all NIBE employees, wherever they are in the world. Everyone employed by the NIBE Group received their own copy in 2012. Issues relating to the natural and working environments, quality and communication are also covered by our corporate policies.

Certified management systems

Quality management and environmental management work are carried out within the framework of the certified international systems

ISO 9001 and ISO 14001 for quality and environmental management respectively (where compliance in both cases is compulsory for all manufacturing units), and, when so required by customers, in accordance with the occupational health and safety standard, OHSAS 18001.

Legal compliance

NIBE complies with all current legal requirements relating to the natural and working environments, product safety and market communication.

Risks

There are both opportunities and risks associated with issues relating to sustainable development. To minimise risks we adopt a proactive approach, systematically analysing the risks inherent in areas such as the natural environment, the working environment and quality, taking the necessary technical measures, and training those concerned where necessary.

Sustainability reporting

For 2012 our sustainability performance is reported in accordance with the guidelines laid down by the Global Reporting Initiative (GRI), application level B. The results are published on the Group's website.

Stakeholder dialogue

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



NIBE has chosen "green electricity"

No less than 80% of the electricity NIBE uses is "green electricity" and almost half of the Group's energy needs are met from renewable sources. Using these forms of energy helps to radically reduce carbon dioxide emissions.

The electricity that NIBE buys in Europe comes with a guarantee of how and where it has been produced. These "Guarantees of Origin" are the result of an EU Directive promoting the use of energy from renewable sources (2009/28/EC).

The guarantees given require energy companies to declare their energy mix by detailing the sources they have used to produce the electricity supplied. Each NIBE unit that buys "green electricity" receives written confirmation of its origin.

Quality gives us a crucial competitive advantage

The quality of our products and services is a key factor in our competitiveness and a strong reason for choosing NIBE. Our quality policy applies to every aspect of our activities and is a guiding principle in our systematic approach to continuous improvement. We endeavour at all times to meet and, where possible, exceed our customers' needs and expectations.

As part of our work to create value added for customers, develop our leadership culture and pave the way for a process of continuous improvement, we have focused over the past year on making sure that all employees are familiar with and comply with the Group's policies and code of conduct as described in "Our Values".

Feedback from the various customer surveys we conducted in 2012 was overwhelmingly positive about our products and quality levels. However, the replies we received also enabled us to identify potential improvements in areas such as customer relations.

Continuous improvements

Our quality targets are developing very positively and we can see continuous improvements in all areas of the company. We are firmly focused on customer satisfaction and on improving our internal processes for development, production and marketing, and we will continue to develop quality assurance methods that support us in our drive to achieve zero errors in our production processes.

Product liability

Our products are delivered with the relevant information about product functionality, servicing and safety, and also in some cases with a declaration of contents and details relating to disposal at the end of the product's useful life. Where appropriate, we offer training for installation engineers to ensure maximum safety when installing and using our products. No breaches of product information regulations were reported by NIBE units in 2012.

All products supplied to end-users are evaluated with regard to their potential impact on personal health and safety throughout their entire life-cycle, from product development to manufacturing and type-approval processes, operational use and, ultimately, recycling. While this work significantly reduces safety issues linked to our products, we have had reason to address a number of such issues during the year, which has resulted in several new safety prevention measures.

NIBE has a clearly defined policy for com-

municating with various stakeholders that reflects the relevant applicable laws, standards and the Group's code of conduct. We only sell products that are type-approved for their respective market. There were no reports in 2012 of incidents where NIBE companies failed to comply with good practice or contravened any rules in this area.

Our objective – zero errors

Product development

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

Suppliers

We work closely with our suppliers to make sure that components meet our stringent quality criteria. We also issue guidelines to suppliers defining their responsibilities with regard to quality, environmental impact and social responsibility, and we assess their performance in these areas.

Production

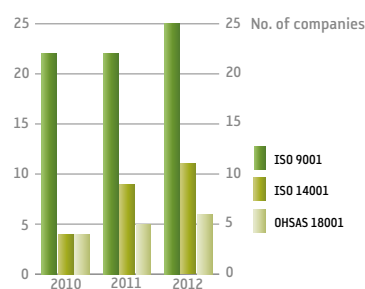
We build on our underlying principles for manufacturing and production to achieve our objectives in terms of profitability, customer satisfaction and competitiveness.

Getting things right from the start

We achieve our high-quality ambitions by implementing an approach designed to eliminate the risk of errors and defects. This includes conducting inspections at various stages in the production process and providing a variety of support systems for production personnel. The aim is to prevent any sub-standard products from progressing to the next stage of production. We are firmly committed to learning from any mistakes made and to using this experience to improve in other areas as well.

Quality assurance

The aim is for all units to be ISO 9001-certified and possess other relevant and market-specific certification. Most of the Group's manufacturing plants are already ISO 9001-certified. Quality assurance and product liability procedures are regularly assessed by external auditors.



Supplier assessments

The quality performance of almost 1,000 suppliers was assessed in 2012. Assessment included areas such as environmental impact, working environment and corporate social responsibility. The larger companies in the NIBE Group lead the way in placing the relevant demands on suppliers and following up performance.



Numerous environmental activities

NIBE has production plants in around 15 countries worldwide. In these factories we process metals and other materials, and weld, enamel, paint and assemble a large number of different products. All of these activities impact on the environment in one way or another.

Among the most important environmental issues for NIBE are the use of natural resources, the hazards associated with chemicals, emissions to air and the management of factory waste. Our indirect environmental impact is measured in terms of our suppliers' activities and the transportation of raw materials and finished products. We see the actual use of our products as highly positive in an environmental context, as expressed in our vision of "world-class solutions in sustainable energy".

Risk assessments

We carry out risk assessments in various environmentally related areas. These cover, for example, the effects of new environmental legislation, changes in customer demands, climate change, soil pollution and the presence of hazardous substances. In 2012 no changes in environmental legislation took place and no new risks were identified relating to our operations. During the year there were no major emissions or accidents at our plants that had a negative effect on the environment. A small number of plants occasionally exceeded the limits imposed on noise, particulate emissions and wastewater emissions. In all cases measures have already been taken or plans have been made to rectify the situation.

Environmental certification

Key to our environmental ambitions is obtaining ISO 14001 certification for our production

plants. Almost half of these units are already certified and a further 15 plan to introduce ISO 14001 certification over the next couple of years. Approximately 50 environmental audits were performed during the year by internal and external auditors.

Environment and economy

In 2012 we invested approximately SEK 20 million (2011: SEK 22 million) in measures to improve our environmental performance and the working environment in our factories and offices. Almost two thirds of this total went into improvements to the working environment, but this still left a significant amount to finance energy-efficiency improvements and the installation of equipment to reduce particulate emissions into the atmosphere.

The environmental and work environment costs totalled approximately SEK 14 million (SEK 16 million), of which around SEK 6.0 million (SEK 5.4 million) comprised waste management fees. Administration costs for environmental and work environment measures were approximately SEK 4.7 million (SEK 4.9 million). The Group's total energy costs amounted to approximately SEK 87 million (SEK 79 million), while the cost for water and sewerage was SEK 4.0 million (SEK 3.2 million). Our environmental work generated savings of approximately SEK 2.5 million (SEK 1.7 million), thanks to improvements in energy efficiency, waste management and the more efficient use of materials.

Our products contribute to a better environment

Ground-source/geothermal heat pumps and exhaust-air heat pumps from NIBE Energy Systems help to reduce dependence on carbon-based fossil energy sources while improving energy efficiency and heating economy in many different types of property.

NIBE Stoves markets a number of wood-burning stoves that proudly bear the Nordic Swan Ecolabel. This guarantees that the environmental performance of these products is even better than required by general regulations, and that the products themselves are manufactured in an environmentally responsible way. Ecolabelling also requires incremental improvements to a product's environmental credentials over the years. We meet these requirements by continually improving the energy efficiency of our stoves and reducing their emissions to air.

NIBE Element's resistors are used in many applications related to renewable energy and improving energy efficiency. A new type of resistor is a key component in the latest generation of wind turbines. Other resistors are used in frequency converters that control the speed of electric motors and thus enhance their energy efficiency.

You can read more about NIBE's products elsewhere in this annual report and on the NIBE Group website.



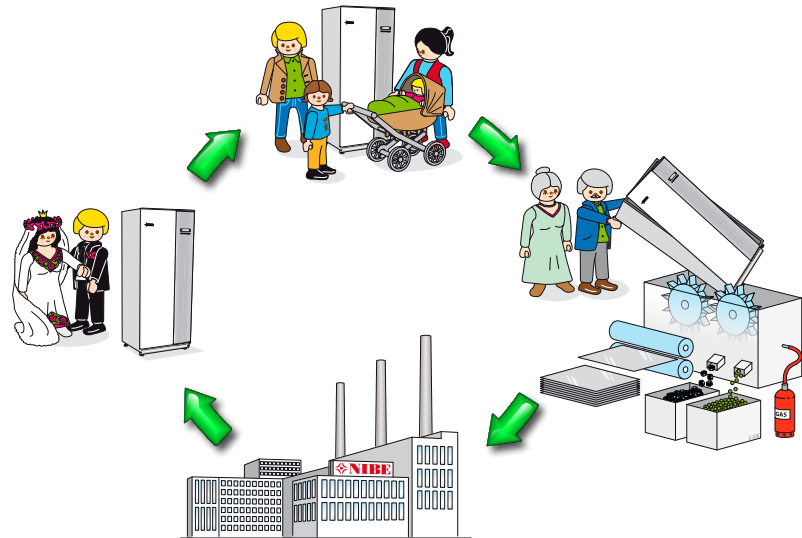
In 2012 a brand new heat-pump array was installed at the Heat-pump Plant in Markaryd. The array produces 180 kW of heat from energy taken partly from five 160-metre deep boreholes and partly from the outside air with the aid of six NIBE AMB air collectors of around 20 kW each. Energy is also recovered from the air used when function-testing products as part of the manufacturing process.

Life-cycle perspective

Sooner or later a heat pump needs replacing. When that happens, it is important to dispose of the product in an efficient and environmentally responsible way. With the help of Stena Recycling AB we have conducted dismantling tests on a selection of our new products in order to assess their recyclability.

The purpose has been to evaluate the products from a total life-cycle perspective and to work out how best to deal with the different types of materials. Particular interest has focused on just how large a proportion of the products can be recycled. To optimise the recycling potential of a product, it is important to make sure that it can be dismantled in a practical way and that this results in as few residual materials as possible. The test results will be used when establishing the parameters for the design, construction and production of new products.

In the first stage of the test the heat pump is dismantled manually and the cooling medium and oils are dealt with. The product is then



fed through a fragmentation plant and the various fractions obtained are separated using a variety of techniques. Metals and other materials recovered can then be recycled as industrial raw materials.

The test results showed a very high level of recyclability for our heat-pump components.

More than 99% of the materials could be re-used in one form or another. This exercise did, however, indicate the potential for providing easier access to certain components during the dismantling stage, and for reducing the number of composite components in order to facilitate fragmentation.

Environmental performance

We continually follow up NIBE's environmental performance in several areas. Below is an overview of the most significant parameters together with comments on changes made since previous years. Our

Sustainability Report for 2012 is published on the NIBE website www.nibe.com. There you will find full and detailed information about our environmental performance and our work in this field during the year.

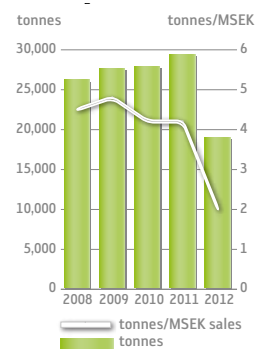
Energy consumption

More production plants mean a greater total use of energy. About 60% of our energy needs were met by electricity and district-heating and the remainder by fossil fuels and biofuels. Many units have implemented measures to reduce energy consumption and dependence on fossil fuels. Work to install heat pumps in our factories and other premises continues.



Emissions to air

Despite increases in the number of plants and production volumes, we have significantly reduced our carbon dioxide emissions, thanks to our purchases of green electricity and the installation of heat pumps in several plants. Emissions of volatile organic compounds (VOC) have fallen slightly.



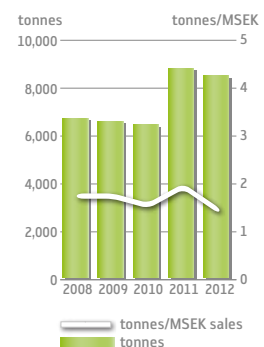
Water

Increased production volumes and changes to production methods have led to an increase in water consumption. To date, around ten plants have produced detailed plans for reducing their water consumption.



Waste

Waste volumes fell slightly in 2012. Recycling levels rose and are now close to 70%. Most of the recycled material consisted of metals.



Co-workers in an international organisation

NIBE is an international company with co-workers in more than 20 countries on three continents, so it is hardly surprising that our 8,000 or so employees are rooted in different cultures that do not always share the same values. For this reason, we place great emphasis on informing employees – existing, new and those who join us as a result of corporate acquisitions – about our corporate values and the factors behind our success.

The average number of full-time equivalents for the year was 8,006 (2011: 6,895): of these 84% (80%) worked in countries other than Sweden. While we remain committed to maintaining strong, competitive production facilities in Sweden and other high-cost countries, we are also investing in plants in regions where costs are generally lower, such as Eastern Europe, China and Mexico. It is here that we manufacture those products that are subject to the stiffest competition, but we also see these regions as attractive growth markets for our products.

Competence and commitment

To develop our business and our products we need co-workers with the right skills, the relevant experience and a real sense of commitment. As it is crucial for us to attract, retain and develop co-workers of the right calibre, our ambition is to make sure we are positively perceived as an employer who offers generous opportunities for personal and professional development. We set our sights high and demand a great deal of our employees. In return, they enjoy freedom with accountability, a work ethos characterised by common sense and a straightforward approach to problem-solving, plus ex-

cellent career opportunities. Factors like these explain our low incidence of sickness absence, low staff turnover, high levels of staff loyalty – and the constant stream of applications from jobseekers.

Sickness absence

In 2012 sickness absence in the Group averaged 4.9 percent (5.0 percent). The figures for both short-term and long-term absence are relatively low at between 2 and 3 percent. While staff turnover has risen slightly over the past three years, it still remains comparatively low.

Working environment

Work environment hazards in our production plants tend to be related to exposure to noise, dust, chemicals, heavy lifting, repetitive strain and industrial injuries. We do our utmost to provide a good working environment by maintaining high technical standards, providing personal safety and protective equipment, conducting risk assessments, taking measurements, providing training, and phasing out chemicals that are hazardous to health and the environment. There are formal Safety Committees at 80 percent of our production facilities.

During the past year almost half of our units were inspected by the relevant authorities. The inspection results were generally excellent, but the need for certain corrective measures was pointed out in a handful of facilities. Our own workplace surveys and risk analyses were carried out at more than 25 units during the year to identify hazards such as exposure to dust, noise and solvents.

Six of the Group's companies have introduced the occupational health and safety standard, OHSAS 18001.

Accidents at work

In 2012 a total of 179 (143) accidents at work resulting in more than one day's absence were reported. The most common causes of injury were accidents on the way to or from work, those involving production equipment, and injuries as a result of falling, heavy lifting and repetitive strain. One accident involving a contractor was reported during the year. Approximately 20 cases of work-related illness were registered in 2012.

Training and education

We train co-workers in a variety of technical skills, production techniques and quality-con-



NIBE shows its appreciation for loyal co-workers even after they have retired. Each year the company invites former employees to a Christmas party in Markaryd with good food, entertainment plus plenty of laughter and happy memories on the menu. Senior executives of NIBE AB are also always in attendance.



NIBE is becoming an increasingly global company, particularly after having made some major strategic inter-national acquisitions in recent years. Today NIBE has co-workers in many parts of the world. Here Schulthess laboratory technicians in Switzerland are testing new components.

control procedures. Training sessions are often led by our own instructors with their unique mix of experience and company-specific expertise – a cost-effective way to spread knowledge and equip co-workers with the skills and attitudes we need to meet the future. In 2012 this amounted to almost 75,000 hours of training, which corresponds to approximately nine hours per employee. Training in environmental, work environment and safety issues took place at most of the Group's production facilities and averaged just over two hours per employee.

Salary levels/collective agreements

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

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

Human rights

We encourage diversity and disassociate our-

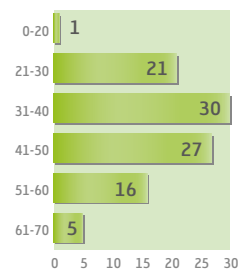
selves from all forms of discrimination, as clearly stated in "Our Values". There were no reported cases of discrimination during the year. Work to inform co-workers about our code of conduct has started on a broad scale and will continue. Responsibility for these matters lies with the management of each individual company.

Social commitment

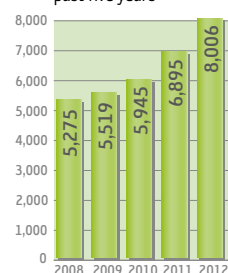
NIBE plays an active part in the communities where we have a presence, through open days, study visits, cooperation with schools and universities, and sponsorship, primarily of activities that encourage young people to become involved in sport and culture. Of particular importance are the projects and collaborations with universities and technical colleges. Staff from our companies also take part in local events and development projects.

Over the past year we have sponsored numerous local sporting and cultural activities and health initiatives. Several thousand people have also taken up invitations to visit our different units.

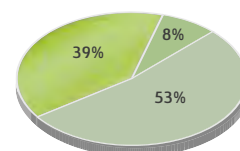
Age structure of the workforce (%)



Average number of employees past five years



Employees – by business area



■ NIBE Element
 ■ NIBE Energy Systems
 ■ NIBE Stoves

Key ratios	2012	2010	2009
Average number of employees	8,006	6,895	5,945
- administrative staff	% 32	31	29
- production staff	% 68	69	71
- men	% 68	67	65
- women	% 32	33	35
Average age	yrs 40	39	39
Average length of employment	yrs 8.1	7.3	7.7
Workforce turnover	% 7.0	5.9	4.6
Number of graduates	801	753	636
Proportion of employees			
- in Sweden	% 16	20	22
- abroad	% 84	80	78
Sickness, short-term	% 2.8	2.6	2.1
Sickness, long-term	% 2.1	2.4	2.7

NIBE shares

NIBE Industrier AB's class B shares were floated on the Stockholm Stock Exchange's OTC list (now the Mid Cap list, NASDAQ OMX Stockholm) on 16 June 1997 following the issue of 1,170,000 new class B shares. The subscription price then was SEK 70 per share. This corresponds to SEK 4.38 per share following the 4:1 splits carried out in June 2003 and June 2006. In 2011 16,119,437 new shares were issued and, parallel with this, the NIBE obtained a secondary listing on the SIX Swiss Exchange. In 2012 a further new issue was made of 214,201 shares.

Share capital

NIBE Industrier AB has a share capital of SEK 68.8 million, divided into 13,060,256 class A shares and 96,879,181 class B shares. The quota value (i.e. share capital divided by shares) is SEK 0.625. Every class A share carries ten votes at the Annual General Meeting and every class B share carries one vote. All shares carry the same entitlement to the company's assets and profits. At the end of 2012 the company had no outstanding convertible loans or options that could risk diluting the share capital.

New share issue

In 2012 a new issue of 214,201 shares was made to be used as part of the settlement for the compulsory redemption of the remaining 1.3% of shares in the Schulthess Group AG.

Secondary listing

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

Share performance and turnover

During 2011 the NIBE share fell in value by 8% from SEK 101.75 to SEK 93.75. The Carnegie Small Companies Index rose by 9% during the same period and the OMX Stockholm All-share Index (OMXS) rose by 12%. This means that, at the end of 2012 the market capitalisation of NIBE, based on the latest price paid, amounted to SEK 10,336 million. In 2012 a total of 26,129,903 NIBE shares were traded, which corresponds to a share turnover of 23.7% over the year.

Dividend policy

The aim is, over the long term, to pay a dividend equivalent to 25–30% of Group profit after tax. The Board is proposing a dividend of SEK 2.00 per share for the 2011 financial year, which equates to 28.8% of Group profit after tax.

Ownership

The number of shareholders has fallen during the year. However, because of Swiss reporting

regulations, it is, in principle, impossible to determine the current total number of shareholders for the Group's secondary listing on the SIX Swiss Exchange. Excluding these Swiss-registered owners, NIBE had 16,884 individual shareholders at the end of 2012, compared with 17,949 twelve months previously. The ten largest shareholders held 59.8% of the votes and 43.7% of the capital.

Shareholder value

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

Changes in share capital

	Increase in share capital (SEK)	Quota value (SEK)	Total number of shares	Total share capital (SEK)
1990 New issue ¹⁾	6,950,000	100.00	70,000	7,000,000
1991 Bonus issue	40,000,000	100.00	470,000	47,000,000
1994 Split 10:1 ²⁾	-	10.00	4,700,000	47,000,000
1997 New issue	11,700,000	10.00	5,870,000	58,700,000
2003 Split 4:1 ³⁾	-	2.50	23,480,000	58,700,000
2006 Split 4:1 ⁴⁾	-	0.625	93,920,000	58,700,000
2011 New issue ⁵⁾	10,074,648	0.625	110,039,437	68,774,648
2012 New issue ⁶⁾	133,876	0.625	110,253,638	68,908,524

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

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

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

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

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

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

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

Carnegie Investment Bank AB Fredrik Villard tel +46 8-58 86 87 47	Pareto Öhman AB Erik Paulsson tel +46 8-402 52 89
Danske Markets Equities Carl Gustafsson tel +46 8-56 88 05 23	SEB Enskilda Sebastian Lang tel +46 8-52 22 95 32
Handelsbanken Capital Market Marcela Kozak tel +46 8-701 51 18	Swedbank AB LC & I Mats Liss tel +46 8-58 59 00 65
Kempen & Co Serena Zuidema tel +31 20 348 8459	

Major shareholders

(Source: Euroclear Sweden share register 28 Dec 2012)

Shareholders	Number of shares	Share of votes (%)
Current and former board members and senior executives ¹⁾	26,720,853	48.47
Melker Schörling	12,015,360	20.13
Alecta Pensionsförsäkring	7,995,000	3.51
SIX SIS AG W8IMY	4,786,271	2.10
Lannebo Småbolag	2,600,000	1.14
JPM Chase NA	1,945,570	0.85
Didner & Gerge Aktiefond	1,680,000	0.74
Handelsbanken Fonder AB	1,513,878	0.66
NTC S/A UK Residents	1,168,759	0.51
Nordea Allemansfond Alfa	1,018,919	0.45
Other holdings (16,854 shareholders)	48,809,028	21.44
Total	110,253,638	100.0

¹⁾ Please refer to page 88 for details of the current Board of Directors.

Shareholder structure

(Source: Euroclear Sweden share register 28 Dec 2012)

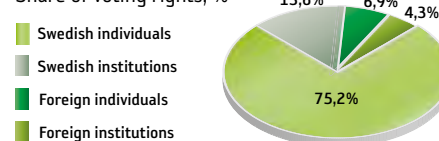
Share-holding	Share - holders	Stake (%)	Number of shares (st)	Prop. of shares (%)
1 - 500	10,965	0.76	1,721,715	1.56
501 - 1,000	2,309	0.85	1,943,744	1.76
1,001 - 5,000	2,754	2.93	6,672,069	6.05
5,001 - 10,000	398	1.29	2,943,073	2.67
10,001 - 20,000	179	1.16	2,632,757	2.39
20,001 -	279	93.01	94,340,280	85.57
Total	16,884	100.0	110,039,437	100.0



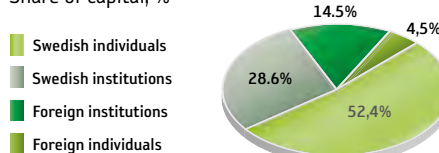
Shareholder categories

(Source: Euroclear Sweden share register 28 Dec 2012)

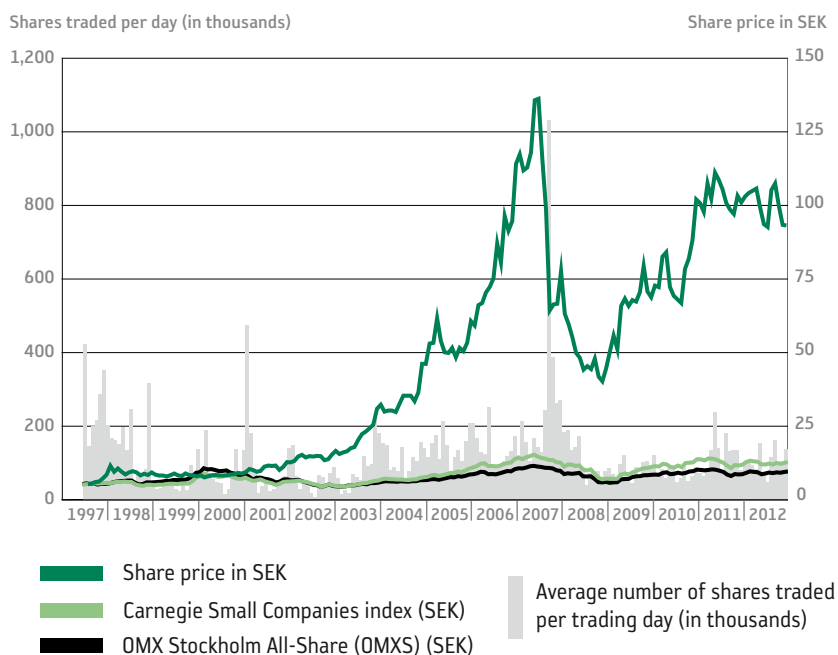
Share of voting rights, %



Share of capital, %



Share performance



Share data

		2012	2011	2010	2009	2008
Number of shares		110,253,638	110,039,437	93,920,000	93,920,000	93,920,000
Year-end share price	SEK	93.75	101.75	102.75	69.00	44.40
EPS (after tax)	SEK	6.95	6.87	5.84	4.36	3.94
Equity per share	SEK	44.68	40.78	26.34	23.24	20.04
Proposed dividend	SEK	2.00	2.00	1.75	1.30	1.15
Price/equity		2.10	2.50	3.90	2.97	2.22
Dividend yield	%	2.13	1.97	1.70	1.88	2.59
Total yield	%	- 5.90	0.97	51.45	58.33	- 41.60
Operating cash flow/share	SEK	6.97	7.82	6.61	8.00	4.50
Payout ratio	%	28.8	31.9	30.0	29.9	29.2
PE ratio (after tax)		13.5	14.8	17.6	15.8	11.3
Market capitalisation	SEK m	10,336	11,197	9,650	6,480	4,170
EBIT multiple	times	13.3	15.2	13.0	12.1	9.6
EV/sales	times	1.51	1.85	1.59	1.33	1.03
Share turnover	%	23.7	30.7	20.1	21.3	29.1

Definitions

EPS (after full tax)

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

Equity per share

Equity divided by total number of shares in issue.

Share price/equity.

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

Dividend yield

Dividend as percentage of year-end share price.

Total yield

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

Operating cash flow per share

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

Payout ratio

Dividend as a percentage of earnings per share.

PE ratio (after full tax)

Year-end share price divided by earnings per share.

Market capitalisation

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

EBIT multiple

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

EV/sales

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

Share turnover

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



Administration Report

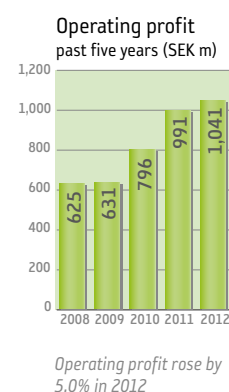
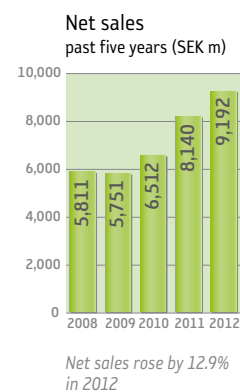
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Income statements – Five-year review

Income statements

(in millions of SEK)	2012	2011	2010	2009	2008
Net sales	9,192.3	8,139.8	6,511.5	5,751.2	5,810.5
Cost of goods sold	- 6,032.1	- 5,341.7	- 4,274.0	- 3,928.6	- 4,108.7
Gross profit	3,160.2	2,798.1	2,237.5	1,822.6	1,701.8
Selling expenses	- 1,709.4	- 1,429.3	- 1,159.1	- 992.2	- 917.7
Administrative expenses	- 540.3	- 527.1	- 409.6	- 371.5	- 347.1
Other operating income	130.8	149.6	127.3	172.4	188.3
Operating profit	1,041.3	991.3	796.1	631.3	625.3
Net financial items	- 33.7	- 50.1	- 51.0	- 70.4	- 108.6
Profit after net financial items	1,007.6	941.2	745.1	560.9	516.7
Tax	- 241.9	- 249.7	- 192.0	- 148.8	- 140.6
Net profit for the year	765.7	691.5	553.1	412.1	376.1
<i>Non-controlling interest's participation in profit after tax</i>	-	0.4	4.6	3.0	6.3
<i>Includes the following amount for depreciation according to plan</i>	368.4	274.5	215.9	210.2	188.3



Income statement over the past five years

The sales target has been annual growth of 20%, preferably with half of this total generated organically and half by acquired business. Over the past five years sales have risen from SEK 5,402.5 million to SEK 9,192.3 million through a combination of organic growth and an aggressive acquisition strategy that has seen the NIBE Group take over 15 companies and lines of business.

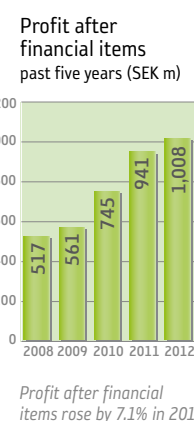
Growth during this five-year period has averaged 11.2%: organic growth has accounted for 0.8% and acquired growth for 10.4%.

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.

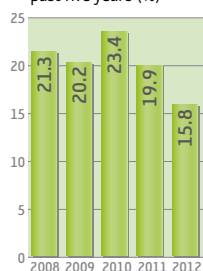
The operating margin for NIBE Energy Systems over the past five years has averaged 14.3%: the corresponding figure for NIBE Element is 6.2%, and 12.6% for NIBE Stoves.

The Group's operating margin over the five-year period has averaged 11.5% and return on equity has averaged 19.3%.

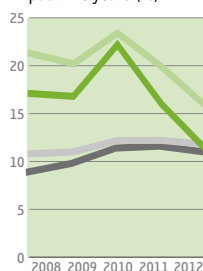


Balance sheets – Five-year review

Return on equity past five years (%)

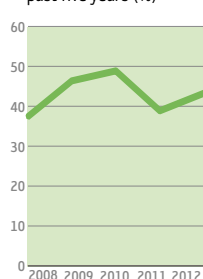


Returns and margins past five years (%)



■ Equity
■ Capital employed
■ Operating margin
■ Profit margin

Equity/assets ratio past five years (%)



Balance sheets

(in millions of SEK)	2012	2011	2010	2009	2008
Intangible assets	5,598.2	5,642.4	1,188.5	1,018.4	944.7
Tangible assets	1,880.8	1,897.6	1,275.7	1,398.8	1,500.5
Financial assets	133.8	135.5	59.0	57.0	63.3
Total non-current assets	7,612.8	7,675.5	2,523.2	2,474.2	2,508.5
Inventories	1,685.0	1,679.6	1,118.1	1,038.0	1,227.5
Current receivables	1,338.8	1,377.7	1,097.8	932.2	1,059.1
Investments in securities, etc.	-	-	-	-	2.3
Cash and equivalents	934.3	1,007.1	409.5	349.1	349.3
Total current assets	3,958.1	4,064.4	2,625.4	2,319.3	2,638.2
Total assets	11,570.9	11,739.9	5,148.6	4,793.5	5,146.7
Equity	4,926.0	4,487.2	2,482.7	2,190.0	1,888.7
Non-current liabilities and provisions					
- non-interest-bearing	889.8	937.1	397.0	239.1	246.9
- interest-bearing	3,930.8	4,320.5	952.2	1,360.0	1,971.2
Current liabilities and provisions					
- non-interest-bearing	1,320.3	1,465.3	1,136.1	845.3	859.1
- interest-bearing	504.0	529.8	180.6	159.1	180.8
Total equity and liabilities	11,570.9	11,739.9	5,148.6	4,793.5	5,146.7

Balance sheet over the past five years

Over the past five years total assets have risen from SEK 4,523.5 million to SEK 11,570.9 million.

Intangible assets consist mainly of goodwill, trademarks/brands and market positions that have arisen on the acquisition of companies and lines of business. Goodwill and brands are tested annually for impairment by calculating the present value of future cash flows. The principles used by the Group for impairment testing are described in Note 2 to the accounts under the heading 'Goodwill and trademarks'.

Tangible assets consist solely of property, plant and equipment, the value of which has increased by SEK 506.4 million over the most recent five-year period. Of this increase, approximately 42% has been added through acquisitions of companies and lines of business, and the remaining 58% 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.

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

Non-current, non-interest-bearing liabilities and provisions consist mainly of deferred tax, warranty provisions and provisions for additional considerations. These have grown from SEK 210.2 million to SEK 889.8 million over the past five years, chiefly as a consequence of deferred tax attributable to intangible assets that have arisen on the acquisition of other companies.

Current and non-current interest-bearing liabilities and provisions consist of pension provisions and loans from banks and other financial institutions, and have risen from SEK 2,005.3 million to SEK 4,434.8 million over the past five years. This increase is attributable to new borrowing to finance the Group's major acquisitions in 2011.

The Group's target is for the equity/assets ratio not to fall below 30%. Over the past five years this key figure has averaged 41.6%.

Current non-interest-bearing liabilities and provisions have grown by SEK 560.0 million during the period, from SEK 760.3 million to SEK 1,320.3 million. Accrued expenses and customary trade payables, which are both directly related to the expansion of the business, account for approximately 79% of this total.

Statements of cash flows – Five-year review

Statements of cash flows

(in millions of SEK)	2012	2011	2010	2009	2008
Cash flow before change in working capital	1,072.5	882.2	825.7	679.4	486.3
Change in working capital	- 53.2	237.9	- 38.7	217.4	174.0
Cash flow from operating activities	1,019.3	1,120.1	787.0	896.8	660.3
Investments in current operations	- 251.5	- 333.4	- 166.2	- 145.3	- 237.5
Operating cash flow	767.8	786.7	620.8	751.5	422.8
Acquisition of companies	- 226.0	- 3,481.8	- 239.7	- 72.6	- 170.1
Cash flow after investments	541.8	- 2,695.1	381.1	678.9	252.7
Financing	- 366.3	3,465.3	- 175.1	- 562.9	- 20.5
Dividend to shareholders	- 220.5	- 164.4	- 122.1	- 108.0	- 108.0
Cash flow for the year	- 45.0	605.8	83.9	8.0	124.2
Liquid funds at the beginning of the year	1,007.1	409.5	349.1	349.3	207.9
Exchange difference in liquid funds	- 27.8	- 8.2	- 23.5	- 8.2	17.2
Liquid funds at year-end	934.3	1,007.1	409.5	349.1	349.3

Cash flow over the past five years

Cash flow before changes in working capital

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

Working capital

The Group requires that working capital, measured as current assets including cash and cash equivalents minus current liabilities, is within the 20–25% of sales range for all units. Over the past five years, the Group's working capital has averaged approximately 24% of sales. Excluding cash and cash equivalents, the average has been approximately 15% of sales.

Investments in existing operations

On average, investments in existing operations over the past five years have corresponded to approximately 90% of depreciation according to plan. In 2008 a major investment was made in new production facilities for wood-stoves in Markaryd, Sweden. This is the largest single investment made during the period.

Operating cash flow

The Group's operating cash flows have been positive in the most recent five-year period. This is a result of the fact that the rate of investment has been relatively moderate during the period and stocks, which were excessively high at the start of the period, have since returned to a more normal level.

Acquisition of businesses

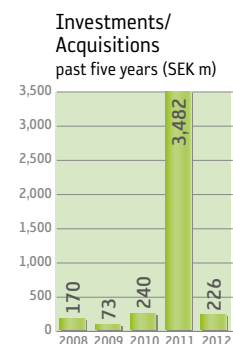
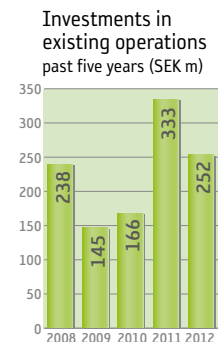
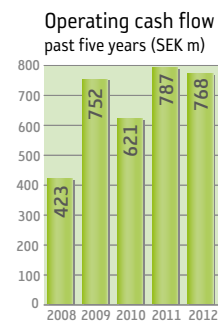
NIBE Industrier has pursued an aggressive acquisitions strategy, taking over 15 companies and lines of business over the past five years: six of these are now within the NIBE Energy Systems business area, seven in NIBE Element and two in NIBE Stoves. In 2011 the Group made its largest ever acquisition, taking over the Swiss listed company, the Schulthess Group AG. While the pace of acquisitions slowed somewhat in 2012, the company intends to continue to pursue an aggressive policy of strategic acquisitions in the future.

Financing

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

Shareholders' dividends

NIBE Industrier aims to pay share dividends of 25–30% of the net profit for the year after tax. Over the most recent five-year period, share dividends have varied between 28.8% and 31.9% of the year's profit after tax.



Risk Management

	Basis for calculation	Change		Impact
Net sales (margin constant)	9,192.3 SEK m	+/-	1.0 %	35.4 SEK m
Operating margin (volume constant)	9,192.3 SEK m	+/-	1.0 %	91.9 SEK m
Material costs	3,822.6 SEK m	+/-	1.0 %	38.2 SEK m
Payroll expenses	2,299.1 SEK m	+/-	1.0 %	23.0 SEK m
Interest-bearing liabilities (interest constant)	4,434.8 SEK m	+/-	10.0 %	6.7 SEK m
Interest rate % (interest-bearing liability constant)	1.5 %	+/-	1.0 % point	44.3 SEK m

Based on Income statement 2012

Dependence on customers

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

Dependence on suppliers

Most of the components in the products marketed by the Group's three business areas are manufactured by a number of suppliers in Europe and elsewhere in the world. When selecting suppliers, a thorough review is made of the supplier's ability to meet the Group's requirements. In our opinion, the Group would not suffer serious harm if any individual supplier were unable to meet our stipulated requirements.

Price risks

Material prices

Many of the materials used to manufacture the Group's products are priced in US dollars and quoted on the London Metal Exchange. To avoid overdependence on specific currencies and markets, purchasing procedures have been globalised. In 2012 purchases of raw materials such as nickel, copper and steel were partially hedged through forward contracts.

Other operating expenses

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

Risks relating to disputes over patents and other matters

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

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

Other risks

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

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

Financial risks

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

Sensitivity analysis

The Group is exposed to a number of risk factors that affect earnings trends. Several of the risks are outside the Group's control. The table above shows the effect of a variety of changes on the Group's result, based on figures on the balance sheet and in the income statement for 2012.

Key ratios

		2012	2011	2010	2009	2008
Net sales	SEK m	9,192.3	8,139.8	6,511.5	5,751.2	5,810.5
Growth	%	+ 12.9	+ 25.0	+ 13.2	- 1.0	+ 7.6
Operating profit	SEK m	1,041.3	991.3	796.1	631.3	625.3
Profit after net financial items	SEK m	1,007.6	941.2	745.1	560.9	516.7
Net investments in fixed assets	SEK m	477.5	3,815.2	405.9	217.9	407.6
Gross margin	%	15.3	15.6	15.5	14.6	14.0
Operating margin	%	11.3	12.2	12.2	11.0	10.8
Profit margin	%	11.0	11.6	11.4	9.8	8.9
Capital employed	SEK m	9,360.8	9,337.5	3,615.5	3,709.0	4,040.7
Equity	SEK m	4,926.0	4,487.2	2,482.7	2,190.0	1,888.7
Return on capital employed	%	11.8	16.0	22.2	16.8	17.1
Return on equity	%	15.8	19.9	23.4	20.2	21.3
Return on total assets	%	9.5	12.3	16.4	13.1	13.5
Asset turnover	times	0.79	0.96	1.31	1.16	1.20
Equity/assets ratio	%	42.6	38.2	48.2	45.7	36.7
Proportion of risk-bearing capital	%	47.2	43.2	50.9	48.6	39.7
Operating cash flow	SEK m	767.8	786.7	620.8	751.5	422.8
Net debt/EBITDA	times	2.5	3.0	0.7	1.4	2.2
Interest cover	times	11.1	10.7	11.8	7.3	4.8
Interest-bearing liabilities/Equity	%	90.0	108.1	45.6	69.4	113.9
Average number of employees		8,006	6,895	5,945	5,519	5,275

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.

Net debt/EBITDA

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

Interest cover

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

Interest-bearing liabilities/Equity

Interest-bearing liabilities as a percentage of equity.

Annual Accounts 2012

Income statement 2012

Net sales

Group net sales rose by SEK 1,052.5 million or 12.9% to SEK 9,192.3 million (2011: SEK 8,139.8 million). NIBE Energy Systems increased its sales by 18.3%; as acquired growth for the business area totalled 24.3%, this means that, in organic terms, sales fell by 6.0%. NIBE Element's sales rose by 10.0%; as acquired growth totalled 17.3%, this means that, in organic terms, sales fell by 7.3%. Sales for NIBE Stoves contracted by 7.7%; as no acquisitions were made for the NIBE Stoves business area during the year, this means that the entire fall in sales was organic.

Group net sales outside Sweden totalled SEK 7,565.9 million, an increase of SEK 1,369.2 million on the 2011 total of SEK 6,196.7 million. This means that net sales abroad accounted for 82.3% (76.1%) of total net sales. Net sales in the Swedish market fell by 16.3% to SEK 1,626.4 million (SEK 1,943.1 million).

As acquired sales growth during the year totalled SEK 1,577.8 million, this means that organic sales fell by SEK 525.3 million or 6.5%. Acquired growth accounted for sales of SEK 1,210.8 million at NIBE Energy Systems and SEK 367.0 million at NIBE Element. There was no acquired growth for NIBE Stoves in 2012.

Operating profit

Group operating profit totalled SEK 1,041.3 million, an increase of 5.0% on the figure of SEK 991.3 million reported for 2011. The operating margin was 11.3% compared with 12.2% in 2011. Operating profit for the year has been charged with acquisition costs of SEK 14.5 million (2011: SEK 61.8 million).

NIBE Energy Systems' operating profit rose by SEK 40.0 million from SEK 770.8 million in 2011 to SEK 810.8 million in 2012, an increase of 5.2%. The operating margin was 13.7% (15.5%).

NIBE Element's operating profit rose by SEK 10.0 million from SEK 141.3 million to SEK 151.3 million, an increase of 7.0%. The business area's operating margin was 6.5% (6.7%).

NIBE Stoves' operating profit fell by SEK 45.6 million from SEK 161.4 million to SEK 115.8 million, a reduction of 28.2%. The operating margin was 10.9% (14.0%).

Profit after net financial items

Profit after financial items rose by 7.1% to SEK 1,007.6 million (SEK 941.2 million) to yield a profit margin of SEK 11.0% (11.6%). Financial items generated net expense of SEK 33.7 million for the year, as against a net expense of SEK 50.1 million in 2011. Net financial items for the year were affected positively by exchange gains of SEK 27.8 million relating to the repayment of bank loans in foreign currencies; the corresponding figure for 2011 was SEK 16.3 million.

Tax

The tax expense for the year was SEK 241.9 million (SEK 249.7 million), which gives an effective tax rate of 24.0% (26.5%). The main reason for the lower tax rate is the Swedish government's decision to reduce corporate tax to 22.0% with effect from 2013, which has led to a reduction in the Group's deferred tax liability. The nominal tax rate in Sweden remained unchanged during the year at 26.3%.

Balance sheet 2012

Equity ratio and returns

The Group's equity ratio at the end of the year was 42.6% (38.2%). Equity totalled SEK 4,926.0 million (SEK 4,487.2 million).

The Group's return target is a return on equity of at least 20% in the long term. The return on equity in 2012 was 15.8% (19.9%). The return on capital employed was 11.8% (16.0%). The profitability target for each of the business areas is an operating margin of at least 10% for each profit centre over a complete business cycle. The operating margin for NIBE Energy Systems was 13.7% (15.5%), for NIBE Element 6.5% (6.7%), and for NIBE Stoves 10.9% (14.0%). The operating margin for the Group as a whole was 11.3% (12.2%).

Cash and equivalents

The Group's cash and cash equivalents at the end of the financial year amounted to SEK 934.3 million (SEK 1,007.1 million), to which may be added unutilised overdraft facilities of SEK 775.8 million (SEK 652.8 million). During the year, the Group's net overdraft rose by SEK 67.3 million. Acquisitions provided SEK 1.4 million, which meant that the previous overdraft facilities rose by a total of SEK 65.9 million..



Annual Accounts 2012

Cash flow 2012

Cash flow from operating activities

Consolidated cash flow for the year after changes in working capital amounted to SEK 1,019.3 million (SEK 1,120.1 million).

Investments

Investment in Group acquisitions of subsidiary companies/lines of business totalled SEK 226.0 million (SEK 5,226.8 million). As the acquisition of Schulthess in 2011 was financed in part by a directed share issue to Schulthess shareholders, SEK 3,481.8 million is recognised as cash flow attributable to the acquisition of subsidiaries/lines of business. Other investment totalled SEK 251.5 million (SEK 333.4 million), allocated as follows:

(in millions of SEK)	2012	2011
Machinery and equipment	126.7	157.5
Properties	59.4	45.0
Construction in progress	33.2	52.5
Other fixed assets	32.2	78.4
Total	251.5	333.4

Consequently, cash flow after investment activities was SEK 541.8 million (SEK -2,695.1 million). Operating cash flow - i.e. after investments, but excluding acquisitions of subsidiary companies/lines of business - was SEK 767.8 million (SEK 786.7 million).

Credits from finance institutions and pension funds

(in millions of SEK)	2012	2011
Loans: floating interest, 10 yrs repayment	3,997.6	4,350.1
Utilised portion of overdraft facilities with floating interest rate	322.1	377.8
Provisions for pensions	115.1	122.4
Other provisions	4,434.8	4,850.3
Unutilised overdraft facilities	775.8	652.8
Other unutilised credits	710.8	62.6
Total credit available	5,921.4	5,565.7

The Group's total interest-bearing liabilities at the year-end amounted to SEK 4,434.8 million (SEK 4,850.3 million). The average interest expense for the total of interest-bearing liabilities was 1.5% (2.3%). The Group's net liabilities, which consist of interest-bearing liabilities minus cash and bank balances and short-term investments, totalled SEK 3,500.5 million (SEK 3,843.2 million).

Important events during the year

In April NIBE acquired the remaining 1.3% of shares in the Schulthess Group AG for a consideration of SEK 58.6 million through a process of compulsory redemption. In part-payment for 40% of this consideration, a directed issue of 214,201 new class B shares at SEK 102.00 per share was made on 20 April. The remaining 60% was paid in cash, reflecting the same acquisition model as that used for NIBE's earlier acquisition of its 98.7% stake in Schulthess. The new issue has raised the total number of NIBE shares to 110,253,638.

In June NIBE reached an agreement to acquire the Eltwin Group

(Denmark), which produces measuring and control technology for the energy sector. The Eltwin Group reports annual sales of some SEK 85 million and an operating margin of approximately 9%. It is to be consolidated into the NIBE Element business area with effect from March 2013.

In August NIBE acquired 70% of the shares in Akvaterm Oy (Finland), a manufacturer of accumulator tanks. Akvaterm has annual sales of approximately SEK 60 million and an operating margin of around 15%. It was consolidated into the NIBE Energy Systems business area in September. Agreement has been reached to acquire the remaining 30% stake in 2015. The acquisition value is still provisional as certain issues relating to premises have yet to be fully resolved.

At the end of December NIBE acquired the element manufacturing operations of Springfield Wire Inc. (USA), with annual sales of approximately SEK 330 million and an operating margin of approximately 4%. The main focus of business activities, which are carried out in the USA, Mexico and China, is the manufacture of tubular electric elements for use in white goods and various industrial applications. The North American units will be integrated into the NIBE Group's existing operations, while the Chinese business will continue to function independently. Operations were consolidated into the NIBE Element business area on 31 December. Because only a short time has passed since the acquisition, the actual acquisition value is still provisional.

Remuneration

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

The Annual General Meeting also determines the guidelines for the remuneration of the managing director and other senior executives, in accordance with which the Board subsequently determines the remuneration of the managing director. The remuneration of other senior personnel is determined by the managing director in consultation with the Chairman of the Board. Decisions in this regard are reported to the Board of Directors. Certain key individuals in companies outside Sweden acquired in 2011 have incentive programmes which, in certain cases, do not comply with the principles for remuneration laid down in the NIBE Group. For further details of remuneration for the year, please refer to Note 6.

The Board proposes that remuneration for 2013 should be determined according to the same principles as those adopted in 2012.

Human resources

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

Environmental issues

NIBE has production plants in Sweden, Norway, Denmark, Finland, Germany, UK, Switzerland, Poland, Czech Republic, Italy, Spain, Netherlands, Austria, Russia, China and Mexico. The most important environmental concerns related to the activities of the Group concern the use of energy, raw materials and chemicals in these plants, emissions to air and water, and the generation of waste. On the positive side, many of the Group's products contribute to reductions in energy use, increases in the proportion of renewable fuels used and reduced emissions of greenhouse gases.

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

In Sweden our plants require a permit or a notification to operate under the Swedish Environmental Code. None of these manufacturing facilities plans to renew its permit or report any changes to its operations in 2013. Units in other countries require an environmental licence or must show compliance with similar requirements in accordance with relevant national legislation. All plants that are obliged to do so hold a valid permit, and we expect no major changes with regard to this situation in the near future. Roughly a dozen units will make minor routine updates to their permits.

In most instances each unit submits regular reports to the relevant supervisory authorities, who also conduct inspections. No breaches of the environmental code were registered by the Group in Sweden in 2012. Certain breaches were, however, registered in Poland, relating to factors that included noise, levels of lead and emissions into the atmosphere. Soil pollutants have been reported at three of the Group's sites (in Denmark and the Czech Republic) and the authorities in Sweden have classed the Group's plants in Markaryd as "moderate risks" in terms of soil pollution. It is not possible, however, to estimate the extent of any future costs associated with these risks. In all known cases, it has been confirmed that the NIBE Group cannot be held responsible.

For a more detailed account of the work NIBE does with sustainable development, you are referred to pages 40–43 in this annual report.

Research and development

The NIBE Group carries out market-leading research and development work within each of its three business areas. We believe that this is a crucial factor behind continued organic growth and our ability to establish a presence in new markets. It also means that we can respond quickly to changes in what our customers want and transform their wishes into the best possible solution in the relevant market context. See also Note 9.

Important events after the end of the reporting period

At the end of January 2013 NIBE acquired a 60% stake in the English wood-stove manufacturer, Stovax Heating Group Limited, which has annual sales of some SEK 380 million and an operating margin of approximately 15%. For details, see Note 31 'Events after the end of the reporting period'.

Future prospects

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

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

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

While we wait for demand to pick up once again, our operational focus will be on defending our margins through continual initiatives to improve productivity and by observing great caution with regard to our fixed costs.

Ownership

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

Proposal for appropriation of profits

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

Profit brought forward	SEK 412.2 million
Share premium reserve	SEK 1,752.8 million
Fair value reserve	SEK 212.3 million
<u>Net profit for the year</u>	<u>SEK 598.3 million</u>
Total	SEK 2, 975.6 million

The Board of Directors proposes issuing a dividend to shareholders of SEK 2.00 per share, equivalent to a total pay-out of SEK 220.5 million. A total of SEK 2,755.1 million will be carried over in the accounts: SEK 212.3 million of this in the fair value reserve, SEK 1,752.8 million in the share premium reserve and SEK 790.0 million as profit brought forward.

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

Income statements

(in millions of SEK)		Group		Parent	
		2012	2011	2012	2011
Net sales	Note 3	9,192.3	8,139.8	4.9	3.1
Cost of goods sold		- 6,032.1	- 5,341.7	-	-
Gross profit		3,160.2	2,798.1	4.9	3.1
Selling expenses		- 1,709.4	- 1,429.3	-	-
Administrative expenses	Note 5	- 540.3	- 527.1	- 27.1	- 33.9
Other operating income	Note 10	130.8	149.6	0.1	-
Operating profit	Notes 3 - 10	1,041.3	991.3	- 22.1	- 30.8
Profit from financial investments					
Profit from participations in Group companies	Note 11	-	-	645.4	309.8
Financial income	Note 12	66.5	47.3	51.1	31.1
Financial expense	Note 13	- 100.2	- 97.4	- 73.7	- 54.3
Profit after net financial items		1,007.6	941.2	600.7	255.8
Appropriations		-	-	- 1.1	-
Tax	Note 14	- 241.9	- 249.7	- 1.3	- 1.4
Profit for the year		765.7	691.5	598.3	254.4
Profit for the year attributable to					
Parent shareholders		765.7	691.1	598.3	254.4
Non-controlling interest		-	0.4	-	-
Profit for the year		765.7	691.5	598.3	254.4
<i>Includes the following amounts for depreciation according to plan</i>		368.4	274.5	-	-
<i>Average number of shares at year-end</i>		110,182,238	100,636,432		
<i>Net profit per share before and after dilution, SEK</i>		6.95	6.87		
<i>Proposed dividend per share, SEK</i>		2.00	2.00		
Profit for the year		765.7	691.5	598.3	254.4
Other recognised income					
Cash flow hedges		1.5	- 8.4	-	-
Hedge of net investment		69.9	197.7	68.6	201.6
Exchange differences		- 192.8	- 370.3	-	-
Tax attributable to other recognised income	Note 14	- 6.9	- 49.6	- 6.3	- 53.0
Total other recognised income		- 128.3	- 230.6	62.3	148.6
Total recognised income		637.4	460.9	660.6	403.0
Total recognised income attributable to					
Parent shareholders		637.4	460.6	660.6	403.0
Non-controlling interest		-	0.3	-	-
Total recognised income		637.4	460.9	660.6	403.0

Income statements

Quarterly data

Consolidated income statements (in millions of SEK)	2012				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	2,106.7	2,318.4	2,271.2	2,496.0	1,462.3	1,618.6	2,281.6	2,777.3
Operating expenses	- 1,948.9	- 2,054.5	- 1,958.9	- 2,188.7	- 1,337.2	- 1,466.6	- 1,967.0	- 2,377.7
Operating profit	157.8	263.9	312.3	307.3	125.1	152.0	314.6	399.6
Net financial items	- 11.4	- 24.6	- 16.6	18.9	8.8	- 11.6	- 31.2	- 16.1
Profit after net financial items	146.4	239.3	295.7	326.2	133.9	140.4	283.4	383.5
Tax	- 38.1	- 59.5	- 72.6	- 71.7	- 33.8	- 36.6	- 66.2	- 113.1
Net profit for the year	108.3	179.8	223.1	254.5	100.1	103.8	217.2	270.4
Net sales - by business area								
NIBE Energy Systems	1,303.4	1,548.8	1,477.8	1,571.1	784.4	969.7	1,498.5	1,735.1
NIBE Element	603.8	624.4	540.5	568.1	483.3	490.7	500.0	650.1
NIBE Stoves	226.0	175.9	276.5	386.0	222.1	192.4	313.9	424.6
Group eliminations	- 26.5	- 30.7	- 23.6	- 29.2	- 27.5	- 34.2	- 30.8	- 32.5
Group total	2,106.7	2,318.4	2,271.2	2,496.0	1,462.3	1,618.6	2,281.6	2,777.3
Operating profit - by business area								
NIBE Energy Systems	111.6	226.6	256.7	215.9	77.1	136.6	275.9	281.2
NIBE Element	37.0	46.6	25.7	42.0	36.2	30.1	33.7	41.3
NIBE Stoves	15.1	0.4	35.9	64.4	17.1	3.9	49.7	90.7
Group eliminations	- 5.9	- 9.7	- 6.0	- 15.0	- 5.3	- 18.6	- 44.7	- 13.6
Group total	157.8	263.9	312.3	307.3	125.1	152.0	314.6	399.6

Balance sheet

Assets

(in millions of SEK)		Group		Parent	
		31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
NON-CURRENT ASSETS					
Intangible assets					
Market positions	Note 15	730.6	809.1	-	-
Brands and trademarks	Note 16	557.6	568.3	-	-
Goodwill	Note 16	4,119.6	4,072.2	-	-
Other intangible assets	Note 17	190.4	192.8	-	-
Total		5,598.2	5,642.4	-	-
Tangible assets					
Land and buildings	Note 18	1,080.4	1,043.5	-	-
Machinery and equipment	Note 19	747.2	793.2	-	-
Construction in progress	Note 20	53.2	60.9	-	-
Total		1,880.8	1,897.6	-	-
Financial assets					
Shares in subsidiaries	Note 21	-	-	6,778.8	6,666.6
Receivables from Group companies		-	-	367.6	323.4
Shares in associated companies	Note 22	-	-	-	-
Investments held as non-current assets		39.3	41.1	2.0	1.4
Deferred tax asset	Note 14	83.9	84.6	0.5	0.4
Other long-term receivables		10.6	9.8	-	-
Total		133.8	135.5	7,148.9	6,991.8
TOTAL NON-CURRENT ASSETS		7,612.8	7,675.5	7,148.9	6,991.8
CURRENT ASSETS					
Inventories					
Raw materials and consumables		697.8	659.6	-	-
Work in progress		110.9	109.9	-	-
Finished products and goods for resale		876.3	910.1	-	-
Total		1,685.0	1,679.6	-	-
Current receivables					
Accounts receivable – trade		1,090.5	1,162.2	-	-
Receivables from Group companies		-	-	14.2	10.5
Current tax assets		113.2	56.6	-	0.4
Other receivables		68.4	92.0	6.9	1.8
Prepaid expenses and accrued income		66.7	66.9	1.8	1.8
Total		1,338.8	1,377.7	22.9	14.5
Cash and equivalents		934.3	1,007.1	80.7	203.1
TOTAL CURRENT ASSETS		3,958.1	4,064.4	103.6	217.6
TOTAL ASSETS		11,570.9	11,739.9	7,252.5	7,209.4

Equity and liabilities

(in millions of SEK)		Group		Parent	
		31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
EQUITY				Restricted equity	Restricted equity
Share capital	Note 23	68.9	68.8	68.9	68.8
Capital contributed/restricted reserves		1,820.1	1,798.4	74.9	74.9
Total restricted equity				143.8	143.7
				Non-restricted equity	Non-restricted equity
Other reserves/Fair value reserve		- 362.1	- 233.8	212.3	150.0
Share premium reserve		-	-	1,752.8	1,731.1
Profit brought forward		3,399.1	2,853.8	1,010.5	632.6
Equity attributable to Parent		4,926.0	4,487.2		
Total non-restricted equity				2,975.6	2,513.7
Total equity		4,926.0	4,487.2	3,119.4	2,657.4
UNTAXED RESERVES					
Tax allocation reserve		-	-	1.1	-
NON-CURRENT LIABILITIES AND PROVISIONS					
Provisions for pensions	Note 24	125.9	133.8	2.5	1.7
Provisions for taxes	Note 14	535.4	581.2	59.9	53.6
Guarantee risk reserve	Note 25	162.4	188.0	-	-
Others provisions, non-interest-bearing	Note 25	178.6	154.4	125.1	97.1
Bank overdraft facilities	Note 26	322.1	377.8	-	-
Liabilities to credit institutions	Note 7	3,492.3	3,818.8	2,858.6	3,193.5
Liabilities to Group companies		-	-	671.4	752.8
Other liabilities, interest-bearing		1.3	1.4	-	-
Other liabilities, non-interest-bearing		2.6	2.2	-	-
Total non-current liabilities and provisions		4,820.6	5,257.6	3,717.5	4,098.7
CURRENT LIABILITIES AND PROVISIONS					
Liabilities to credit institutions		504.0	529.8	384.8	380.8
Accounts payable		594.5	644.1	13.6	2.3
Advance payments from customers		8.9	11.1	-	-
Liabilities to Group companies		-	-	3.3	0.1
Current tax liability		69.8	75.9	0.3	-
Other liabilities		200.4	254.3	4.3	63.2
Accrued expenses and deferred income	Note 27	446.7	479.9	8.2	6.9
Total current liabilities and provisions		1,824.3	1,995.1	414.5	453.3
TOTAL EQUITY AND LIABILITIES		11,570.9	11,739.9	7,252.5	7,209.4
Pledged assets	Note 28	7,034.0	7,199.5	5,240.9	5,258.2
Contingent liabilities	Note 29	0.9	1.0	197.0	142.4

Changes in equity

Group (in millions of SEK)	Share capital	Contributed capital	Other reserves ¹⁾	Profit brought forward	Equity attributable to Parent	Non-controlling interest	Total equity
Equity 31 Dec 2010	58.7	67.4	- 3.3	2,351.2	2,474.0	8.7	2,482.7
Net profit for the year				691.1	691.1	0.3	691.4
Other recognised income for the year			- 230.5		- 230.5		- 230.5
Total recognised income for the year			- 230.5	691.1	460.6	0.3	460.9
Directed new issue	10.1	1,734.8			1,744.9		1,744.9
Transaction cost of new issue		- 3.8			- 3.8		- 3.8
Acquisition of participations from non-controlling interest				- 24.1	- 24.1	- 8.4	- 32.5
Dividend				- 164.4	- 164.4	- 0.6	- 165.0
Equity 31 Dec 2011	68.8	1,798.4	- 233.8	2,853.8	4,487.2	-	4,487.2
Net profit for the year				765.7	765.8		765.8
Other recognised income for the year			- 128.3		- 128.3		- 128.3
Total recognised income for the year			- 128.3	765.7	637.4		637.4
Directed new issue	0.1	21.7			21.8		21.8
Repaid dividend to shareholders				0.1	0.1		0.1
Dividend				- 220.5	- 220.5		- 220.5
Equity 31 Dec 2012	68.9	1,820.1	- 362.1	3,399.1	4,926.0	-	4,926.0

1) Other reserves

(in millions of SEK)	Cash flow hedges	Hedge of net investment	Exchange differences	Total other reserves
Other reserves 31 Dec 2010	6.0	2.6	- 11.9	-3.3
Change during the year	- 8.4	197.7	- 370.2	- 180.9
Tax	1.9	- 51.9	0.4	- 49.6
Other reserves 31 Dec 2011	- 0.5	148.4	- 381.7	- 233.8
Change during the year	1.5	69.9	- 192.8	- 121.4
Tax	- 0.3	- 6.7	0.1	- 6.9
Closing other reserves 31 Dec 2012	0.7	211.6	- 574.4	- 362.1

Parent

(in millions of SEK)	Share capital	Statutory reserve	Fair value reserve	Share premium reserve	Profit brought forward	Total equity
Equity 31 Dec 2010	58.7	74.9	1.4		542.6	677.6
Total recognised income for the year			148.6		254.4	403.0
Directed new issue	10.1			1,734.9		1,745.0
Transaction cost of new issue				- 3.8		- 3.8
Dividend					- 164.4	- 164.4
Equity 31 Dec 2011	68.8	74.9	150.0	1,731.1	632.6	2,657.4
Total recognised income for the year			62.3		598.3	660.6
Directed new issue	0.1			21.7		21.8
Repaid dividend to shareholders					0.1	0.1
Dividend					- 220.5	- 220.5
Equity 31 Dec 2012	68.9	74.9	212.3	1,752.8	1,010.5	3,119.4

Statements of cash flows

(in millions of SEK)	Group		Parent	
	2012	2011	2012	2011
OPERATING ACTIVITIES				
Operating profit	1,041.3	991.3	- 22.1	- 30.8
+ depreciation/amortisation & impairment charged to this profit	369.7	274.9	-	-
+ capital losses / - capital gains	1.5	1.0	-	-
Total	1,412.5	1,267.2	- 22.1	- 30.8
Interest received and similar items	66.5	47.3	51.1	31.1
Interest paid and similar items	- 100.5	- 97.2	- 73.3	- 54.0
Tax paid	- 306.0	- 335.1	- 0.6	- 1.4
Cash flow before change in working capital	1,072.5	882.2	- 44.9	- 55.1
Change in working capital				
Change in inventories	6.5	- 152.9	-	-
Change in current receivables	155.7	85.8	- 8.9	- 8.9
Change in current liabilities	- 215.4	305.0	- 39.5	357.5
Cash flow from operating activities	1,019.3	1,120.1	- 93.3	293.5
INVESTING ACTIVITIES				
Investment in machinery and equipment	- 130.7	- 161.6	-	-
Investment in buildings and land	- 59.4	- 45.0	-	-
Investment in construction in progress	- 33.2	- 52.5	-	-
Investment in goodwill	-	- 2.1	-	-
Investment in other intangible assets	- 61.3	- 48.0	-	-
Sale of machinery and equipment	4.0	4.1	-	-
Change in non-current receivables and other securities	29.1	- 28.3	- 44.9	- 25.5
Cash flow from investing activities	- 251.5	- 333.4	- 44.9	- 25.5
OPERATING CASH FLOW	767.8	786.7	- 138.2	268.0
Acquisition of companies ¹⁾	- 226.0	- 3,481.8	- 85.5	- 3,392.0
FINANCING ACTIVITIES				
Change in non-controlling interest	-	- 8.6	-	-
Profit from participations in Group companies	-	-	645.4	309.8
Amortisation of non-current loans	- 516.5	- 931.8	- 372.5	- 658.5
Other changes in non-current liabilities and provisions	150.2	4,405.7	48.9	3,701.5
Shareholders' dividend	- 220.5	- 164.4	- 220.5	- 164.4
Cash flow from financing activities	- 586.8	3,300.9	101.3	3,188.4
Cash flow for the year	- 45.0	605.8	- 122.4	64.4
Liquid funds at the beginning of the year	1,007.1	409.5	203.1	138.7
Exchange difference in liquid funds	- 27.8	- 8.2	-	-
Liquid funds at year-end	934.3	1,007.1	80.7	203.1

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

Note 1 General information about the business

NIBE Industrier is an international heating technology company whose business operations are organised in three separate business areas: NIBE Energy Systems, NIBE Element and NIBE Stoves. The Group has more than 7,800 employees and conducts business activities in 20 countries in Europe, North America and Asia. The legal structure of the Group comprises a number of subsidiaries, who run their own operations via their own companies or branch offices.

The parent, NIBE Industrier AB, is registered and domiciled in Sweden. The address of the company's head office is Hannabadvägen 5, Markaryd. The Company is listed on the Nasdaq OMX Exchange in Stockholm. Its activities consist of Group-wide functions, such as financing, currency transactions, corporate acquisitions, establishing new operations, financial control and other policy matters.

These consolidated financial statements were approved for publication by the Board on 27 March 2013. The consolidated financial statements as approved by the Board may subsequently be altered by the Company's shareholders.

Note 2 Accounting and valuation principles

The NIBE Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1, 'Supplementary accounting rules for Groups'. The policies applied are unchanged from the previous year. None of the IFRS or IFRIC interpretations that it is now obligatory to apply to the accounts for financial year 2012 have had or are deemed to be likely to have any significant effect on the Group's financial reporting.

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

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

When the consolidated financial statements as at 31 December 2012 were prepared, a number of standards, changes and applications had been published but had not yet come into effect. The changes which a preliminary review suggests may affect the NIBE Group's financial statements are described below.

IAS 1 (Revised) Presentation of Financial Statements

This standard has been amended in its treatment of other comprehensive income. The most significant change in the amended IAS 1 is the requirement that items recognised in other comprehensive income are to be presented in two groups. The division is based on whether the items might subsequently be reclassified to profit or loss (reclassification adjustment) or not. The amendment does not deal with the issue of which items are to be included in other comprehensive income. The Group will adopt the new standard for the annual period beginning on 1 January 2013.

IAS 19 (Revised) Employee benefits

This standard has been amended, in consequence of which the Group will cease to apply the 'corridor method' and will now recognise all actuarial gains or losses on a current basis in other comprehensive income. Past service cost will be recognised immediately. Interest expense and the expected return on plan assets will be replaced by a net interest figure calculated using the discount rate, based on the net surplus or net deficit in the defined-benefit plan. The Group will adopt the amended standard for the annual period beginning on 1 January 2013. The revised IAS 19 will be applied retroactively. The preliminary estimate is that this will affect equity as at 1 January 2012 by SEK -15.0 million after tax, and other comprehensive income for 2012 by SEK -53.2 million after tax.

IFRS 9 (New) Financial instruments

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

IFRS 10 (New) Consolidated financial statements

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

IFRS 11 (New) Joint arrangements

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

IFRS 12 (New) Disclosures of interests in other entities

This standard deals with disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group intends to apply IFRS to the annual period beginning on 1 January 2013, and will be affected through increased disclosures partly in relation to the grounds on which NIBE judges whether there is a controlling influence on consolidated units.

IFRS 13 (New) Fair value measurement

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

Classification

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

Consolidated financial statements

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

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

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

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

In the preparation of the consolidated balance sheet, untaxed reserves have been divided into a portion recognised as a deferred tax liability under the heading 'Non-current liabilities and provisions', and a residual portion which is recognised under profits brought forward. Accordingly, appropriations in the consolidated income statement involving changes in untaxed reserves have been omitted. The tax portion of these changes is recognised along with the tax expense for the year in the income statement, while the equity portion is included in profit for the year. The percentage rate used in calculating deferred tax in Swedish subsidiaries is 22.0 (26.3) percent; the rate used for foreign subsidiaries is the appropriate tax rate in each respective country. The necessary provisions have been made for internal profits.

Transactions with non-controlling interests which do not lead to loss of control are recognised as equity transactions, i.e. transactions with owners in their role as owners. For acquisitions from non-controlling interests, the difference between fair value on the consideration transferred and the actual acquired proportion of the carrying amount of the subsidiary's net assets is recognised outside profit or loss. Gains or losses on disposal to non-controlling interests are also recognised outside profit or loss.

Associates

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

Parent's reporting of shares in subsidiaries

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

Group contribution and shareholders' contribution

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

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

Statement of cash flows

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

Revenue recognition

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

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

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

Segment reporting

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

Transactions with related parties

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

Other operating revenue

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

Accounting of income tax

Income tax accounting has been carried out using IAS 12.

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

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

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

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

Currency hedging

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

Price hedging

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

rials derivatives, see Note 7 'Financial instruments and financial risk management' under the section on 'Hedge accounting'.

Hedging of net investment

Hedging of net investment in foreign operations is accounted for in a way similar to that used for a cash flow hedge. The portion of the gain or loss on a hedging instrument which is assessed as effective hedging is recognised in Other comprehensive income. The portion that is ineffective is recognised immediately in profit or loss. See also the section on 'Translation risks' in Note 7 'Financial instruments and financial risk management'. The parent similarly recognises exchange rate fluctuations on borrowings in foreign currency, where the borrowings are used to hedge net investments, in the fair value reserve in equity.

Leasing

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

Goodwill and trademarks

Goodwill and Group surpluses in trademarks have arisen in connection with the acquisition of business operations and companies. The period of use of the trademarks cannot be estimated with certainty, since it is dependent on a number of unknown factors such as technical developments and market trends. NIBE applies IFRS 3, 'Business Combinations', which means that goodwill and assets with an indeterminate period of use are not amortised. An impairment test is, however, carried out annually, or more frequently if there are indications that an impairment need may exist, in accordance with IAS 36, in which the Group's carrying amounts on these assets is compared with the assets' estimated value in use based on their discounted future cash flows. The assets are valued by segment, i.e. by business area, which involves calculating future cash flows from each segment as a cash-generating unit. When the value in use is less than the carrying amount, the carrying amount is impaired to the level of the value in use. Accordingly, the assets are recognised at cost less accumulated impairment.

The NIBE Group prepares budgets for one year at a time. This means that the cash flows for the first year in the period of use of the assets is based on the budget approved by the Board. Cash flows up until the end of the period of use are estimated by extrapolating the cash flows based on the prepared budget and the assumed organic sales growth, working capital requirements, gross investment margins and discount rate over the period of use.

- The organic sales growth for years 2-5 can be estimated with some degree of caution on the basis of the Group's historical experience. For subsequent years, a lower growth rate has been assumed, equivalent to the estimated long-term growth rate for the sector.
- The requirement for working capital during the period of use is estimated with the aid of the Group's historical experience and the assumed organic sales growth.
- The gross investment margin is based on the adopted budgets for each cash-generating unit.
- The discount rate is calculated by weighting the assessed required return on equity plus the standard tax rate and the estimated long-term interest level on the Group's interest-bearing liabilities.

Other intangible and tangible assets

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

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

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

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

Research and development costs

Expenditure on research activities is written off as it arises.

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

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

Notes

Inventories

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

Financial instruments

NIBE classifies its financial instruments in the following categories: financial instruments measured at fair value through profit or loss, financial assets held to maturity, accounts receivable and loans receivable, financial instruments available for sale, and financial liabilities measured at accrued cost. NIBE has raw materials derivatives for hedge accounting. NIBE also has currency derivatives for hedge accounting, see 'Currency hedging' above. For financial years 2011 and 2012, NIBE has no balance sheet items classified as financial assets or liabilities measured at fair value in profit or loss nor any financial assets held to maturity.

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

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

NIBE recognises fair value for currency derivatives and raw material derivatives, and these instruments are valued in accordance with level two. NIBE also recognises the fair value of financial assets available for sale that are non-listed shareholdings. These are valued in accordance with level three.

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

Loans receivable and accounts receivable

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

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

Financial assets available for sale

Non-derivative financial assets, where the asset is identified as available for sale or not classified in any of the other categories, are included in the category of financial assets available for sale. Assets in this category are measured continuously at fair value with fair value changes recognised outside profit or loss to the extent that they do not involve an impairment that is assessed as significant or long-term. NIBE holds securities classified in this category. As at 31 December 2012, the recoverable amount corresponded to cost.

Financial liabilities measured at accrued cost

Loans and other financial liabilities, such as accounts payable, are included in this category. Financial liabilities are measured initially at fair value, net of transaction costs. Assets in this category are measured continuously at fair value with fair value changes in other comprehensive income to the extent that they do not involve an impairment that is assessed as significant or long term. NIBE holds securities classified in this category. As at 31 December 2012, the carrying amount corresponded to cost, as it had in preceding years.

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 profit or loss.

Equity

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

Provisions

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

Employee benefits – post-employment benefits

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

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

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

The Group's payments in respect of the ITP occupational pension financed via Alecta are recognised as a defined-contribution plan. See the information in Note 24.

Significant estimates and assumptions for accounting purposes

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

Useful life of intangible and tangible assets

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

Impairment tests for goodwill and Group-wide surpluses in trademarks

Every year, the Group tests whether any impairment is required for goodwill and Group-wide surpluses in trademarks in accordance with the accounting policy described under 'Impairment'. The estimates which must be made and the effect of these estimates are shown under 'Goodwill and brands/trademarks'. Additional information, including a sensitivity analysis, is contained in Note 16.

Provisions

Further information in respect of provisions for the year for the guarantee risk reserve is shown in Note 25. Provisions for the present value of post-employment benefit obligations are dependent on a number of factors determined on the basis of actuarial assumptions. Every change in these assumptions will affect the carrying amount of the post-employment benefit obligations. Significant assumptions relating to post-employment benefit obligations are based partly on prevailing market conditions. Further information is given in Note 24.

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

Note 3 Information about the business areas

(in millions of SEK)	ENERGY SYSTEMS		ELEMENT		STOVES		ELIMINATIONS		TOTAL	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Income										
Total net sales	7,105.2	5,999.8	2,794.7	2,580.9	1,212.5	1,302.3	-1,920.1	-1,743.2	9,192.3	8,139.8
Internal net sales	-1,204.1	-1,012.1	-457.9	-456.8	-148.1	-149.3	1,810.1	1,618.2	-	-
External net sales	5,901.1	4,987.7	2,336.8	2,124.1	1,064.4	1,153.0	-110.0	-125.0	9,192.3	8,139.8
Profit										
Profit per business area	810.8	770.8	151.3	141.3	115.8	161.4	-	-	1,077.9	1,073.5
Unallocated costs									-36.6	-82.2
Operating profit									1,041.3	991.3
Financial income									66.5	47.3
Financial expenses									-100.2	-97.4
Tax for the year									-241.9	-249.7
Net profit for the year									765.7	691.5
Other information										
Assets	8,108.3	8,187.3	2,425.0	2,354.1	1,037.6	1,074.3	-7,252.5	-7,085.2	4,318.4	4,530.5
Unallocated assets									7,252.5	7,209.4
Total assets									11,570.9	11,739.9
Liabilities	7,069.0	7,098.0	2,244.8	2,192.0	525.5	553.4	-7,327.6	-7,142.7	2,511.7	2,700.7
Unallocated liabilities									4,133.2	4,552.0
Total liabilities									6,644.9	7,252.7
Investment	176.2	191.7	82.9	76.7	21.0	38.8				
Depreciation/amortisation	247.0	167.8	79.5	65.3	42.0	41.4				

SEK 1,626.4 million (2011: SEK 1,943.1 million) of consolidated net sales relate to customers in the Swedish market. Of the Group's non-current assets, SEK 740.0 million (SEK 877.5 million) are located in Sweden. Unallocated costs refer primarily to the cost of acquisitions and to Group-wide costs in the parent. Unallocated assets and liabilities refer to the parent. The parent's sales refer in their entirety to sales to Group companies.

Note 4 Income statement classified by type of cost

(in millions of SEK)	Group		Parent	
	2012	2011	2012	2011
Net sales	9,192.3	8,139.8	4.9	3.1
Change in inventories	-18.8	139.9	-	-
Other operating income	130.8	149.6	0.1	-
	9,304.3	8,429.3	5.0	3.1
Raw materials and consumables	-3,803.8	-3,550.4	-	-
Other external costs	-1,791.7	-1,735.1	-8.0	-19.6
Personnel costs	-2,299.1	-1,878.0	-19.1	-14.3
Depreciation/amortisation	-368.4	-274.5	-	-
Operating profit	1,041.3	991.3	-22.1	-30.8

Note 5 Remuneration of auditors

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

Group (in millions of SEK)	2012			2011		
	Mazars	Others	Group total	Mazars	Others	Group total
Audit assignments	2.5	6.7	9.2	2.3	6.0	8.3
Other audit-related fees	0.3	0.4	0.7	0.3	0.4	0.7
Tax advice	0.1	1.0	1.1	0.1	0.7	0.8
Other services	0.1	1.3	1.4	0.7	1.0	1.7
Total	3.0	9.4	12.4	3.4	8.1	11.5

Notes

Note 6 Salaries, average number of employees and numbers of men/women in senior positions

Salaries and other remunerations

(in millions of SEK)	2012	2011
Parent	11.5	9.3
Subsidiaries	1,859.5	1,508.5
Group total	1,871.0	1,517.8

(in millions of SEK)	2012		2011	
	Social security contrib's	of which pension expenses	Social security contrib's	of which pension expenses
Parent	6.6	2.4	5.0	1.8
Subsidiaries	416.6	101.1	355.2	85.2
Group total	423.2	103.5	360.2	87.0

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

The parent's outstanding pension obligations for the Board of Directors and the CEO amount to SEK 1.9 million (SEK 1.4 million). The corresponding amount for the Group is SEK 5.6 million (SEK 5.6 million). The Group's outstanding pension obligations to the previous Board of Directors and CEO total SEK 0.8 million (SEK 0.8 million).

Board and senior management

(in thousands of SEK)	2012		2011	
	Salaries and other remuneration	Retirement benefit contributions	Salaries and other remuneration	Retirement benefit contributions
Arvid Gierow, Chair	400	-	350	-
Georg Brunstam	200	-	175	-
Hans Linnarson	200	-	175	-
Eva-Lotta Kraft	200	-	175	-
Anders Pålsson	200	-	175	-
Gerteric Lindquist, CEO	3,512	900	3,317	911
Other senior executives: 4 (4) individuals	10,275	3,452	9,742	2,653
Group total	14,987	4,352	14,109	3,564

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 2012 and the Board proposes that the same principles continue to apply for 2013, namely:

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

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

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

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

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

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

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

Agreement on severance pay

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

Gender distribution at board/management level

	2012		2011	
	Total	Men	Total	Men
Corporate management	6	5	6	5
Board of directors				
Parent	2	2	2	2
Subsidiaries	3	3	3	3
Group	5	5	5	5

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

(in millions of SEK)	2012		2011	
	Board/MD senior staff	Other employees	Board/MD senior staff	Other employees
Parent	8.7	4.1	8.0	2.3
Subsidiaries in Sweden	6.3	431.4	6.1	450.8
Norway ¹⁾ (0.0 and 0.2)	-	135.2	-	118.5
Finland ¹⁾ (0.4 and 0.5)	-	125.8	-	122.8
Denmark ¹⁾ (1.4 and 1.5)	-	255.3	-	248.9
France ¹⁾ (0.2 and 0.1)	-	11.4	-	9.7
Germany ¹⁾ (1.5 and 1.7)	-	197.2	-	76.3
Poland ¹⁾ (0.7 and 0.4)	-	113.6	-	116.5
Czech Republic ¹⁾ (0.5 and 0.4)	-	57.5	-	59.9
Slovakia	-	1.0	-	1.1
Italy	-	8.3	-	8.8
Netherlands ¹⁾ (0.2 and 0.2)	-	22.4	-	20.2
Belgium	-	1.4	-	1.3
UK	-	23.4	-	23.9
Spain	-	13.9	-	16.0
Russia	-	16.3	-	15.4
Austria ¹⁾ (0.2 and 0.2)	-	18.0	-	14.0
Switzerland ¹⁾ (2.8 and 2.4)	-	302.2	-	136.0
China	-	30.9	-	24.6
Mexico	-	61.9	-	29.1
USA ¹⁾ (0.2 and 0.2)	-	26.0	-	8.6
Group total	15.0	1,857.2	14.1	1,504.7

¹⁾ (of which bonus in millions of SEK)

Average numbers of employees and gender distribution

	2012		2011	
	Number of employees	Men	Number of employees	Men
Parent	7	4	6	4
Subsidiaries in Sweden	1,238	1,015	1,391	1,153
Norway	206	161	182	140
Finland	416	312	394	287
Denmark	529	397	495	346
France	24	16	22	16
Germany	534	452	238	200
Poland	1,738	981	1,712	955
Czech Republic	563	341	554	326
Slovakia	7	5	8	6
Italy	32	19	34	18
Netherlands	44	35	41	33
Belgium	1	1	1	1
UK	93	70	108	79
Spain	51	38	54	39
Russia	158	116	159	110
Austria	42	32	38	27
Switzerland	487	389	223	178
China	555	315	450	237
Mexico	1,220	670	764	434
USA	61	41	21	16
Group total	8,006	5,410	6,895	4,605

Note 7 Financial instruments and financial risk management

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

Credit risks

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

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

Overdue accounts receivable

(in millions of SEK)	2012	2011
Accounts receivable, wholly or partly impaired		
- overdue by less than 3 months	6.1	3.6
- overdue by more than 3 months	31.4	28.8
Accounts receivable which have not been impaired		
- overdue by less than 3 months	223.8	202.6
- overdue by more than 3 months	32.8	24.8
Total overdue accounts receivable	294.1	259.8
Provision for bad debt losses	-36.0	- 32.4
Total accounts receivable overdue but not impaired	258.1	227.4

Provision for bad debt losses

(in millions of SEK)	2012	2011
Provisions brought forward	32.4	25.1
Provisions in acquired companies	0.3	6.8
Established bad debt losses	- 3.5	- 6.8
Reversed provisions	- 6.2	- 4.3
Provisions for the year	13.6	12.2
Translation differences	- 0.6	- 0.6
Provisions carried forward	36.0	32.4

Profit for the year has been charged with SEK 11.8 million (SEK 8.3 million) in respect of credit losses arising from Group receivables. As the Group is a net borrower with the bank, any credit risk relating to the Group's bank deposits 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 risks' refers to the risk of exchange losses on operating business transactions in foreign currency through, for example, an account receivable in a foreign currency falling in value as a result of fluctuations in the exchange rate in that currency. As part of the Group's currency hedging policy, operating sales and purchases which take place in foreign currencies or are linked to changes in foreign currencies, must be hedged under a rolling 12-month plan within the range 60–100% of the estimated flow. The degree of hedging of future flows determines where in the range the figure is to lie. During 2012 the Group's flows in foreign currencies were as shown below. The term 'flow' refers to flows in currencies other than local currency. The term 'weakening' refers to an unhedged fall in the value of the Swedish krona.

Currency	Group		Parent	
	Net flow in (+) / out (-)	Weakening by 1%	Net flow in (+) / out (-)	Weakening by 1%
CHF	10.7	0.1	- 0.2	-
CNY	- 0.3	-	- 0.3	-
CZK	- 6.4	- 0.1	-	-
DKK	24.5	0.2	-	-
EUR	308.4	3.1	- 0.7	-
GBP	75.5	0.8	-	-
HKD	- 0.8	-	-	-
JPY	-	1.2	-	-
MXN	- 81.0	-0.8	-	-
NOK	136.9	1.4	- 0.3	-
PLN	- 96.6	- 1.0	-	-
RUB	6.5	0.1	-	-
USD	64.5	0.6	- 0.3	-
Total	443.1		- 1.8	

At the end of 2012 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 269.9 million (SEK 305.1 million).

The difference between the total amounts of the contracts translated to SEK using the contract rate and the total amounts of the contracts translated to SEK using the closing rate at the end of 2012, represents an unrealised exchange gain of SEK 6.2 million.

The item 'Other receivables' in the consolidated balance sheet includes derivatives with positive fair values of SEK 7.8 million (SEK 10.6 million). The item 'Other liabilities' includes derivatives with negative fair values of SEK 1.6 million (SEK 7.4 million).

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

Currency	Flow Q 1	Flow Q 2	Flow Q 3	Flow Q 4	Average forward rate	Closing day rate	Unrealised gain 31 Dec 12	Unrealised gain 31 Dec 11
CHF	0.2	0.2	0.2	0.5	7.27	7.13	0.2	0.2
DKK	5.6	6.3	8.4	11.1	1.16	1.16	0.2	1.1
EUR	3.2	6.2	5.6	9.8	8.79	8.62	4.3	- 0.5
GBP	0.2	0.4	0.5	0.9	10.90	10.49	0.8	- 1.0
MXN	- 26.0	- 19.8	- 19.8	- 8.9	0.49	0.50	0.8	- 0.7
NOK	11.2	11.2	17.2	17.5	1.16	1.17	- 0.2	2.3
PLN	- 1.5	- 1.5	- 1.5	-	2.04	2.12	0.4	- 1.0
SEK	- 0.6	-	-	-	0.99	1.00	-	-
USD	- 2.1	- 1.6	- 1.2	- 0.4	6.58	6.52	- 0.3	2.8
Total							6.2	3.2
Of which recognised in profit or loss against invoices on the closing date							5.1	3.1
Of which recognised in other comprehensive income on the closing date							1.1	0.1

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 2012, 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	2012	2011
CHF	1,532.0	1,333.1
CZK	173.3	146.6
DKK	529.0	545.2
EUR	1,019.3	918.9
GBP	53.4	66.0
HKD	79.7	57.2
MXN	105.4	59.5
NOK	491.5	475.8
PLN	266.3	214.7
RON	1.1	1.1
RUB	158.9	46.4
USD	- 46.6	- 37.1
Total	4,363.3	3,827.4

Notes

If the Swedish krona falls in value by 1% against the named currencies, this means that the Group's equity is strengthened by SEK 43.6 million (SEK 38.3 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 73.1 million (SEK 70.7 million).

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

Currency	2012	2011
CHF	2,462.6	2,781.4
CZK	140.4	161.8
DKK	25.4	-
EUR	43.1	-
USD	257.8	260.5
Total	2,929.3	3,203.7

If the Swedish krona rises in value by 1% against the named currencies, this means that the parent's equity is strengthened by SEK 29.3 million (SEK 32.0 million). If the Swedish krona falls in value by 1% against the named currencies, the reverse pertains.

(in millions of SEK)	Group		Parent	
	2012	2011	2012	2011
Exchange gains and exchange losses on currency derivatives used for hedge accounting				
- recognised in profit or loss	16.0	9.9	-	-
- recognised in other comprehensive income	1.0	- 7.4	-	-
Gains and losses on raw materials derivatives used in hedge accounting				
- recognised in profit or loss	- 1.9	- 0.9	-	-
- recognised in other comprehensive income	0.5	- 1.0	-	-
Exchange gains and exchange losses in other financial assets and liabilities	24.0	6.2	18.7	12.3
Bad debt losses on accounts receivable	- 11.8	- 8.3	-	-
Total	27.8	- 1.5	18.7	12.3

The items recognised above as gains and losses are exchange gains, exchange losses and losses on credit granted. Interest has not been included. The Group's reporting system does not permit the allocation of exchange gains and exchange losses to 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 reporting date is at variable interest rates, fair value is assessed as the same as the carrying amount for the Group's financial liabilities. Fair value is assessed as the same as the carrying amount for non interest-bearing assets and liabilities such as accounts receivable and accounts payable

Assets 31 Dec 2012	Loans receivable and accounts receivable	Assets available for sale	Derivatives used for hedge accounting	Non-financial assets	Total carrying amount	Fair value
Intangible assets	-	-	-	5,598.2	5,598.2	
Tangible assets	-	-	-	1,880.8	1,880.8	
Investments held as non-current assets	-	39.3	-	-	39.3	39.3
Deferred tax asset	-	-	-	83.9	83.9	
Other long-term receivables	10.6	-	-	-	10.6	10.6
Inventories	-	-	-	1,685.0	1,685.0	
Accounts receivable - trade	1,090.5	-	-	-	1,090.5	1,090.5
Tax assets	-	-	-	113.2	113.2	
Other receivables	60.5	-	7.9	-	68.4	68.4
Prepaid expenses and accrued income	-	-	-	66.7	66.7	
Cash and equivalents	934.3	-	-	-	934.3	934.3
Total assets	2,095.9	39.3	7.9	9,427.8	11,570.9	

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

Equity and liabilities 31 Dec 2012	Financial liabilities valued at accrued acquisition value	Derivatives used for hedge accounting	Non-financial assets	Total carrying amount	Fair value
Equity	-	-	4,926.0	4,926.0	
Provisions	-	-	1,002.3	1,002.3	
Non-current liabilities*	3,818.3	-	-	3,818.3	3,818.3
Current liabilities to credit institutions	504.0	-	-	504.0	504.0
Accounts payable	594.5	-	-	594.5	594.5
Advance payments from customers	8.9	-	-	8.9	8.9
Tax liabilities	-	-	69.8	69.8	
Other liabilities	198.8	1.6	-	200.4	200.4
Accrued expenses and deferred income	446.7	-	-	446.7	446.7
Total equity and liabilities	5,571.2	1.6	5,998.1	11,570.9	

* of which SEK 2,924.4 million refers to loans in foreign currencies to hedge net investment in foreign operations.

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

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

Notes

Interest rate risks

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

The Group's interest-bearing liabilities at the year-end amounted to SEK 4,434.8 million. The average interest rate was 1.5%. A rise in the interest rate of 1% on constant liabilities would have a negative impact on the Group of SEK 44.3 million.

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

The parent's interest-bearing liabilities at the year-end amounted to SEK 3,914.8 million. A change in the interest rate of 1% on constant liabilities would affect parent results by SEK 39.1 million.

Hedge accounting

During 2012 hedge accounting was applied in accordance with IAS 39 in relation to:

- Cash flow hedging through currency derivatives for future receipts and disbursements in foreign currencies. See Note 2 for details.
- Price hedging of raw materials through raw materials derivatives. See Note 2 for details. At the end of 2012 outstanding contracts maturing in Q1 2013 totalled SEK 13.1 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 other comprehensive income provided that there is a net asset in the consolidated balance sheet to hedge.

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

Capital risk

The term 'capital risk' refers to the risk that the Group's ability to continue its business operations may be inhibited due to a shortage of capital. The Group assesses the day-to-day risk on the basis of the equity/assets ratio, calculated as recognised equity as a percentage of total assets. The target is that the equity/assets ratio shall not fall below 30%. Over the most recent five-year period, the equity/assets ratio has averaged 41.6%. 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 61). The covenants set by the Group's external creditors were met by good margins.

Financing risks

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

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

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

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

(in millions of SEK)	Group		Parent	
	2012	2011	2012	2011
1 - 3 years	1,017.6	992.4	791.2	792.3
3 - 5 years	1,001.5	1,008.1	812.8	822.6
5 - 7 years	898.7	996.4	743.1	818.8
7 - 9 years	796.0	886.5	689.1	736.3
10 years or more	49.5	401.0	16.1	365.0
Total	3,763.3	4,284.4	3,052.3	3,535.0

The above cash flows are based on average interest rates on interest-bearing liabilities for 2012 and 2011 respectively. The effect of a change in interest rates is described above under the heading of Interest rate risks.

Note 8 Leasing

During the year, Group expenses relating to finance leasing agreements totalling SEK 1.2 million (SEK 2.1 million) were capitalised. Leasing charges amounting to SEK 92.2 million (SEK 85.4 million) in respect of operating leases in the Group were expensed. The parent has no leasing agreements. The value of the Group's agreed future leasing charges, relating to agreements for which the remaining term exceeds one year, is distributed as follows:

(in millions of SEK)	Finance leases			Operating leases
	Payments	Interest	Current value	Nominal value
Due for payment within 1 year	1.3	0.1	1.2	82.5
Due for payment within 2 - 5 years	2.5	0.1	2.4	150.3
Due for payment within 6 years or more	0.4	-	0.4	22.7
Total	4.2	0.2	4.0	255.5

Non-current assets held through finance leasing agreements

	Cost	Depreciation/ amortisation	Carrying amount
Machinery	0.3	0.2	0.1
Equipment and fittings	1.4	0.7	0.7
Total	1.7	0.9	0.8

Note 9 Research and development costs

A total of SEK 205.5 million (SEK 159.1 million) is included under the heading 'Cost of goods sold' to cover the cost of research and development.

Note 10 Other operating income

(in millions of SEK)	Group		Parent	
	2012	2011	2012	2011
Profit on sale of non-current assets	1.3	1.5	-	-
Exchange gains	80.6	104.1	-	-
Other	48.9	44.0	0.1	-
Total	130.8	149.6	0.1	-

Note 11 Profit from participations in Group companies and associates

(in millions of SEK)	Group		Parent	
	2012	2011	2012	2011
Group contributions	-	-	50.0	49.0
Dividend	-	-	595.4	260.8
Total	-	-	645.4	309.8

Note 12 Financial income

(in millions of SEK)	Group		Parent	
	2012	2011	2012	2011
Interest income, Group companies	-	-	7.6	9.7
Interest income, other	5.0	7.2	0.7	1.1
Exchange gains	61.1	39.8	42.8	20.3
Other financial income	0.4	0.3	-	-
Total	66.5	47.3	51.1	31.1

Note 13 Financial expenses

(in millions of SEK)	Group		Parent	
	2012	2011	2012	2011
Interest expense, Group companies	-	-	6.0	8.3
Interest expense, other	71.5	67.4	43.6	38.0
Exchange losses	26.7	27.9	24.1	8.0
Other financial expense	2.0	2.1	-	-
Total	100.2	97.4	73.7	54.3

Note 14 Tax

(in millions of SEK)	Group		Parent	
	2012	2011	2012	2011
Current tax for the year	279.3	274.5	1.4	1.4
Current tax attributable to preceding years	- 2.6	1.3	-	-
Deferred tax	- 34.8	- 26.1	- 0.1	-
Total	241.9	249.7	1.3	1.4

Tax in respect of items charged directly against other recognised income

(in millions of SEK)	Group		Parent	
	2012	2011	2012	2011
Cash flow hedges	0.3	- 1.9	-	-
Hedge of net investment	6.7	51.9	6.3	53.0
Exchange differences	- 0.1	- 0.4	-	-
Total	6.9	49.6	6.3	53.0

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

(in millions of SEK)	Group		Parent	
	2012	2011	2012	2011
Pre-tax profit	1,007.6	941.2	599.6	255.8
Tax at current rate	265.0	247.5	157.7	67.3
Effect of change in tax rate for deferred tax	- 6.6	-	- 0.1	-
Non-deductible expenses	21.9	31.5	0.3	2.7
Non-taxable earnings	- 23.9	- 22.7	-	-
Dividends from subsidiaries	-	-	- 156.6	- 68.6
Adjusted tax for preceding years	- 2.6	1.3	-	-
Deficit deductions not carried fwd	2.1	7.6	-	-
Effect of foreign tax rates	- 14.0	- 15.5	-	-
Recognised tax expenses	241.9	249.7	1.3	1.4

Tax rate

The current tax rate has been calculated on the basis of the tax rate which applies for the parent, namely 26.3% (26.3%). See also page 55.

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	
	2012	2011	2012	2011
Temporary differences in non-current assets	396.0	410.1	-	-
Untaxed reserves	50.7	42.9	-	-
Hedge of net investment	59.6	53.6	59.9	53.6
Other factors	29.1	74.6	-	-
Total	535.4	581.2	59.9	53.6

(in millions of SEK)	Temporary differences in non-current assets	Untaxed reserves	Hedge of net investment in foreign operations	Other factors	Total
Amount at start of year	410.1	42.9	53.6	74.6	581.2
Acquired companies	4.6	-	-	-	4.6
Recognised as income	- 6.9	7.8	-	- 42.8	- 41.9
Recognised as other recognised income	-	-	6.1	- 1.2	4.9
Translation difference	- 11.8	-	- 0.1	- 1.5	- 13.4
Amount at end of year	396.0	50.7	59.6	29.1	535.4

(in millions of SEK)	Group		Parent	
	2012	2011	2012	2011
Temporary differences in non-current assets	5.3	0.8	-	-
Losses carried forward	14.1	11.7	-	-
Hedge of net investment	-	0.6	-	-
Other factors	64.5	71.5	0.5	0.4
Total	83.9	84.6	0.5	0.4

(in millions of SEK)	Temporary differences in non-current assets	Untaxed reserves	Hedge of net investment in foreign operations	Other factors	Total
Amount at start of year	0.8	11.7	0.6	71.5	84.6
Acquired companies	-	-	-	10.2	10.2
Recognised as income	4.5	2.8	-	- 14.4	- 7.1
Recognised as other recognised income	-	-	- 0.6	- 1.4	- 2.0
Translation difference	-	- 0.4	-	- 1.4	- 1.8
Amount at end of year	5.3	14.1	-	64.5	83.9

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

Accumulated losses carried forward/deficit deductions which do not correspond to deferred income taxes recoverable for the Group amounted to SEK 169.7 million (SEK 154.2 million). The due dates lie within the following intervals:

(in millions of SEK)	Group	
	2012	2011
Due date 1 – 5 years	2.8	7.3
Due date 6 – 10 years	58.4	41.3
Due date 10 years –	18.8	28.6
Due date undetermined	89.7	77.0
Total	169.7	154.2

Notes

Note 15 Market positions

(in millions of SEK)	Group	
	2012	2011
Cost		
Opening cost	842.9	46.5
Investment for the year	6.4	789.5
Translation differences	- 27.5	6.9
Closing accumulated cost	821.8	842.9
Amortisation		
Opening amortisation	33.8	7.3
Amortisation for the year	59.0	26.6
Translation differences	- 1.6	- 0.1
Closing accumulated amortisation	91.2	33.8
Closing carrying amount	730.6	809.1

The term 'Market positions' refers to the valuation of cash flows from identified customer relationships. Amortisation for the year is recognised as a selling expense in consolidated profit or loss.

Note 16 Goodwill and brands/trademarks

(in millions of SEK)	Group	
	2012	2011
Brands and trademarks		
Cost		
Opening cost	568.3	43.2
Investment for the year	6.0	524.8
Translation differences	- 16.7	0.3
Closing accumulated cost	557.6	568.3
Carrying amount per business area		
NIBE Energy Systems	543.8	553.9
NIBE Element	3.4	3.6
NIBE Stoves	10.4	10.8
Total	557.6	568.3

(in millions of SEK)	Group	
	2012	2011
Goodwill		
Cost		
Opening cost	4,153.0	1,088.9
Investment for the year	172.9	3,059.1
Translation differences	- 127.2	5.0
Closing accumulated cost	4,198.7	4,153.0
Amortisation		
Opening amortisation	80.8	81.4
Translation differences	- 1.7	- 0.6
Closing accumulated amortisation	79.1	80.8
Closing carrying amount	4,119.6	4,072.2
Carrying amount per business area		
NIBE Energy Systems	3,175.9	3,203.9
NIBE Element	666.0	588.4
NIBE Stoves	277.7	279.9
Total	4,119.6	4,072.2

Impairment tests

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

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

Significant assumptions in 2012 (2011)

Cash-generating unit	NIBE	NIBE	NIBE
	Energy Systems	Element	Stoves
Assumptions			
Growth rate years 2-5 %	5.0 (10.0)	5.0 (10.0)	5.0 (10.0)
Growth rate year 6 and later %	2.5 (2.5)	2.5 (2.5)	2.5 (2.5)
Working capital requirement for organic growth %	15.0 (23.0)	17.0 (23.0)	18.0 (23.0)
Discount rate before tax %	10.0 (10.1)	10.1 (10.5)	10.0 (10.1)

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

The working capital requirement for 2012 was calculated excluding cash and cash equivalents, which was not the practice in earlier years.

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

Sensitivity analysis

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

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

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

Note 17 Other intangible assets

Rights of tenancy, patents, development costs, licences, etc.	Group	
	2012	2011
(in millions of SEK)		
Cost		
Opening cost	288.5	158.4
Cost in acquired companies	0.1	85.9
Investment for the year	61.3	48.0
Sales and disposals	- 3.9	- 1.4
Reclassifications	- 1.5	- 1.1
Translation differences	- 5.7	- 1.3
Closing accumulated cost	338.8	288.5
Amortisation		
Opening amortisation	93.7	59.8
Sales and disposals	- 3.3	- 0.2
Amortisation for the year	57.5	35.3
Reclassifications	-	- 0.2
Translation differences	- 2.2	- 1.0
Closing accumulated amortisation	145.7	93.7
Impairment		
Opening impairment	2.0	-
Impairment for the year	0.8	2.3
Reversal of impaired amounts for the year	-	- 0.3
Translation differences	- 0.1	-
Closing accumulated impairment	2.7	2.0
Closing carrying amount	190.4	192.8

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

	Group	
(in millions of SEK)	2012	2011
Cost of goods sold	45.0	33.5
Selling expenses	0.7	0.5
Administrative expenses	12.6	3.3
Total	58.3	37.3

Note 18 Land and buildings

	Group	
	2012	2011
(in millions of SEK)		
Cost		
Opening cost	1,429.2	1,019.4
Cost in acquired companies	29.6	386.4
Investment for the year	59.4	45.0
Sales and disposals	-	- 0.2
Reclassifications	7.6	4.1
Translation differences	- 16.0	- 25.5
Closing accumulated cost	1,509.8	1,429.2
Depreciation		
Opening depreciation	385.7	351.9
Depreciation for the year	47.9	38.8
Translation differences	- 4.2	- 5.0
Closing accumulated depreciation	429.4	385.7
Closing carrying amount	1,080.4	1,043.5
of which, land	182.7	170.6
Closing carrying amount land and buildings in Sweden	302.6	305.2

Note 19 Machinery and equipment

(in millions of SEK)	Group		Parent	
	2012	2011	2012	2011
Cost				
Opening cost	2,222.3	1,861.4	0.4	0.4
Cost in companies acquired	7.2	221.0	-	-
Investment for the year	130.7	161.6	-	-
Sales and retirements	- 101.0	- 23.8	-	-
Reclassifications	33.2	30.5	-	-
Translation differences	- 21.8	- 28.4	-	-
Closing accumulated cost	2,270.6	2,222.3	0.4	0.4
Depreciation				
Opening depreciation	1,427.4	1,292.9	0.4	0.4
Sales and retirements	- 97.2	- 20.1	-	-
Reclassifications	0.1	- 0.8	-	-
Depreciation for the year	204.0	174.1	-	-
Translation differences	- 13.0	- 18.7	-	-
Closing accumulated depreciation	1,521.3	1,427.4	0.4	0.4
Impairment				
Impairment brought forward	1.7	1.0	-	-
Impairment for the year	0.5	0.6	-	-
Translation differences	- 0.1	0.1	-	-
Closing accumulated impairment	2.1	1.7	-	-
Closing carrying amount	747.2	793.2	-	-

Note 20 Construction in progress

(in millions of SEK)	Group	
	2012	2011
Cost		
Opening cost	60.9	40.7
Cost in acquired companies	-	1.2
Expenses during the year	33.2	52.5
Re-allocations during the year	- 40.8	- 32.9
Translation differences	- 0.1	- 0.6
Closing accumulated cost	53.2	60.9

Notes

Note 21 Shares in subsidiaries

	Proportion of capital	Number of shares	Carrying amount SEK m
ABK AS	50.0%	250	155.0
Akvaterm Oy	70.0%	1,400	74.7
Backer BHV AB	100.0%	37,170	186.4
Backer EHP Inc	100.0%	100	216.9
Bröderna Håkansson Värme AB	100.0%	15,000	10.5
CSJC Evan	100.0%	8,631	131.6
DZD Strojirna s.r.o.	100.0%	7	198.9
Jevi A/S	100.0%	1	29.9
Kaukora Oy	100.0%	1,100	135.6
Lotus Heating Systems A/S	100.0%	1,076,667	50.2
Loyal Oy	100.0%	768	39.6
METRO THERM A/S	100.0%	3,400	180.6
NIBE AB	100.0%	400,000	153.2
NIBE Energy Systems Inc	100.0%	100	16.5
Nordpeis AS	100.0%	12,100	155.4
Russian boilers holding AB	100.0%	200,000	17.4
SAN Electro Heat A/S	100.0%	13	17.7
Schulthess Group AG	100.0%	10,625,000	4,855.7
Springfield Wire de Mexico S.A. de C.V.	100.0%	10,000	38.5
TermaTech A/S	100.0%	500	62.4
Vabro Holding ApS	100.0%	453	31.2
Wiegand S.A. de C.V.	100.0%	15,845,989	20.9
Total Parent			6,778.8

(in millions of SEK)	2012	2011
Cost		
Opening cost	6,683.3	1,546.4
Investment for the year	119.5	5,138.6
Reduced considerations	- 7.3	-
Reclassifications	-	- 1.7
Closing accumulated cost	6,795.5	6,683.3
Impairment		
Opening impairment	16.7	16.7
Closing accumulated impairment	16.7	16.7
Closing carrying amount	6,778.8	6,666.6

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

Details of subsidiaries	Corporate ID number	Reg'd	Details of subsidiaries	Corporate ID number	Reg'd
ABK AS	959 651 094	Oslo, Norway	NIBE Energy Systems Oy	09314276	Helsinki, Finland
ait-france EURL	501 594 220	Strasbourg, France	NIBE Foyers France S.A.S.	491 434 965	Lyon, France
Akvaterm Oy	1712852-9	Kokkola, Finland	NIBE Kamini LLC	1105 0100 00303	Dubna, Russia
Alpha-InnoTec GmbH	HRB 2991	Bayreuth, Germany	NIBE Systemtechnik GmbH	HRB 5879	Celle, Germany
Alpha-InnoTec Norge AS	991 430 784	Stavanger, Norway	NIBE Wärmetechnik AG	CH-0203032834-0	Flurlingen, Switzerland
Alpha-InnoTec Schweiz AG	CH-100 3 017 337-2	Altishofen, Switzerland	Nordpeis AS	957 329 330	Lierskogen, Norway
Alpha-InnoTec Sun GmbH	HRB 81 197	Saarbrücken, Germany	Norske Backer AS	919 799 064	Kongsvinger, Norway
Backer Alpe S. de R.L. de C.V.	BAL0805266BA	Mexico City, Mexico	Northstar Poland Sp. z o.o.	570844191	Trzcianka, Poland
Backer BHV AB	556053-0569	Hässleholm, Sweden	Novelan GmbH	HRB 3592	Bayreuth, Germany
Backer Calesco France SARL	91379344781	Lyon, France	RPN-Hall Oy	1712854-5	Kokkola, Finland
Backer EHP Inc	99-0367868	Elgin, USA	Russian boilers holding AB	556743-8295	Malmö, Sweden
Backer ELC AG	CH-400 3 033 814-4	Aarau, Switzerland	SAN Electro Heat A/S	42 16 59 13	Graested, Denmark
Backer Elektro CZ a.s.	60469617	Hlinsko, Czech Republic	Schulthess Group AG	CH-020 7 000 720-2	Zürich, Switzerland
Backer Facsa S.L.	B-62.928.361	Aiguafreda, Spain	Schulthess Maschinen AG	CH-020 3 923 223-4	Zürich, Switzerland
Backer FER s.r.l.	REA: 173478	Sant'Agostino, (Ferrara) Italy	Schulthess Maschinen GmbH	FN 125340z	Vienna, Austria
Backer Heating Technologies Co. Ltd	440301503227017	Shenzhen, China	S.C. KNV Pompe de Caldura SRL	1914 6792	Bistrita-Nasaud, Romania
Backer Heating Technologies Inc	36-4044600	Chicago, USA	Shel NIBE Manufacturing Co Ltd	866 531	Hong Kong, China
Backer OBR Sp. z o.o.	008358936	Pyrzyce, Poland	Sinus-Jevi Electric Heating B.V.	37106129	Medemblik, Netherlands
Bröderna Håkansson Värme AB	556108-0259	Höör, Sweden	Sol & Energiteknik SE AB	556633-8140	Jönköping, Sweden
CJSC Evan	1065260108517	Nizhny Novgorod, Russia	Springfield Wire de Mexico S.A. de C.V.	SWM710722KW3	Nuevo Laredo, Mexico
Danotherm Electric A/S	10 12 60 61	Rødovre, Denmark	Strukturgruppen AB	556627-5870	Kungsbacka, Sweden
DZD Slovensko Spol s.r.o.	36372056	Bratislava, Slovakia	TermaTech A/S	27 24 52 77	Hasselager, Denmark
DZD Strojirna s.r.o.	45148465	Benátky nad Jizerou, Czech Republic	Vabro Holding ApS	21 08 92 30	Gram, Denmark
Eltop Praha s.r.o.	44795751	Miretice, Czech Republic	Varde Ovne A/S	21 55 49 79	Gram, Denmark
Emerson Appliance Solutions Company Ltd	440307503310048	Shenzhen, China	Vølund Varmeteknik A/S	32 93 81 08	Videbæk, Denmark
Erdwärme plus GmbH	HRB 4764	Bayreuth, Germany	Wiegand S.A. de C.V.	RFC WIE850624H79	Nuevo Laredo, Mexico
Genvex A/S	21387649	Haderslev, Denmark			
Heatrod Elements Ltd	766 637	London, UK			
Höiax AS	936 030 327	Fredrikstad, Norway			
Jevi A/S	12 85 42 77	Vejle, Denmark			
Kaukora Oy	0138194-1	Raisio, Finland			
Kiloval Oy	0754792-2	Lovisa, Finland			
KKT chillers Inc	83-0486747	Elk Grove, USA			
Klimanord AS	953 135 620	Oslo, Norway			
KNV Energietechnik GmbH	78375h	Schörfling, Austria			
KVM-Conheat A/S	14 46 85 87	Vissenbjerg, Denmark			
Lotus Heating Systems A/S	26 11 04 75	Langeskov, Denmark			
Loval Oy	0640930-9	Lovisa, Finland			
Lund & Sörensen AB	556731-8562	Mölnådal, Sweden			
Lund & Sørensen A/S	25 64 75 99	Vejle, Denmark			
Lund & Sørensen Electric Heating Equipment Accessory Co Ltd		Tianjin, China			
Merker AG	CH-400 3 3009 571-7	Zürich, Switzerland			
METRO THERM AB	556554-1603	Kalmar, Sweden			
METRO THERM A/S	20 56 71 12	Helsingø, Denmark			
Meyer Vastus AB, Oy	0215219-8	Monninkylä, Finland			
Naturenergi IWABO AB	556663-0355	Bollnäs, Sweden			
NIBE AB	556056-4485	Markaryd, Sweden			
NIBE Beteiligungen- verwaltungs GmbH	295717d	Vienna, Austria			
NIBE-BIAWAR Sp. z o.o.	050042407	Bialystok, Poland			
NIBE Energietechnik B.V.	20111793	Willemstad, Netherlands			
NIBE Energy Systems Inc	99 03 68 191	Wilmington, USA			
NIBE Energy Systems Ltd	5764 775	Sheffield, UK			

Note 22 Shares in associates

Name	Corporate ID number	Registered office	Number of shares
Naturwärme GmbH	DE 218460267	Mühlau, Germany	7,500
	Share of equity	Carrying amount	Group share of profit after tax 2012
			Group share of equity 2012
(in millions of SEK)			
Naturwärme GmbH	30.0%	0.0	0.0
			0.0

Note 23 Share capital

	Quota value (SEK)	Number of A shares	Number of B shares	Total shares
At start of year	0.625	13,160,256	96,879,181	110,039,437
Non-cash issue	0.625	–	214,201	214,201
Conversion	0.625	– 100,000	100,000	–
At year-end	0.625	13,060,256	97,193,382	110,253,638

The share issue was registered on 20 April 2012.

The dividend for 2012 proposed but not yet approved is SEK 2.00 per share. This corresponds to a total payout of SEK 220.5 million. See also under the heading 'Appropriation of profits' on page 57.

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 2012 there were no convertible bonds or options that can dilute the share capital, nor were there any at the end of the preceding year.

Notes

Note 24 Provisions for pensions

ITP occupational pension plan secured via Alecta

The commitments for retirement pensions and family pensions for white-collar staff in Sweden are secured through an insurance policy with Alecta. In accordance with a statement from the Swedish Financial Reporting Board, UFR 3, this is a multi-employer defined-benefit plan. For the 2012 financial year the company has not had access to the kind of information that would enable it to recognise this plan in the accounts as a defined-benefit plan. The ITP occupational pension plan secured through an insurance policy with Alecta is, therefore, recognised as a defined-contribution plan. The contributions for the year for pension insurance policies taken out with Alecta amounted to SEK 9.0 million (2011: SEK 8.2 million). Alecta's surplus can be distributed to the policy holders and/or the insured. At the 2012 year-end Alecta's surplus in the form of the collective funding ratio was 129% (2011: 113%). The collective funding ratio consists of the market value of Alecta's assets as a percentage of the insurance commitments calculated in accordance with Alecta's actuarial commitments, which is not in conformity with IAS 19.

Defined-benefit pensions

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

The estimated present value of the Group's defined-benefit pension commitments is based on the actuarial assumptions shown in the adjoining table. A reduction of 0.5 percentage points in the assumed discount rate would result in an increase in the estimated present value of the pension commitments of SEK 67.5 million. An increase of 0.5 percent would reduce the estimated present value by SEK 61.7 million.

Defined-contribution plans

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

(in millions of SEK)	2012		Total
	Funded plans	Un-funded plans	
Reconciliation of pension obligations			
Present value at start of year	678.3	59.8	738.1
Present value in acquired companies	28.8	-	28.8
Premiums from employer	14.5	1.2	15.7
Interest on obligations	17.4	1.9	19.3
Premiums from employee	19.8	-	19.8
Benefits paid	- 33.2	- 1.6	- 34.8
Actuarial gains/losses during period	69.8	- 0.6	69.2
Translation differences	- 22.2	- 0.7	- 22.9
Present value at end of year	773.2	60.0	833.2
Unrealised actuarial gains (+), losses (-)	- 67.1	- 15.7	- 82.8
Fair value at end of year	706.1	44.3	750.4
Reconciliation of plan assets			
Fair value at start of year	588.1	-	588.1
Fair value in acquired companies	28.4	-	28.4
Expected return on plan assets	17.9	-	17.9
Actuarial gains (+), losses (-) during period	0.7	-	0.7
Premiums from employer	21.6	-	21.6
Premiums from employees	19.8	-	19.8
Benefits paid	- 33.2	-	- 33.2
Translation differences	- 18.8	-	- 18.8
Fair value at end of year	624.5	-	624.5
Provisions for pensions			
Retirement benefit obligations, fair value	706.1	44.3	750.4
Plan assets, fair value	- 624.5	-	- 624.5
Provisions for pensions	81.6	44.3	125.9
Pension costs			
Current contributions	- 7.1	1.2	- 5.9
Interest on obligations	17.4	1.9	19.3
Expected return on plan assets	- 17.9	-	- 17.9
Actuarial gains (-), losses (+) during period	0.3	0.8	1.1
Pension costs, defined-benefit plans	- 7.3	3.9	- 3.4
Pension costs, defined-contribution plans			106.9
Total pension costs			103.5
Reconciliation of provisions for pensions			
Opening balance	91.2	42.6	133.8
Provisions in acquired companies	0.4	-	0.4
Pension costs defined-benefit plans	- 7.3	3.9	- 3.4
Benefits paid	-	- 1.6	- 1.6
Translation differences	- 2.7	- 0.6	- 3.3
Closing balance	81.6	44.3	125.9
For 2013 expected pension costs for defined benefit plans are	23.4	3.1	26.5
Composition of plan assets			
Shares	38.8		
Interest-bearing securities	411.7		
Property etc.	174.0		
Total plan assets	624.5		
Actuarial assumptions			
	Switzerland	Sweden	
Discount rate on 1 January	2.50%	4.00%	
Discount rate on 31 December	2.00%	4.00%	
Expected salary increases	1.00%	3.00%	
Expected inflation	1.00%	2.00%	
Expected return on plan assets:			
- shares	2.50%	-	
- interest-bearing securities	2.50%	-	
- property, etc.	2.50%	-	
Parent			
The parent's recognised pension liabilities amount to SEK 2.5 million (SEK 1.7 million) and are calculated in accordance with the Pension Obligations Vesting Act and not with IAS19.			

(in millions of SEK)	2011		Total
	Funded plans	Un-funded plans	
Reconciliation of pension obligations			
Present value at start of year	-	50.2	50.2
Present value in acquired companies	673.5	4.6	678.1
Premiums from employer	4.9	2.5	7.4
Interest on obligations	7.0	1.8	8.8
Premiums from employees	7.8	-	7.8
Benefits paid	- 9.5	- 1.8	- 11.3
Actuarial gains/losses during period	- 6.2	2.8	- 3.4
Translation differences	0.8	- 0.3	0.5
Present value at end of year	678.3	59.8	738.1
Unrealised actuarial gains (+), losses (-)	1.0	- 17.2	- 16.2
Fair value at end of year	679.3	42.6	721.9
Reconciliation of plan assets			
Fair value in acquired companies	578.8	-	578.8
Expected return on plan assets	7.2	-	7.2
Actuarial gains (+), losses (-) during period	- 5.3	-	- 5.3
Premiums from employer	8.3	-	8.3
Premiums from employees	7.8	-	7.8
Benefits paid	- 9.5	-	- 9.5
Translation differences	0.8	-	0.8
Fair value at end of year	588.1	-	588.1
Provisions for pensions			
Retirement benefit obligations, fair value	679.3	42.6	721.9
Plan assets, fair value	- 588.1	-	- 588.1
Provisions for pensions	91.2	42.6	133.8
Pension costs			
Current contributions	- 3.4	2.5	- 0.9
Interest on obligations	7.0	1.8	8.8
Expected return on plan assets	- 7.2	-	- 7.2
Actuarial gains (+), losses (-) during period	-	0.6	0.6
Pension costs, defined-benefit plans	- 3.6	4.9	1.3
Pension costs, defined-contribution plans			85.7
Total pension costs			87.0
Reconciliation of provisions for pensions			
Opening balance	-	35.2	35.2
Provisions in acquired companies	94.7	4.6	99.3
Pension costs defined-benefit plans	- 3.6	4.9	1.3
Benefits paid	-	- 1.8	- 1.8
Translation difference	0.1	- 0.3	- 0.2
Closing balance	91.2	42.6	133.8
Composition of plan assets			
Shares	49.6		
Interest-bearing securities	373.2		
Property etc.	165.3		
Total plan assets	588.1		
Actuarial assumptions			
	Switzer-land	Sweden	
Discount rate on 1 January	-	4.00%	
Discount rate on 31 December	2.50%	4.00%	
Expected salary increases	1.00%	3.00%	
Expected inflation	1.00%	2.00%	
Expected return on plan assets:			
- shares	3.00%	-	
- interest-bearing securities	3.00%	-	
- property, etc.	3.00%	-	

Note 25 Other provisions

(in millions of SEK)	Guarantee risk reserve	Other	Total Group	Parent
Amount at start of year	188.0	154.4	342.4	97.1
Provisions during the year	57.6	41.6	99.2	32.2
Amount utilised during the year	- 68.6	- 8.8	- 77.4	-
Reversals in provisions	- 5.2	- 6.4	- 11.6	- 6.0
Translation differences	- 9.4	- 2.2	- 11.6	1.8
Amount at year-end	162.4	178.6	341.0	125.1

Guarantees are normally provided for 1 or 2 years. The guarantee risk reserve is calculated on the basis of the cost history of these commitments. Other provisions consist primarily of provisions for contingent consideration. It is anticipated that these will be largely settled within three years, and the majority are recognised in the parent's balance sheet.

Note 26 Bank overdraft facilities

Credit facilities granted in the Group totalled SEK 1,097.9 million (SEK 1,030.6 million). The Group's overdraft was reduced during the year by SEK 67.3 million. The facility granted for the parent was SEK 400.0 million (SEK 200.0 million), which represents an increase of SEK 200.0 million during the year. Agreements are in place on long-term refinancing.

Note 27 Accrued expenses and deferred income

(in millions of SEK)	Group		Parent	
	2012	2011	2012	2011
Accrued salaries	194.2	200.6	2.5	2.4
Accrued payroll overheads	60.6	68.2	1.8	1.8
Other items	191.9	211.1	3.9	2.7
Amount at year-end	446.7	479.9	8.2	6.9

Note 28 Pledged assets

(in millions of SEK)	Group		Parent	
	2012	2011	2012	2011
Floating charges	116.0	116.1	4.0	4.0
Real estate mortgages	303.1	360.1	-	-
Receivables	46.1	3.5	2.0	1.3
Shares in subsidiaries ¹⁾	6,568.8	6,719.8	5,234.9	5,252.9
Total pledged assets	7,034.0	7,199.5	5,240.9	5,258.2
¹⁾ Liabilities to credit institutions for which shares have been pledged as collateral	3,247.2	3,574.6	3,244.2	3,574.6

Note 29 Contingent liabilities

(in millions of SEK)	Group		Parent	
	2012	2011	2012	2011
Pension commitments not entered under liabilities or provisions	0.9	1.0	-	-
Contingent liabilities on behalf of other Group companies	-	-	197.0	142.4
Total contingent liabilities	0.9	1.0	197.0	142.4

Note 30 Acquisition of companies

In June NIBE reached an agreement to acquire the Eltwin Group (Denmark), which produces measuring and control technology for the energy sector. The Eltwin Group reports annual sales of some SEK 85 million and an operating margin of approximately 9%. It is to be consolidated into the NIBE Element business area with effect from March 2013. This acquisition supports NIBE Element's strategic intention to complement its offering to the market with measuring and control technology for the energy sector.

In August NIBE acquired 70% of the shares in Akvaterm Oy (Finland), a manufacturer of accumulator tanks. Energy-storage facilities have become an increasingly important factor in heating systems, so this company's product range is an excellent complement to NIBE Energy Systems' offering to the market. Akvaterm has annual sales of approximately SEK 60 million and an operating margin of around 15%. It was consolidated into the NIBE Energy Systems business area in September. Agreement has been reached to acquire the remaining 30% stake in 2015. The acquisition value is still provisional as certain issues relating to premises have yet to be fully resolved.

At the end of December NIBE acquired the element manufacturing operations of Springfield Wire Inc. (USA), with annual sales of approximately SEK 330 million and an operating margin of approximately 4%. The main focus of business activities, which are carried out in the USA, Mexico and China, is the manufacture of tubular electric elements for use in white goods and various industrial applications. The North American units will be integrated into the NIBE Group's existing operations, while the Chinese business will continue to function independently. Operations were consolidated into the NIBE Element business area on 31 December. The acquisition is expected to deliver significant cost synergies and commercial benefits for NIBE Element's operations in North America. Because only a short time has passed since the acquisition, the actual acquisition value is still provisional.

During the year direct acquisition costs of SEK 14.5 million (SEK 61.8 million) were recognised as administrative costs in profit or loss. Acquired carrying amounts of receivables have been written down by SEK 0.3 million. Fair values are deemed to correspond to acquired carrying amounts.

Consideration consists of the following (in millions of SEK)	Group	
	2012	2011
Initial considerations	201.4	5,387.2
Additional considerations	30.9	63.2
Total consideration	232.3	5,450.4
Fair value of net assets acquired	81.9	2,185.9
Goodwill	150.4	3,264.5
Consideration	232.3	5,450.4
Directed non-cash issue	-	- 1,744.9
Cash and cash equivalents in acquired companies	- 6.3	- 223.7
Effect on the Group's cash and cash equivalents	226.0	3,481.8

Goodwill is attributable to the profitability of the operations acquired as well as to the synergy effects, particularly in material supply and distribution, that are anticipated within the Group. Tax-deductible goodwill arising from the purchase of the net assets is included at SEK 101.1 million (SEK 56.5 million).

The acquired net assets are made up as follows: (in millions of SEK)	Group	
	Fair value	Carrying amounts acquired
Market positions	6.1	-
Brands and trademarks	5.7	-
Tangible assets	40.8	38.4
Financial assets	12.1	0.2
Current receivables	83.6	83.6
Inventories	47.4	47.4
Cash and cash equivalents	6.3	6.3
Provisions	- 36.3	-
Liabilities	- 83.8	- 62.2
Net assets acquired	81.9	113.7

Note 31 Events after the end of the reporting period

At the end of January 2013 NIBE acquired a 60% stake in the English wood-burning stove manufacturer, Stovax Heating Group Limited, which has annual sales of some SEK 380 million and an operating margin of approximately 15%. With a product range that includes both wood-fired and gas-fired stoves, Stovax commands a leading position in its domestic market. Stovax operations have been consolidated into the NIBE Stoves business area with effect from February 2013. In terms of both products and market penetration the acquisition of Stovax makes a significant contribution to complementing the existing strengths of NIBE Stoves. Agreement has also been reached on the acquisition of the remaining 40% of shares in the company in 2016.

Corporate governance report

Corporate governance in NIBE Industrier AB (NIBE) is performed by the Annual General Meeting, the Board of Directors and the Managing Director/CEO in accordance with the Swedish Companies Act (Swedish Code of Statutes 2005:551), the company's Articles of Association, the Swedish Annual Accounts Act (1995:1554), the listing agreement with the NASDAQ OMX Stock Exchange in Stockholm, and the Swedish Code of Corporate Governance (the Code).

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

Ownership

NIBE has its registered offices in Markaryd, Sweden, and the company's shares have been listed on the NASDAQ OMX Stockholm Exchange since 1997, with a secondary listing on the SIX Swiss Exchange since August 2011. On 31 December 2012 NIBE had 16,884 registered shareholders, excluding previous owners of the Schulthess Group AG who have become shareholders in NIBE. As the Swiss authorities do not report any details relating to individual shareholders in Switzerland to NIBE, it is not possible to determine the total number of shareholders. The ten largest shareholders comprise the constellation of 'current and former board members and senior executives' with a total of 24% of the capital and 48% of voting rights, followed by Melker Schörling who holds 11% of the capital and 20% of the voting rights, and eight institutional investors with a total of 21% of capital and 10% of voting rights, one of whom represents the previous owners of the Schulthess Group AG. Together these ten constellations of investors hold a total of 56% of the capital in the company and 78% of the votes.

Annual General Meeting

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

The most recent AGM, held on 10 May 2012 in Markaryd, was attended by 340 shareholders. Those present represented 48% of the shares and 74% of the total number of votes in the company. The AGM was attended by the Board of Directors, the MD/CEO and the company's auditors. The minutes of the AGM and the company's articles of association are available on the company's homepage.

There are no limitations in the articles of association as to the number of votes a shareholder may hold at a general meeting of the company, the appointment or dismissal of directors of the company, or changes to the company's articles of association.

The 2012 AGM gave the Board of Directors a mandate to issue new class B shares, on one or more occasions and without regard to the shareholders' preferential rights, to be used as payment for the company's acquisition of other companies or businesses. This mandate is valid until the 2013 AGM and is restricted to a maximum of 10% of the number of class B shares issued at the time of the AGM.



Board procedures

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

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

It is the opinion of the Board of Directors that all directors with the exception of the CEO are independent in relation to the company. Please see pages 88-89 for a brief presentation of the directors of the company.

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

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

The Chairman leads the work of the Board and ensures that it is carried out in accordance with the Swedish Companies Act and other relevant legislation. The Chairman follows the progress of operations through consultations with the MD/CEO, and is responsible for ensuring that other members of the Board receive the necessary information to enable them to hold discussions of a high quality and make the best possible decisions. The Chairman is also responsible for evaluating the work of the Board.

The work of the Board of Directors

During 2012 the Board of Directors held 14 meetings, of which seven were traditional round-table meetings, four were telephone conferences and three were per capsulam meetings, where information was shared by circulating the papers among the board members. All meetings were minuted.

Attendance at board meetings was good with full attendance for 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 report that has been circulated.
- Financial report. Review of the financial information circulated.
- Investments. Decisions regarding investments exceeding SEK 10 million, based on the data circulated.
- Legal processes. Review of new or ongoing legal processes when appropriate.
- Acquisitions. Report on ongoing discussions and decisions concerning the acquisition of companies, as and when appropriate.
- Press releases, etc. When appropriate, a review of proposals for external reports to be published after the meeting.

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

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





The Board of Directors (left to right): Anders Pålsson, Hans Linnarson, Georg Brunstam, Gerteric Lindquist, Arvid Gierow and Eva-Lotta Kraft.

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

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

External Auditors

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

Mazars SET Revisionsbyrå AB was re-elected for a period of one year at the AGM in 2012 with Bengt Ekenberg elected as the senior auditor.

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

The company's senior auditor reports his observations from the audit and his assessment of the company's internal controls to the Board as a whole.

Over and above normal auditing duties, Mazars SET Revisionsbyrå assists in particular with due diligence reviews in conjunction with corporate acquisitions and with accounting consultations. Information on the remuneration of auditors is given in Note 5 to the annual accounts.

Group management

The CEO, who is also appointed by the Board of Directors as Managing Director of the parent company, exercises day-to-day control of the Group, and the three directors of the Group's business areas report to him.

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

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

Governance of business areas

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

Decision-making process

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

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

Remuneration to the Managing Director is a matter decided by the

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

The company does not have a Nomination Committee (item 2.1 in the Code), a Remuneration Committee (item 9.1 in the Code) or an Audit Committee (item 7.3 in the Code). NIBE does not comply with the Code in respect of nominations because of the clear ownership structure with two principal shareholder constellations, which together control 70% of the company's votes, and which also enjoy mutually cordial relations. The Board of Directors is not too large to carry out the audit and remuneration tasks in a manner consistent with the Swedish Companies Act and the Code.

Remuneration

The 2012 AGM resolved that the fees to the Board of Directors and the fees to the auditors should be paid in accordance with approved accounts. At the same time, policies for the remuneration of the MD/CEO and other key management personnel were detailed and approved. Further information about the principles that apply can be found in Note 6 to the annual accounts.

Fees for the Board of Directors for 2012 amounted to SEK 1,200,000 in accordance with a resolution upheld by the AGM. Of this amount, the Chairman of the Board received SEK 400,000 in accordance with the AGM's resolution. Fees are not payable to members of the Board of Directors who are employed in the Group.

Salary and other remuneration paid to the MD/CEO in 2012 amounted to SEK 3,403,000. The MD/CEO also has free use of a car. Salaries paid to four other senior management executives totalled SEK 9,543,000. These senior executives also enjoy free use of company cars. A financial contribution towards removal costs is available to newly recruited senior executives.

Severance pay

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

Pensions

The Chairman of the Board and the directors of the company receive no retirement benefits in respect of their work on the Board. Retirement age for the MD/CEO and other senior executives is 65. No special agreements have been reached that entitle senior executives to retire before the official retirement age while still retaining part of their salary in the interim.

The MD/CEO has an individual pension insurance arrangement that corresponds to ITP (supplementary pensions for salaried employees). For 2012, 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 MD/CEO paid in excess of this, a premium payment of 30% was made that corresponds to the defined-contribution ITP plan, section 1. Other senior executives in the Group have retirement benefits that correspond to the ITP plan for that portion of their salary up to 30 income base amounts. For salary in excess of this, a premium of 30% is made in accordance with the defined-contribution ITP plan, section 1. An exception is made in the case of the director of one of the business areas, who, in his capacity as Managing Director, has an individual pension arrangement with premiums that correspond to those of other senior executives.

Incentive programme

An incentive programme applies to certain key members of staff/senior executives, according to which they are paid a variable bonus (equivalent to a maximum of three months' salary) if set targets are met. The



In 2012 it was Jacob Macek from NIBE's Czech subsidiary, DZD, who received the Bengt Hjelm Scholarship. Since Bengt Hjelm retired as Chairman of the Board of NIBE Industrier in 2004, the award has been presented each year to a young person from one of the many NIBE companies worldwide, who has served as a good example of the commitment and faith in the future that the company stands for.

possibility also exists to receive an additional month's salary on condition that this additional payment plus another monthly salary paid as a variable bonus or part of a variable bonus is used to purchase NIBE shares. A further condition for entitlement to receive this additional month's remuneration is that the shares thus purchased are retained for at least three years. Under normal circumstances shares acquired in this way shall be purchased on one occasion each year in February/March and the purchase shall be subject to the relevant insider trading regulations. No incentive programme is offered to the MD/CEO. Certain key individuals in the foreign companies acquired during the year have incentive programmes that, in certain respects, deviate from the principles for remuneration that are otherwise applied in the NIBE Group. Further information about the principles that apply for senior executives can be found in Note 6 to the annual accounts.

Communication with the stock market

The ambition is to maintain a high standard of financial information issued by the Group. Such information must be accurate and transparent in order to create long-term confidence in the company.

Earnings and a summary of the Group's financial position are presented quarterly and, like the annual report, are issued in printed form to all shareholders who so wish. All takeovers and other information that may have an effect on the company's share price are announced via press releases. Full financial information relating to NIBE Industrier is available via the website www.nibe.com. Press releases and reports are posted there at the same time as they are made public.

During the course of the year there have been a number of meetings with Swedish and foreign financial analysts, the media and Aktiespararna, the Swedish Shareholders' Association.

Internal controls of financial reporting in 2012

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

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

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

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

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

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

In addition to the statutory audits of the annual report and statutory audits of the parent and all subsidiaries, the auditors carry out an annual review of how the companies are organised, of existing routines and of compliance with the instructions issued, based on guidelines drawn up by corporate management and approved by the Board of Directors. A summary of internal control procedures is presented each year as part of the board meeting that deals with the year-end accounts.

The Board also has the option of requesting a special audit of a selected business or operations during the year if this is deemed necessary.

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





The Board's assurance

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

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

Markaryd, Sweden – 27 March 2013

Arvid Gierow
Chairman of the Board

Georg Brunstam
Director

Eva-Lotta Kraft
Director

Hans Linnarson
Director

Anders Pålsson
Director

Gerteric Lindquist
MD/Chief Executive Officer

The balance sheets and income statements will be presented for approval at the Annual General Meeting on 15 May 2013.

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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of NIBE Industrier AB (publ) for financial year 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 49–86.

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

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

Auditor's responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2012 and of its financial performance and cash flows in accordance with International Financial Reporting Standards, as

adopted by the EU, and the Annual Accounts Act. A corporate governance report has been prepared and presented. The statutory administration report and corporate governance report are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent and the Group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of NIBE Industrier AB for financial year 2012.

Responsibilities of the Board of Directors and the Managing Director

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

Auditor's responsibility

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

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

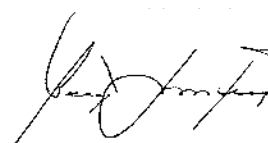
As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

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

Markaryd, Sweden – 27 March 2013
Mazars SET Revisionsbyrå AB



Bengt Ekenberg
Authorised Public Accountant



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



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



GEORG BRUNSTAM (born 1957)
Board member since 2003.
M.Sc. in Engineering.
CEO and director of HEXPOL AB. Director of DIAB Group AB and Beckers Group.
Shareholding in NIBE Industrier: 400 B shares.
Independent director.



EVA-LOTTA KRAFT (born 1951)
Board member since 2010.
M.Sc. in Engineering and MBA.
Director of Boule Diagnostics AB, Opus Group AB, ÅF AB and Xano Industri AB.
Shareholding in NIBE Industrier:
1,000 B shares.
Independent director.



HANS LINNARSON (born 1952)
Board member since 2006.
B.Sc. (Electrical Engineering).
Director of Husqvarna AB. MD and CEO of Husqvarna AB.
Shareholding in NIBE Industrier: 0 shares.
Independent director.



ANDERS PÅLSSON (born 1958)
Board member since 2010.
M.Sc. in Business & Economics.
Director of Lamhults Design Group AB and Trioplast AB.
Shareholding in NIBE Industrier:
2,000 B shares.
Independent director.



GERTERIC LINDQUIST
(born 1951)

Chief Executive Officer. MD of NIBE Industrier AB and NIBE AB. M.Sc. in Engineering and M.Sc. in Business & Economics.

Employed by NIBE since 1988.

Shareholding in NIBE Industrier: 1,504,560 A shares and 3,563,440 B shares.



HANS BACKMAN
(born 1966)

Financial Director, NIBE Industrier AB.

M.Sc. in Business & Economics and MBA.

Employed by NIBE since 2011.

Shareholding in NIBE Industrier: 1,100 B shares.



CHRISTER FREDRIKSSON
(born 1955)

Director, NIBE Element and MD for Backer BHV AB.

M.Sc. in Engineering.

Employed by NIBE since 1992.

Shareholding in NIBE Industrier: 375,840 A shares and 716,960 B shares.



NIKLAS GUNNARSSON
(born 1965)

Director, NIBE Stoves. Engineer.

Employed by NIBE since 1987.

Shareholding in NIBE Industrier: 107,200 B shares.



KJELL EKERMO
(born 1956)

Director, NIBE Energy Systems.

M.Sc. in Engineering.

Employed by NIBE since 1998.

Shareholding in NIBE Industrier: 107,200 B shares.



Auditor

MAZARS SET REVISIONSBYRÅ AB

Senior Auditor
Bengt Ekenberg (born 1960)
Authorised Public Accountant

NORDIC REGION

SWEDEN

NIBE Industrier AB	MARKARYD
NIBE Element	SÖSDALA
NIBE AB	
/NIBE Energy Systems	MARKARYD
/NIBE Stoves	MARKARYD
Backer BHV AB	SÖSDALA
Backer BHV AB/ Calesco Division	KOLBÄCK
Lund & Sørensen AB	MÖLNDAL
METRO THERM AB	KALMAR
Sol & Energiteknik SE AB	HUSKVARNA
Strukturgruppen AB	KUNGSBACKA

DENMARK

Danotherm Electric A/S	RØDOVRE
Genvex A/S	HADERSLEV
JEVI A/S	VEJLE
KVM-Conheat A/S	VISSENBJERG
Lotus Heating Systems A/S	LANGESKOV
Lund & Sørensen A/S	VEJLE
METRO THERM A/S	HELINGE
NIBE Wind Components	ESBJERG
SAN Electro Heat A/S	GRÆSTED
TermaTech A/S	HASSELAGER
Varde Ovne A/S	GRAM
Vølund Varmeteknik A/S	VIDEBÆK

FINLAND

Akvaterm Oy	KOKKOLA
Kaukora Oy	RAISIO
Loyal Oy	LOVISA
NIBE Energy Systems Oy	VANTAA
Oy Meyer Vastus AB	MONNINKYLÄ

NORWAY

ABK AS	OSLO
Alpha-InnoTec Norway AS	STAVANGER
Høiax AS	FREDRIKSTAD
Nordpeis AS	LIERSKOGEN
Norske Backer AS	KONGSVINGER

EUROPE excl. Nordic region

FRANCE

ait-france EURL	BISCHWILLER
Backer Calesco France Sarl	LYON
NIBE Foyers France S.A.S.	REVENTIN

ITALY

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

NETHERLANDS

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

POLAND

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

SWITZERLAND

Alpha-InnoTec Schweiz AG	ALTISHOFEN
Backer ELC AG	AARAU
Merker AG	REGENSDORF
Schulthess Group AG	WOLFHAUSEN
Schulthess Maschinen AG	WOLFHAUSEN

SLOVAKIA

DZ Drazice – Slovensko spol.s.r.o	BRATISLAVA
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SPAIN

Backer Facsa, S.L.	AIGUAFREDA
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UK

Heatrod Elements Ltd	MANCHESTER
NIBE Energy Systems Ltd	CHESTERFIELD

CZECH REPUBLIC

Backer Elektro CZ a.s.	HLINSKO
DZ Drazice – Strojirna s.r.o.	B. NAD JIZEROU
Eltop Praha s.r.o.	MIRETICE

GERMANY

Alpha-InnoTec GmbH	KASENDORF
Alpha-InnoTec Sun GmbH	THOLEY-THELEY
Erdwärme plus GmbH	KASENDORF
NIBE Systemtechnik GmbH	CELLE
Novelan GmbH	KASENDORF

AUSTRIA

KNV Energietechnik GmbH	SCHÖRFLING
Schulthess Maschinen GmbH	AM ATTERSEE
	VIENNA

REST OF THE WORLD

CHINA

Backer Element	BEIJING
Backer HTI	SHENZHEN
Backer Wind Components	TIANJIN
Lund & Sørensen Electric H. Equipment Acc. Co. Lt	TIANJIN
Shel NIBE Man. Co. Ltd	SHENZHEN
Springfield Wire	SHENZHEN

MEXICO

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

RUSSIA

CJSC Evan	NIZ. NOVGOROD
NIBE Kamini LLC	DUBNA

USA

Backer EHP, Inc.	MURFREESBORO, TN
Backer Heating Tech.s Inc	ELGIN, IL
Backer Springfield	LUDLOW, MA
KKT chillers Inc.	ELK GROVE, IL
NIBE Energy Systems Inc	MURFREESBORO, TN

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NIBE

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NIBE is an international heating technology company with business operations organised in three separate business areas, NIBE Energy Systems, NIBE Element and NIBE Stoves. Our vision is to create world-class solutions in sustainable energy. Our mission is to offer energy technology products and solutions that combine high quality with innovation. This work builds on the NIBE Group's wide-ranging expertise in the fields of product development, manufacturing and marketing.

NIBE

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