

# NIBE

– world-class solutions in sustainable energy



Annual Report 2013

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## Calendar

### 15 May 2014

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First quarter report, January – March 2014

Annual General Meeting

### 15 August 2014

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Second quarter report, January – June 2014

### 14 November 2014

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Third quarter report, January – September 2014

## Financial Information

The complete annual report and AGM notice are sent to all shareholders unless they have informed the company that they do not wish to receive any written information. The annual report is also published on our website [www.nibe.com](http://www.nibe.com).

# Our operations

|               |                  |                  |                                  |               |
|---------------|------------------|------------------|----------------------------------|---------------|
| Net sales     | Operating profit | Operating margin | Profit after net financial items | Profit margin |
| SEK 9,833.6 m | SEK 1,179.2 m    | 12.0%            | SEK 1,117.4 m                    | 11.4%         |

- **SALES** increased to SEK 9,833.6 m (SEK 9,192.3 m)
  - **PROFIT AFTER NET FINANCIAL ITEMS** rose to SEK 1,117.4 m (SEK 1,005.4 m)
  - **EARNINGS AFTER TAX** increased to SEK 858.0 m (SEK 763.5 m)
  - **PROFIT** per share before and after dilution increased to SEK 7.78 (SEK 6.93)
- **ACQUISITION OF**
    - 60% of shares in the Stovax Heating Group Ltd, UK
    - Eltwin Group, Denmark
    - operations in Technibel SAS, France

| The year in figures                    |       | 2013     | 2012    | Change         |
|--|-------|----------|---------|----------------|
| Net sales                              | SEK m | 9,833.6  | 9,192.3 | 7 %            |
| Growth                                 | %     | 7.0      | 12.9    | - 5.9 % points |
| Operating profit                       | SEK m | 1,179.2  | 1,039.1 | 13 %           |
| Profit after net financial items       | SEK m | 1,117.4  | 1,005.4 | 11 %           |
| Investments                            | SEK m | 911.6    | 477.5   | 91 %           |
| of which in existing plant & machinery | SEK m | 309.2    | 251.5   | 23 %           |
| Gross margin                           | %     | 15.9     | 15.3    | 0.6 % points   |
| Operating margin                       | %     | 12.0     | 11.3    | 0.7 % points   |
| Profit margin                          | %     | 11.4     | 10.9    | 0.5 % points   |
| Capital employed                       | SEK m | 10,166.7 | 9,375.5 | 8 %            |
| Equity                                 | SEK m | 5,575.4  | 4,857.9 | 15 %           |
| Return on capital employed             | %     | 12.4     | 11.8    | 0.6 % points   |
| Return on equity                       | %     | 16.7     | 15.9    | 0.8 % points   |
| Return on total assets                 | %     | 9.9      | 9.5     | 0.4 % points   |
| Asset turnover                         | times | 0.80     | 0.79    | 2 %            |
| Equity/assets ratio                    | %     | 43.0     | 41.9    | 1.1 % points   |
| Proportion of risk-bearing capital     | %     | 47.2     | 46.5    | 0.7 % points   |
| Operating cash flow                    | SEK m | 787.9    | 765.6   | 3 %            |
| Net debt/EBITDA                        | times | 1.9      | 2.5     | -25 %          |
| Interest cover                         | times | 12.4     | 11.0    | 13 %           |
| Interest-bearing liabilities/Equity    | %     | 82.3     | 93.0    | -10.7 % points |
| Average number of employees            |       | 8,983    | 8,006   | 12 %           |

Please refer to page 56 for definitions.

## Dividend

The Board of Directors proposes that the Annual General Meeting approve a dividend of SEK 2.35 per share for the 2013 financial year, corresponding to a total payout of SEK 259.1 million. If this proposal is accepted, it is anticipated that the dividend will be despatched from Euroclear Sweden AB on Friday, 23 May 2014.

## Annual General Meeting

Will be held at NIBE in Markaryd in Sweden on Thursday 15 May 2014 at 17.00 (5pm).

# 2013

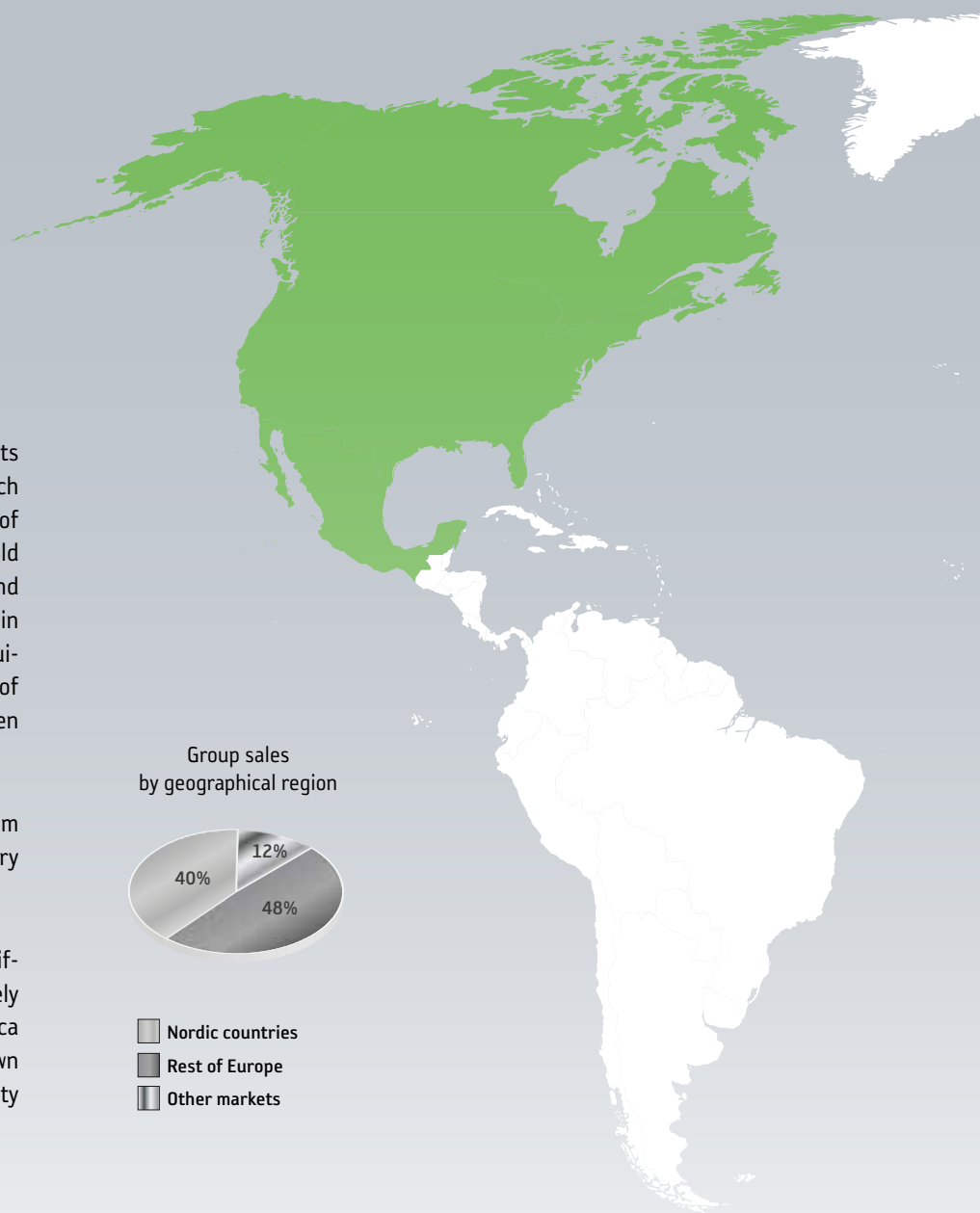
# This is NIBE

A global organisation with 70 companies and sales on four continents

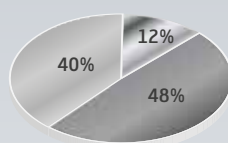
NIBE is a Swedish company, with its roots in the southern province of Småland, which has a tradition going back many years of manufacturing products for both household and commercial use. Entrepreneurship and a passion for doing business, investments in product development and corporate acquisitions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

NIBE is listed on the NASDAQ OMX Stockholm Exchange, Large Cap list, with a secondary listing on the SIX Swiss Exchange.

Operations are pursued through three different business areas with approximately 9,000 employees in Europe, North America and Asia. Each business area has its own operational management with responsibility for profits.



Group sales by geographical region



-  Nordic countries
-  Rest of Europe
-  Other markets

## NIBE Energy Systems



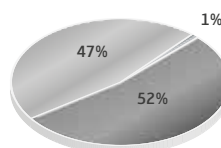
### Energy solutions for indoor comfort and heating




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

#### 2013

|                         |               |
|-------------------------|---------------|
| Net sales               | SEK 5,739.9 m |
| Growth                  | - 2.7 %       |
| Operating profit        | SEK 844.2 m   |
| Operating margin        | 14.7 %        |
| Av. number of employees | 2,943         |

Sales by geographical region



-  Nordic countries
-  Rest of Europe
-  Other markets

Find out more on page 30



## NIBE Element



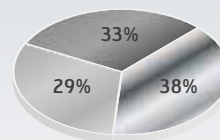
### Industrial partner with customised solutions

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

#### 2013

|                         |               |
|-------------------------|---------------|
| Net sales               | SEK 2,821.8 m |
| Growth                  | 20.8 %        |
| Operating profit        | SEK 216.7 m   |
| Operating margin        | 7.7 %         |
| Av. number of employees | 5,121         |

#### Sales by geographical region



- Nordic countries
- Rest of Europe
- Other markets



Find out more on page 38

## NIBE Stoves



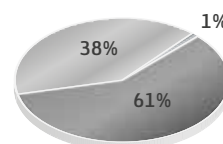
### A wide selection of wood-burning stoves for different heating needs

NIBE Stoves' product range comprises wood-burning stoves of various sizes and designs to suit different kinds of homes and properties. The range also includes chimney systems and other accessories.

#### 2013

|                         |               |
|-------------------------|---------------|
| Net sales               | SEK 1,395.3 m |
| Growth                  | 31.1 %        |
| Operating profit        | SEK 151.8 m   |
| Operating margin        | 10.9 %        |
| Av. number of employees | 912           |

#### Sales by geographical region



- Nordic countries
- Rest of Europe
- Other markets

Find out more on page 44



## 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 energy efficiency 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.

### Hot water – always on tap

You always need plenty of hot water with children in the family. So it feels good to be able to rely on a constant supply from a reliable NIBE water heater and heating elements.

### Cosy up to a wood-burning stove

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

### Welcomingly warm floors

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

### 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.

### A pleasant indoor climate

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







## We heat and cool properties that present a big challenge

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



### Air heats up aviation institution in Estonia

The Aviation Academy trains aviation specialists in Estonia. The building's modern architecture is reminiscent of an aircraft propeller and really catches the eye when seen from above. Six air/water heat pumps heat the building using ventilation, radiators and underfloor heating, while also producing hot water. With the cost recovered in about six years, this heating solution is an excellent example of how environmental adaptation and financial benefits go hand in hand.

### Green hotel in Budapest

Hotel Stáció is a four-star hotel complex connected to Budapest International Airport. The complex has been awarded the title "Green Hotel" as it satisfies EU environmental requirements, which include stipulations regarding heating and cooling. Three geothermal heat pumps, which use the groundwater as a source of heat, supply heating and cooling and also heat the tap water, as well as the hotel's swimming pool.



### Swedish Biltema expands

Swedish hardware store Biltema is expanding significantly in Sweden and expects to double in terms of size and sales within the next four to five years. This level of expansion requires a careful approach to costs and the environment. NIBE geothermal heat pumps to both heat and cool properties provide a cost effective and eco-friendly solution. Moreover, free cooling is becoming increasingly important for owners of commercial properties.

### Lithuanian spa gives energy

The guests at Grand SPA Lietuva can relax and boost their energy levels in a stunning, immaculate setting on the hillside of the popular recreational resort of Druskininkai in southern Lithuania. The region enjoys a mild climate, as well as exceptionally clean air. Geothermal heat pumps and air/water heat pumps supply the facility with a pleasant indoor climate and hot water without polluting the beautiful surroundings in any way.





## 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 a number of 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 vehicles 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. Heated cameras for ice-free night vision improve safety for drivers of heavy goods vehicles. Warm handles for scooter drivers are another example of increased comfort. And a new application from NIBE is heated windscreen wipers, which are highly likely to become a standard feature on tomorrow's cars and lorries.



### Reliable rail traffic in winter

NIBE provides solutions for many different applications within rail transport. 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 hybrid vehicles by developing new elements for pre-heating batteries and resistors that can make use of the energy generated when braking.

### 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.



### Wind turbines

The 21st century has seen a surge in the number 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 ensure a more consistent power supply to the grid.

### 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.



# The Chief Executive's Report



*Gerteric Lindquist,  
Managing Director and CEO*

In a challenging operating environment in 2013, the Group's sales increased by 7%, while its operating margin improved to 12% and profit margin to 11.4%.

Through methodical efforts to adapt fixed costs, create a high level of flexibility in production capacity and further develop productivity, both NIBE Energy Systems and NIBE Element have succeeded in improving their operating margins and NIBE Stoves managed to retain the previous year's level. Meanwhile, all three business areas have stepped up the rate of product development, which has resulted in a considerable number of product launches.

In terms of the market, the best news for NIBE Energy Systems was the stabilisation and slight increases in the heat-pump markets in Germany, France and Switzerland, combined with a manifest improvement in Swedish heat-pump sales during the latter part of 2013.

For NIBE Element, the most positive market trend was in North America, which is now also the business area's largest market following the acquisitions of Emerson Heating Products and Springfield Wire.

The UK has now become the largest market for NIBE Stoves, following the acquisition of Stovax. The UK market has also been the only one where demand has displayed a clear positive trend, which has benefitted both Stovax and the business area's other UK operations.

Hopefully we will be able to look back on 2013 as the year in which the global economy bottomed out and embarked on a gradual recovery following the difficult years since 2007/2008. Despite the problematic global situation, the NIBE Group has succeeded in doubling both sales and profit since 2006. This achievement is largely attributable to our corporate culture, which is based on an entrepreneurial spirit and a passion for doing business, where healthy profitability and continual growth are the key factors for success.

“ *This achievement is largely attributable to our corporate culture, which is based on an entrepreneurial spirit and a passion for business, where healthy profitability and continual growth are the key factors for success.* ”

Although many may see it as a constant refrain, it is still important to emphasise that these factors are in turn founded on what we consider to be essential values: thriftiness, a long-term approach, common sense, simplicity, honesty and perseverance.

The NIBE that exists today is an entirely different group to the NIBE of seven years ago. Our expansion has given us an improved geographical spread, in which the main focus has shifted from the Nordics to the rest of Europe, while North America and Asia are gaining significance for us. Furthermore, our product range is now much broader, more advanced and better adapted to each individual market. We have also undergone some major changes in terms of management. In particular, acquisitions have helped us create both a better breadth and a natural international element to our leadership.

*In light of the above, we believe that in the coming years the following trends will strengthen:*

***Requirements for extensive and rapid product development will continue.***

Our own investments in product development and the pace of new product launches are now at unprecedented levels and we intend, at the very least, to maintain these levels going forward. Our numerous investments in laboratories and advanced testing equipment will also be treated as a key element of this forward-looking strategy.

***Effective and high quality production will remain an important competitive tool.***

This is the NIBE Group's forte. It makes no difference where in the world we are engaged in manufacturing, our primary focus is always productivity and quality. Our ability to retain a stable and healthy level of profitability in good times and bad enables us to keep up a steady pace of investment, which benefits a long-term approach and the level of technology in our production facilities.

***A committed and skilled workforce will become increasingly significant.***

Committed and able employees have always been a vital prerequisite for successful business and the significance of this will increase as we move forward. Our decentralised business model is a natural way of giving our employees a high level of responsibility, and we are convinced that the confidence we display in our staff attracts new talent and encourages commitment and loyalty.

***To retain its competitive edge a company needs to be among the market leaders in its sector.***

The purposeful growth strategy we have pursued over the past 25 years had that very objective and we are delighted to see that all our three business areas have succeeded in becoming market leaders within their respective industries.

This has been achieved through a combination of organic growth and acquisitions. The organic momentum has been based on products with outstanding technical performance that are high quality and affordable, combined with consistent and professional marketing. We believe that we will be able to achieve future organic expansion in exactly the same way.

Acquisitions will continue to be an essential element in keeping up the pace of expansion and retaining our market-leading positions. Our experiences from all the acquisitions completed to date will therefore be highly significant in our continued acquisition strategy.

***Sustainable value creation will gain even greater importance.***

Sustainability and sustainable value creation are concepts that have gained a footing in our collective consciousness as the extent of resource wastage and environmental contamination has become more evident in the world.

The concept of sustainability is not new to us at NIBE, although we have perhaps had a more

commonplace approach to the issue by always being frugal and careful over the use of available resources. The fact that we also combine this fundamental approach with our mission of developing world-class solutions in sustainable energy makes the concepts of sustainability and sustainable value creation completely clear and natural.

The combination of these future commitments and our own 60-year, solid industrial history gives us considerable confidence in the future in terms of our opportunities to continue to build an even bigger, stronger corporate group.

**Outlook for 2014**

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.

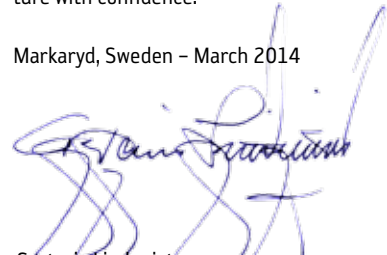
In terms of markets, most of our exposure is towards countries with strong economies.

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

We will be defending our margins through continual initiatives to improve productivity and by observing great caution with regard to our fixed costs. There will also be a considerable focus on professional marketing and a high pace of product development.

Combined with an increasing number of positive economic signals, we can look to the future with confidence.

Markaryd, Sweden – March 2014



Gerteric Lindquist  
Managing Director and CEO



# Important Events during the Year

## First quarter



### Stovax Group joins NIBE

In January, NIBE acquired 60% of UK wood-stove company Stovax Heating Group. Through the acquisition, NIBE Stoves is expanding its range of both gas and electric stoves. The products in both traditional English style and with exciting international designs are being sold under the brands Stovax and Gazco. One of the most important factors for us when acquiring companies is that we retain an experienced and committed management team.



### Eltwin and NIBE develop together

In February, NIBE Element completed the acquisition of Danish company Eltwin, which specialises in steering and control of electric motors. With their specialist expertise they will strengthen NIBE's commitment to developing world-class solutions in sustainable energy.

## Second quarter



### Increasing presence at international ISH fair

As we expand in Europe we are also finding more opportunities to expose our products. At the international trade fair ISH 2013 in Frankfurt, Germany, we exhibited 13 different brands from both NIBE Energy Systems and NIBE Stoves, taking up a total exhibition space of almost 2,000 square metres. It was our largest ever venture in a trade fair setting.

## Third quarter



### Major focus on training

In order to successfully market our products we need to understand the technology behind them and be aware of how they function in practice. Substantial resources have therefore been invested in training installers and distributors all over Europe, in conjunction with the market launches of a considerable number of new products from NIBE Energy Systems. Training venues, including in Markaryd, Sweden, have been in constant use.



### Launch of inverter-controlled heat pump

NIBE Energy Systems launched its new inverter-controlled heat pump, which is being marketed under the slogan – everything you could wish for in a heat pump – the perfect heat pump.

## Fourth quarter



### Backer OBR in Poland expands

The production facility at Polish Backer OBR was extended to meet levels of demand for European quality production, with the advantage of lower labour costs. The move also provides us with a firm base for future cost-effective expansion.



### NIBE's Capital Markets Day

In November, we welcomed analysts and investors to our Capital Markets Day at ait-deutschland in Kasendorf, Germany. NIBE's operations and objectives were presented and interspersed with visits to production facilities and the mini exhibition, which featured a selection of new products from all three business areas and was set up specially for Capital Markets Day.



# Our vision, mission, objectives and strategies



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

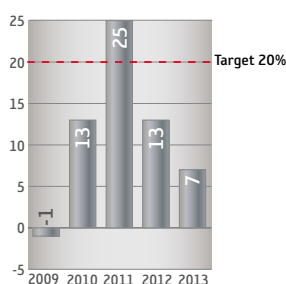
**Mission statement** Our mission is to offer the market high-quality, innovative energy-efficient products and system solutions through our three business areas. This work builds on the NIBE Group's wide-ranging capabilities in product development, manufacturing and marketing.

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

## 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.

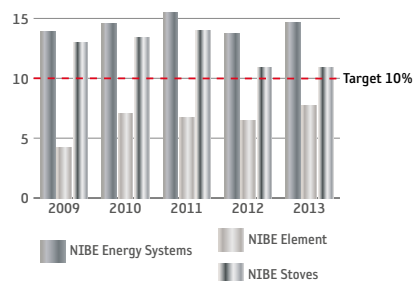


Annual growth over the past five years averages 11.1%.

# 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 14.5%, NIBE Element 6.6% and NIBE Stoves 12.4%.

# 10%

**Strategy** We have divided our strategy into seven different focus areas to make clear the attitude that is required and the methods to be used.

### Profitability

is maintained through:

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

### Growth

will occur through:

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

### Competitiveness

is strengthened through:

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

### A holistic approach to environmental issues

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

### Sincerity and an ethical attitude

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

### Customer satisfaction and peace of mind

is our constant goal, to be achieved through:

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

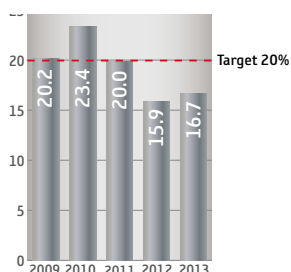
### Co-worker commitment

is strengthened through:

- Training and developing individual employees and the organisation as a whole
- Motivating key employees
- A stake in the Group.

### Return on equity

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

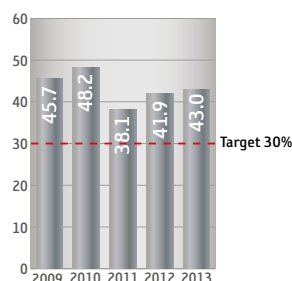


Return on equity over the past five years averages 18.4%.

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 42.3%.

30%

# Growth Model

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.

## Entrepreneurship

Good entrepreneurship holds the key to opening up future opportunities by constantly arousing curiosity, inspiring creativity and commitment. 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.

We already had a growth strategy in place in the early 1990s, with its target of average year-on-year sales growth of 20%. Back then Group sales totalled roughly SEK 300 million and the strategy was founded on the understanding that continuous growth is crucial to achieving healthy profitability.

## Organic growth

Half of our targeted average year-on-year growth (in other words, 10%) is to be organic. The reason is that organic growth of less than 5% is quite simply insufficient for good, sustainable profitability.

We must strive constantly to increase our share of existing markets and establish bridgeheads in new markets. Although the target may seem ambitious (and no one knows better than us just how ambitious it is!), it is

not unattainable. Since it was first listed on the stock market seventeen years ago, NIBE has achieved average annual growth of 6%, which is higher than the GDP growth to which underlying demand in our three business areas can be related. This is attributable to a combination of aggressive product development, continuous improvements in productivity and systematic marketing initiatives.

## 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, which we also believe involves a reasonable element of risk. Since the stock market listing, acquired growth has amounted to an average of 12% annually.

## Acquisition criteria

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

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.

## Acquisition model

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

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

# 1949

Nils Bernerup establishes Backer Elektro-Värme in Sösdala, based on inventor Christian Backer's patent.

# 1952

Nils Bernerup establishes NIBE-Verken in Markaryd through the acquisition of Ebe-Verken. The initials of his first name and surname form the company name, NIBE.

# 1989

NIBE Industrier is formed when a number of employees take over Backer Elektro-Värme AB and NIBE-Verken AB.

The new company organises operations into three business areas, NIBE Energy Systems, NIBE Element and NIBE Stoves.

# Acquisitions 1994-1996

From 1994-1996, six businesses are acquired, mainly in the Nordic region but including a partial acquisition in Poland.

# Establishment

In the same period, a company is established in Finland.



One of Backer Springfield's production plants in Mexico.

Since it was listed on the stock market 17 years ago, the Group has completed 53 acquisitions, corresponding to average acquired growth of 12% annually. In the same period, organic growth averaged 6% a year.

# 1997

## Stock market listing

NIBE Industrier AB is successfully listed on the Stockholm stock exchange in the summer of 1997.

## Acquisitions and establishments

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

# Acquisitions 1998-2010

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

## Establishment

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

# 2011

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

## 2011-2013

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

# Our business principles

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 entrepreneurial spirit and corporate culture that prevail at NIBE.

## Good profitability

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

## High productivity

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

## Aggressive product development

- is crucial to sustaining good organic growth and establishing a foothold in new markets
- quickly translates customer demands into the best 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
- we must be perceived as a reliable, constructive partner
- we lead by example in terms of quality
- we have certified quality and environmental management systems in place in our production facilities
- we are available to help our customers when needed and deal with them in a professional manner
- our environmentally adapted products help customers to reduce their costs and their environmental impact
- our successes must also benefit the customer in the form of value-for-money products
- every NIBE customer must always be a satisfied customer.

## Market-oriented expansion

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

## Focus on three core businesses

- creates clarity, internally and externally
- spreads exposure to risk
- 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 professionally
- initiative combined with respect 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

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.





Kenneth Magnusson,  
Chief Sustainability Officer

# Creating sustainable value

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

## Sustainability strategy

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

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

Taking on these challenges reveals new opportunities for developing efficient approaches, innovation and growth. This is achieved within the following areas:

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

## A journey towards the future

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

In 2013 we enhanced internal communication in the Group in several areas via our recently launched intranet, "NIBE ONE".

## Sustainable Group

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

Maintaining good control of our business saves us money and reduces the risk of corruption and problems relating to working environment and quality. Our reputation as a sustainable company makes us an attractive employer with staff who has pride in their work. Customers and consumers are demanding sustainable products and services, and our sustainability work enables us to help our customers achieve their own ambitions in this area. NIBE products also help achieve energy-saving targets and fulfil requirements for the environmental certification of buildings.

## New ambitious sustainability targets

In 2013 we adopted a number of new sustainability targets in order to raise our sights in this area. These targets relate to use of resources, supplier monitoring and social responsibility. Measurable targets make it easier for us to understand the contribution that our sustainability work makes to profitability. Measurability also has an intrinsic value – if it can be measured, it can always be improved.

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

## Sustainability targets

- Increase energy efficiency.
- ISO 9001 and 14001 will be introduced at all production plants by 2016.
- Increased focus on products that offer environmental benefits. Hazardous substances in products will be phased out.
- Work with systematic supplier assessments will be further developed.
- Reduction in the number of workplace accidents. System for action to be taken in the event of incidents "near misses" in the workplace.

# Stakeholders and society



## Transparency and communication

We endeavour to be open in relationships with our stakeholders and we pay close attention to their views and wishes. At Group level we communicate with the capital markets and media. Each company has contact with customers, suppliers, authorities and other sections of society that are interested in our operations.

The Group's Communication Policy states that our Code of Conduct and relevant laws and standards are to be followed. It also outlines how communication with various stakeholders is to be carried out.

There were no deviations in 2013 from laws or regulations relating to market communication.

## Added value for customers

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

The right quality in our products and services is a key factor in our competitiveness and a strong reason for choosing NIBE. To achieve this, the Group's Quality Policy is a key feature throughout all parts of the business. Opinion surveys conducted in 2013 revealed that customers have a positive image of product quality and functionality.

Products supplied to end-users are evaluated with regard to their potential impact on personal health and safety. The evaluation is carried out with the aim of making improvements throughout the entire life-cycle of a product, including product development, manufacturing and type-approval processes, and recycling. No breaches of product information regulations were reported by NIBE units in 2013.

## Responsible purchasing

Our Values state that NIBE will maintain a high standard with regard to sustainable development and this principle applies to our business partners as well.

We impose a number of technical requirements on our suppliers to guarantee the quality of the raw materials and components supplied. Requirements relating to suppliers' environmental and workplace health and safety efforts are equally important, along with social conditions at their production plants. More than 400 suppliers were evaluated in 2013 with regard to environment, working environment and social responsibility.

## Social commitment

In 2013 our plants were visited by several thousand people and we had a great deal of contact with schools and universities. We participate in development and education projects in partnership with universities in several countries. The projects can relate to automation or increasing the efficiency of a product, or we may be able to offer opportunities for internships and degree projects. We also sponsor a number of local events.

## Human rights and business ethics

Under the banner of "Our Values" we focus on strengthening our work on human rights and business ethics. We encourage diversity and disassociate ourselves from all forms of discrimination. On the whole, 2013 was a very positive year, but there were a couple of cases of discrimination that resulted in employees having to leave.

All employees are free to join trade unions and seek representation in negotiations. In practice, membership of trade unions is governed by cultural conditions and traditions in the countries in which we operate. This is why the situation can vary from zero membership,

to all employees being union members. With regard to salary levels, the same rules and values apply to all units within NIBE, and rates of pay comply with the norms and agreements of the country in question.

Issues relating to business ethics are a natural topic in discussions with employees. Part of the Group's Sustainability Report involves conducting a survey of how the companies work to prevent corruption. The results indicate that:

- The guidelines on anti-corruption detailed in "Our Values" are followed both internally and in relationships with suppliers.
- Particular attention is paid to payments and restrictions regarding gifts and hospitality.
- We adopt a zero tolerance approach to bribery but are well aware that the Group has operations in several high-risk countries as regards corruption.

In 2013 we drew up Group-wide guidelines for gifts and hospitality.

No incidents relating to bribery were registered in 2013. Tackling corruption is an area that requires persistent effort for some considerable time, regardless of which country NIBE operates in now and in the future.

We have begun introducing a Group-wide whistleblower policy, which includes a confidential helpline for reporting irregularities.

# Sustainable products

In practice, our vision “World-class solutions in sustainable energy” means that many of our products help make more efficient use of energy and therefore reduce emissions of carbon dioxide. We put a considerable amount of effort in our development work into improving existing products and developing new products that offer environmental benefits, as this is where the potential lies for future growth. Product development guidelines can be found in our Quality- and Environmental policies.

Additional EU Directives and other legislation will continue to affect the Group's products in the future. One current example is the Ecodesign Directive, which has had a greater impact on our products. The directive imposes minimum requirements in relation to a product's energy efficiency and aims to improve its environmental performance throughout its entire life cycle. Legislation regarding hazardous substances in products (REACH, RoSH) will also remain significant for NIBE.

## Products that offer environmental benefits

Our existing product range includes several examples of products and services with a good environmental performance:

- NIBE Stoves markets a number of wood-burning stoves that 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 improvements to a product's environmental performance over the years. We meet these requirements through continual product development that gradually improves the energy efficiency of our stoves and reduces their emissions to the atmosphere.

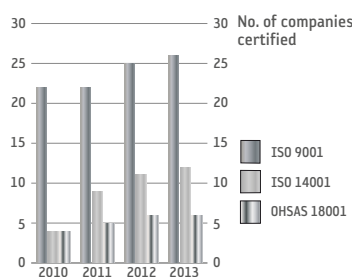
- Both ground-source/geothermal heat pumps and air/water exhaust air heat pumps from NIBE Energy Systems reduce dependence on carbon-based fossil energy sources while improving energy efficiency and heating economy in properties. The web-based service NIBE Uplink also improves environmental performance. The property owner can use this service to monitor their heat pump remotely and adjust the indoor temperature according to their needs.
- NIBE Element's products are used in applications within renewable energy and energy efficiency. A new type of resistor is a key component in the latest generation of wind turbines. Other products include frequency converters that control the speed of electric motors, thus enhancing their energy efficiency.

## Environmental improvements in products

Environmental improvements were made to several of our products in 2013, for example:

- Newly developed heat pumps that use propane as a refrigerant instead of substances that contribute to ozone depletion and that impact on the climate (HCFC).
- Newly developed products that are used in clean technology, such as heating elements in new technology (pyrolysis) for recycling rubber tyres.
- Increased use of recycled material in products, improved insulation, phasing out of a number of chemical substances and greater recyclability.
- A new washing machine model from Schulthess for commercial use. The machine uses 10% less energy and 50% less water compared with previous models. In addition the amount of material used to make the washing machine has been reduced by 15%.

Quality assurance



Supplier assessments



*Number of manufacturing companies that carry out supplier assessments.*



# Heat pumps help save energy in society

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

## Annual energy saving

There are over one million heat pumps in use in Sweden today. Heat pumps are installed in more than one in two homes. The annual energy saving in these heat pumps amounted to 12 TWh in 2013. This calculation is based on the number of heat pumps of each type used in Sweden in 2013.

In 2013 Swedish heat pumps contributed to an energy saving of

**12 TWh**

## Nuclear electricity production

The energy saving achieved by heat pumps in Sweden exceeded Oskarshamn nuclear power plant's entire production for 2013, which amounted to 11.7 TWh. The energy saving contributed by heat pumps in Sweden in 2013 corresponds to 9% of the country's total electricity consumption.

In 2013 Oskarshamn nuclear power station produced approximately

**12 TWh**

## Boosting renewable energy

In 2013 the Swedish heat pumps supplied almost 11 TWh of renewable energy. That is 20% more than all the energy produced by wind power in 2013 (9.9 TWh). The increased use of heat pumps is boosting consumption of renewable energy by almost 1 TWh a year.

In 2013, Swedish heat pumps supplied renewable energy totalling

**11 TWh**

## Reducing heating costs

In 2013, households' and companies' heat pumps helped reduce heating costs by about SEK 19 billion. The calculation is based on SCB's statistics on electricity prices for homes with electric heating (1.61 öre/kWh).

Heating costs decreased in 2013 by around

**SEK 19 billion**

## How much is 1 TWh?

- Domestic electricity to supply roughly 200,000 homes for one year
- Enough to run all Sweden's trains, underground trains and trams for five months

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



# Employees and operations

NIBE employs around 9,000 people in 20 countries, all of whom bring a wealth of experiences and knowledge from different cultural backgrounds. In "Our Values" we highlight the importance of a shared approach to issues concerning respect for human rights, health and safety and the application of sound business ethics principles. The ethos behind "Our Values" is applied in the same way all over the world, and in 2013 the Group's managers continued to communicate these fundamental principles to our employees. We are convinced that a responsible approach to business strengthens the brand, boosts our reputation and profitability and makes NIBE an attractive employer.

In 2013, the average number of employees was 8,983 (8,006), of which 87% (84%) were based outside Sweden. In high-cost countries we concentrate on innovative development units and production plants with a high degree of automation and rationalisation. In countries with lower cost levels we focus on efficient manufacturing of products that are exposed to stiff competition. At the same time

| Key ratios                        |     | 2013  | 2012  | 2011  |
|-----------------------------------|-----|-------|-------|-------|
| Average number of employees       |     | 8,983 | 8,006 | 6,895 |
| Percentage administrative staff   | %   | 30    | 32    | 31    |
| Average age                       | yrs | 40    | 40    | 39    |
| Average period of service         | yrs | 8.6   | 8.1   | 7.3   |
| Workforce turnover                | %   | 7.4   | 7.0   | 5.9   |
| Number of graduates               |     | 966   | 801   | 753   |
| Proportion of employees in Sweden | %   | 13    | 16    | 20    |
| Sickness, short-term              | %   | 2.6   | 2.8   | 2.6   |
| Sickness, long-term               | %   | 2.4   | 2.1   | 2.4   |

our presence in these areas is extremely important in light of the fact that they also constitute potential growth markets for our products.

## Tough requirements and good development opportunities

We expect our employees to work hard and produce good results. We also offer freedom with responsibility, we value common sense and simplicity and we try to avoid unnecessary bureaucracy. We provide plenty of opportunities for career development and many of our employees stay with us for a long period. While staff turnover has risen slightly over the past three years, it still remains comparatively low. We also receive a lot of applications from individuals wishing to work at our units.

The priority for us is to have people who show commitment and who have the right skills. That's why every year we provide a significant number of training sessions, often with the help of specialists from among our own employees. In 2013 these sessions amounted to more than 65,000 hours of training, which corresponds to approximately seven hours per employee. Training and education on such subjects as the environment, working environment and health and safety corresponded to roughly three hours per employee.

## Health and safety

We work preventively with issues relating to health and safety. Examples include risk analyses, work environment surveys, refresher courses and work with production plant safety committees. Workplace surveys and risk analyses were carried out at some 25 units during the year to identify hazards such as handling of chemicals, lighting and exposure to dust.

Certified management systems for working

environment (OHSAS 18001) are in place at six of the companies and cover eight plants. Many of the units are regularly inspected by the work environment authorities and some fifteen inspections were carried out in 2013. The outcome of the inspections was mainly positive, however a few minor irregularities were noted, relating to such issues as fire risks, noise and exposure to chemical substances. Corrective measures have already been taken or are underway.

Average absence due to sickness in 2013 amounted to 5.0% (4.9%) and the division between long-term and short-term absence was roughly the same as in previous years. In 2013 a total of 147 (179) accidents at work resulting in more than one day's absence were reported. The most common causes of injury were machinery and equipment, injuries as a result of falling, and heavy lifting and repetitive strain.

## Continued focus on environmental initiatives

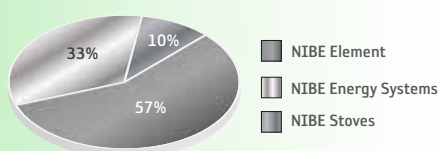
Guidelines concerning work with environmental issues are included in the Group's Environmental Policy. The policy regulates use of resources in the form of energy, water and materials, along with transport and the generation of waste.

Metals are processed on a daily basis; we cast, bend, weld, enamel, paint and assemble a number of different products. In one year we handle just over 50,000 tonnes of metals and more than 10,000 tonnes of other raw materials and components.

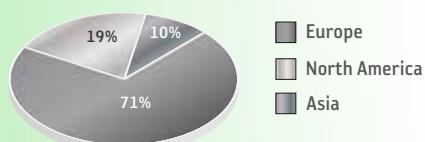
## Risk analyses

To prevent accidents and health and safety breaches we carry out risk analyses at our companies all over the world. These analy-

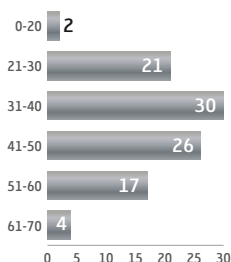
### Employees – by business area



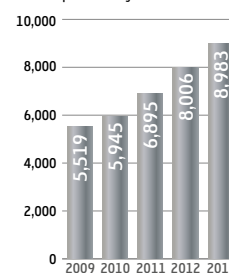
### Employees by continent



### Age structure of the workforce (%)



### Average number of employees past five years



ses cover such issues as the consequences of amendments to environmental legislation, changes in customer demands, climate change, soil pollution and the presence of hazardous substances.

There were no uncontrolled emissions or accidents resulting in an environmental impact in 2013. A few minor breaches relating to wastewater emissions were registered, and improvements have been made or are underway.

### Enhanced environmental performance

Our environmental performance has seen positive improvements in some key areas in recent years. The purchase of GoO certificates for renewable electricity, which at the moment can only take place in Europe, has significantly lowered the Group's carbon dioxide emissions. The Group's total carbon dioxide emissions have increased, which is attributable to units acquired outside Europe. Energy efficiency measures at the production plants are also helping reduce our carbon footprint. We practice what we preach, and have installed more than 100 heat pumps at our plants. Biofuel, solar and wind power are used at several units.

Initiatives to reduce water consumption have been implemented at the manufacturing units.

### ISO 14001

The ISO 14001 environmental management system is an important tool in our environmental efforts, and in 2013 we continued to work towards environmental certification. Half our production units are currently certified and we plan for the remaining existing units to be certified by 2016. Roughly 80 environmental audits were performed in 2013.

### Waste volumes

The reported volume of waste rose in 2013, which was due to increased production volumes but also to improved methods for registering the weight of waste.

Issues relating to chemicals remain important and during the year a number of substances that are harmful to health and the environment were phased out.

### Environmentally-related investments and costs

In 2013 NIBE invested approximately SEK 19.5 million (2012: SEK 20 million) in measures relating to the environment and working environment. The majority of the investments were made in equipment for energy efficiency and improved working environment.

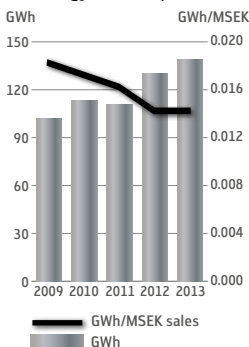
| Environmental costs (SEK m)         | 2013        | 2012       |
|-------------------------------------|-------------|------------|
| Environment and working environment | 16.6        | 14.0       |
| Energy                              | 91.5        | 87.0       |
| Water and sewerage                  | 4.7         | 4.0        |
| <b>Savings</b>                      | <b>12.4</b> | <b>2.5</b> |

Environmental savings have been generated through improvements in energy efficiency, waste management and a more efficient use of materials. The bulk of the savings were achieved by opting for our own heat pumps as a source of heating in several buildings.

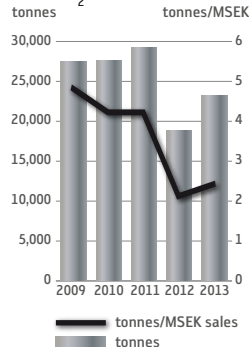
### Sustainability Report

Our Sustainability Report for 2013 is published on the NIBE website [www.nibe.com](http://www.nibe.com). There you will find full and detailed information about our environmental performance and our work in this field during the year. We report at level B in accordance with GRI guidelines.

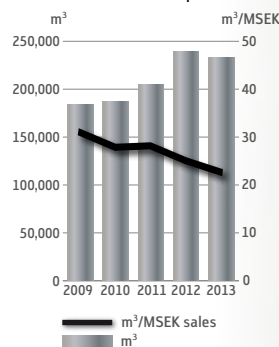
Energy consumption



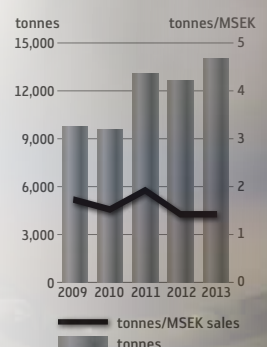
CO<sub>2</sub> emissions



Water consumption



Waste



# 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 share obtained a secondary listing on the SIX Swiss Exchange. In 2012 a further new issue was made of 214,201 shares.

## Share capital

NIBE Industrier AB has a share capital of SEK 68.9 million, divided into 13,060,256 class A shares and 97,193,382 class B shares. The quota value (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 2013 the company had no outstanding convertible loans or options that could risk diluting the share capital.

## Secondary listing

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

## Share performance and turnover

In 2013, NIBE's share price rose by 54.7%, from SEK 93.75 to SEK 145.00. During the same period, the OMX Stockholm All-share (OMXS) increased by 23.2%. This means that, at the end of 2013 the market capitalisation of NIBE, based on the latest price paid, amounted to SEK 15,987 million. In 2013 a total of 20,293,343 NIBE shares were traded, which corresponds to a share turnover of 18.4% 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 2.35 per share for the 2013 financial

year, which equates to 30.2% of Group profit after tax.

## Shareholders

The number of shareholders has increased during the year. However, because of Swiss reporting regulations, it is, in principle, impossible to determine the current total number of shareholders for the Group's secondary listing on the SIX Swiss Exchange. Excluding these Swiss-registered owners, NIBE had 18,267 individual shareholders at the end of 2013, compared with 16,884 twelve months previously. The ten largest shareholders held 56.6% of the votes and 43.3% 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. A Capital Markets Day was organised in November, which was attended by both Swedish and foreign investors.



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

### ABG Sundal Collier

Robert Redin  
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### Carnegie Investment Bank AB

Fredrik Villard  
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### Danske Bank Markets

Max Frydén  
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### Handelsbanken Capital Markets

Marcela Kozak  
tel +46 8-701 51 18

### Kempen & Co

Serena Zuidema  
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### Pareto Securities

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### SEB Enskilda

Olof Larshammar  
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### Swedbank AB LC & I

Mats Liss  
tel +46 8-58 59 00 65

## Changes in share capital

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

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

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

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

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

<sup>5)</sup> Directed issue to the former owners of the Schulthess Group at a subscription price of SEK 108.25 per share.

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

## Major shareholders

(source: Euroclear Sweden share register 30 Dec 2013)

| Shareholders   | Number of shares   | Share of votes (%) |
|--|--------------------|--------------------|
| Current and former board members and senior executives <sup>1)</sup> | 26,190,051         | 48.24              |
| Melker Schörling   | 12,015,360         | 20.13              |
| Alecta Pensionsförsäkring  | 7,795,000          | 3.42               |
| Lannebo Småbolag   | 3,610,000          | 1.58               |
| SIX SIS AG W8IMY   | 2,813,133          | 1.23               |
| Didner & Gerge Aktiefond   | 2,500,000          | 1.10               |
| JPM Chase NA   | 2,200,417          | 0.97               |
| Handelsbanken Fonder AB  | 2,000,006          | 0.88               |
| Didner & Gerge Småbolag  | 1,423,332          | 0.62               |
| SEB Sverigefond Småbolag   | 1,304,233          | 0.57               |
| Other holdings (18,237 shareholders)                                 | 48,402,106         | 21.26              |
| <b>Total</b>   | <b>110,253,638</b> | <b>100.0</b>       |

<sup>1)</sup> For current Board, see page 89.

## Shareholder structure

(source: Euroclear Sweden share register 30 Dec 2013)

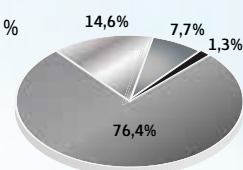
| Share-holding   | Share-holders | Stake (%)    | Number of shares   | Prop. of shares (%) |
|-----------------|---------------|--------------|--------------------|---------------------|
| 1 - 500         | 12,705        | 69.55        | 1,725,261          | 1.57                |
| 501 - 1,000     | 2,175         | 11.91        | 1,818,305          | 1.65                |
| 1,001 - 5,000   | 2,580         | 14.12        | 6,262,491          | 5.68                |
| 5,001 - 10,000  | 356           | 1.95         | 2,647,015          | 2.40                |
| 10,001 - 20,000 | 171           | 0.94         | 2,504,590          | 2.27                |
| 20,001 -        | 280           | 1.53         | 95,295,976         | 86.43               |
| <b>Total</b>    | <b>18,267</b> | <b>100.0</b> | <b>110,253,638</b> | <b>100.0</b>        |

## Shareholder categories

(source: Euroclear Sweden share register 30 Dec 2013)

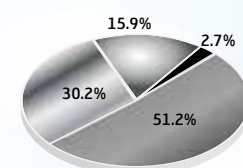
### Share of voting rights, %

Swedish individuals  
 Swedish institutions  
 Foreign individuals  
 Foreign institutions



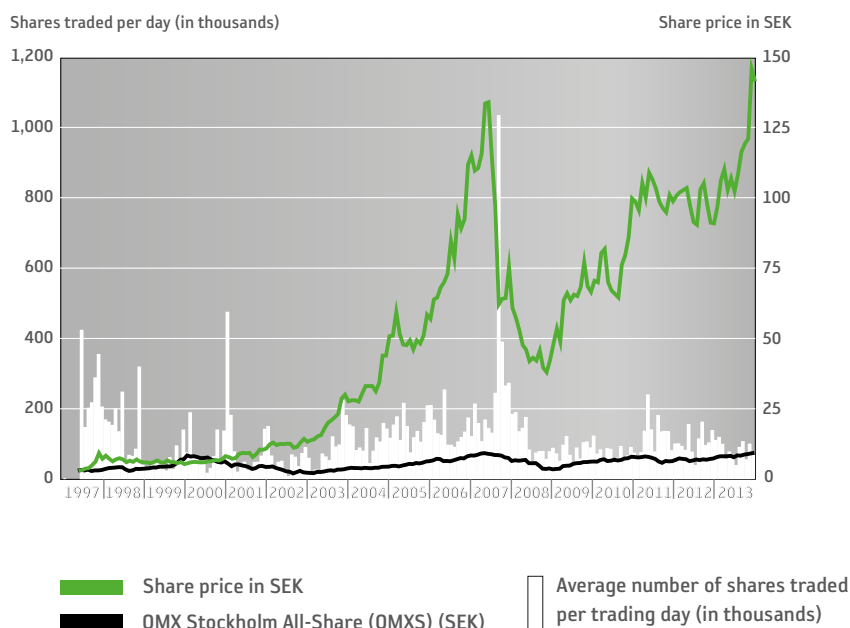
### Share of capital, %

Swedish individuals  
 Swedish institutions  
 Foreign institutions  
 Foreign individuals





# Share performance



## Share data

|                           |       | 2013        | 2012        | 2011        | 2010       | 2009       |
|---------------------------|-------|-------------|-------------|-------------|------------|------------|
| Number of shares          |       | 110,253,638 | 110,253,638 | 110,039,437 | 93,920,000 | 93,920,000 |
| Year-end share price      | SEK   | 145.00      | 93.75       | 101.75      | 102.75     | 69.00      |
| EPS (after tax)           | SEK   | 7.78        | 6.93        | 6.87        | 5.84       | 4.36       |
| Equity per share          | SEK   | 50.57       | 44.06       | 40.64       | 26.34      | 23.24      |
| Proposed dividend         | SEK   | 2.35        | 2.00        | 2.00        | 1.75       | 1.30       |
| Price/equity              |       | 2.87        | 2.13        | 2.50        | 3.90       | 2.97       |
| Dividend yield            | %     | 1.62        | 2.13        | 1.97        | 1.70       | 1.88       |
| Total yield               | %     | 57.17       | - 5.90      | 0.97        | 51.45      | 58.33      |
| Operating cash flow/share | SEK   | 7.15        | 6.97        | 7.82        | 6.61       | 8.00       |
| Payout ratio              | %     | 30.2        | 28.9        | 31.9        | 30.0       | 29.9       |
| PE ratio (after tax)      |       | 18.6        | 13.5        | 14.8        | 17.6       | 15.8       |
| Market capitalisation     | SEK m | 15,987      | 10,336      | 11,197      | 9,650      | 6,480      |
| EBIT multiple             | times | 16.1        | 13.4        | 15.2        | 13.0       | 12.1       |
| EV/sales                  | times | 1.93        | 1.51        | 1.85        | 1.59       | 1.33       |
| Share turnover            | %     | 18.4        | 23.7        | 30.7        | 20.1       | 21.3       |

## 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.



# Business Areas





Kjell Ekermo,  
Business Area Manager

# A world of opportunities

Over the past year, the marketing message on all the international markets we work with has been "A world of opportunities". We feel this clearly reflects what we believe after many years of intensive development work on our product offering and on expanding our geographical market presence. The fact that we are now represented in some 40 markets across Europe is a huge opportunity in itself. If we then add our healthy profitability and the new product platform that debuted in 2013, we have never before enjoyed better conditions for continuing along our path of international commercial development.

## European potential

The total European heat pump market has not expanded over the past few years due to global financial uncertainty and an extremely low level of new construction, both in relation to homes and larger properties. This has temporarily impeded growth, chiefly in our markets outside Sweden and Finland, where heat pumps are primarily installed in newly-built properties. The international replacement and renovations market is vast, which makes it an interesting and relatively untapped future opportunity for us.

On the Nordic market, our position with regard to heat pumps particularly in Norway has been worryingly weak in the past. We have gradually succeeded in strengthening our market presence and launched products that are adapted to local needs. This has resulted in

our Norwegian businesses seeing an appreciable increase in market share in an otherwise cautious domestic market.

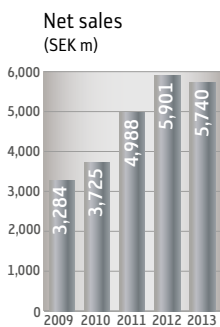
## Swedish market stabilises

Following a rather sharp decline in 2012, the Swedish domestic market for heat pumps stabilised in 2013. The first two quarters were weak, but the market grew steadily during the second half of the year, resulting in a modest result for annual growth.

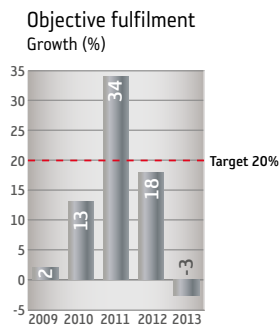
We keep a careful watch on our market share development in all product areas and can note that, despite our already strong position we have managed to increase market share in all product categories. This is most likely the result of our sustained focus on product development, production, quality, customer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

## Synergy effects

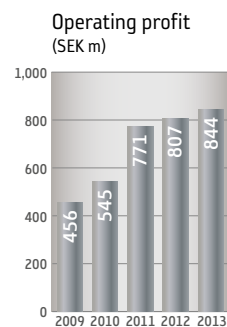
Since the acquisition in 2011 of the Swiss listed company Schulthess Group, our largest to date, we have been working continually to take advantage of synergies to achieve our objectives. The effects of acquisitions completed over the past few years are also beginning to feel more evident as our products can now be launched through several sales channels and on more markets than previously.



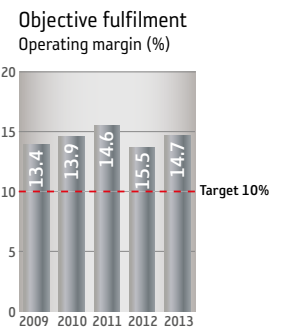
Net sales decreased by 2.7% in 2013



Growth over the past five years averages 12.3%



Operating profit rose by 4.6% in 2013



Operating margin over the past five years averages 14.5%

## International opportunities for growth

The slightly more positive market trend towards the end of last year, combined with the fact that new construction of homes is now deemed to have passed its lowest point, indicates a cautious optimism with regard to market growth in 2014. Energy efficiency targets that have been adopted and an increasing use of renewable energy sources in Europe should also help boost demand for many of our products.

Authorities in the UK, a key future market for NIBE, are demonstrating their intentions by extending the subsidy system RHI (Renewable Heating Incentive) to include private homes and smaller properties. Heat pumps still only account for a fraction of the total UK heating market, which opens up excellent opportunities for future expansion.

Our strong representation in Germany and Switzerland, paired with our newly launched products, provides us with a solid platform from which to increase market share. We believe we will also benefit from the fact that Europe's most important industrial nation, Germany, also has a stable economy and is experiencing growth in several areas.

As far as traditional electric water heaters are concerned, demand from the Nordic and European markets remains stable, while sales of conventional domestic boilers continue to

be sluggish. With more stringent legal requirements regarding energy efficiency in the production of hot water, we believe the market for heat pumps used solely for heating hot water will expand, which we also regard as a potential growth area.

We have not managed to complete any further acquisitions in 2013, despite a number of discussions, but our expansion strategy, based on a combination of organic growth and acquisitions, remains firm. Some companies are struggling in the tougher market situation, which generates more opportunities for acquisitions. One such example is the acquisition of operations in French company Technibel SAS, which was carried out at the beginning of 2014.

## Our products play a key role in tomorrow's sustainable society

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

## NIBE Energy Systems

### Mission statement

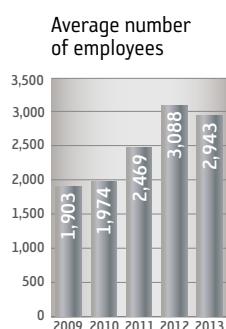
NIBE Energy Systems is a market leader for heat pumps in Europe and one of Europe's major manufacturers of water heaters and other products for indoor climate comfort. The mission of NIBE Energy Systems is to supply homes and other buildings with products that provide domestic hot water and ensure a comfortable indoor climate. The product range comprises both individual heating products and solutions for heating, cooling and heat recovery.

### Strategy

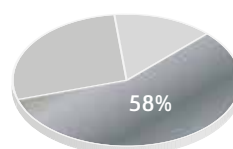
NIBE Energy Systems' strategy is to continue to consolidate its position as market leader in Europe and to develop its position in the North American market. The number of domestic markets will gradually be increased by acquisitions, the establishment of subsidiaries, or the use of other established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

### Objective

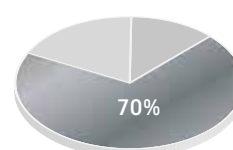
NIBE Energy Systems' objective is growth of at least 20% per annum, half of it organic, and an operating profit of at least 10% of sales over a complete business cycle.



### Contribution to Group



Net sales



Operating profit

### 2013

|                      |               |
|----------------------|---------------|
| Net sales            | SEK 5,739.9 m |
| Growth               | - 2.7 %       |
| Operating profit     | SEK 844.2 m   |
| Operating margin     | 14.7 %        |
| Av. no. of employees | 2,943         |

# Market trends

## Opportunities

- + A 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

## Risks

- 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

## Global ambitions

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

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

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

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

Reliance on gas boilers in the UK is even greater than ever, while awareness of new, sustainable energy solutions is rapidly increasing.

We are not seeing any signs of energy policy ambitions and the direction in terms of renewable energy changing. This indicates that there will be a long-term increased use of the technology behind our products.

## Huge market potential

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

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

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

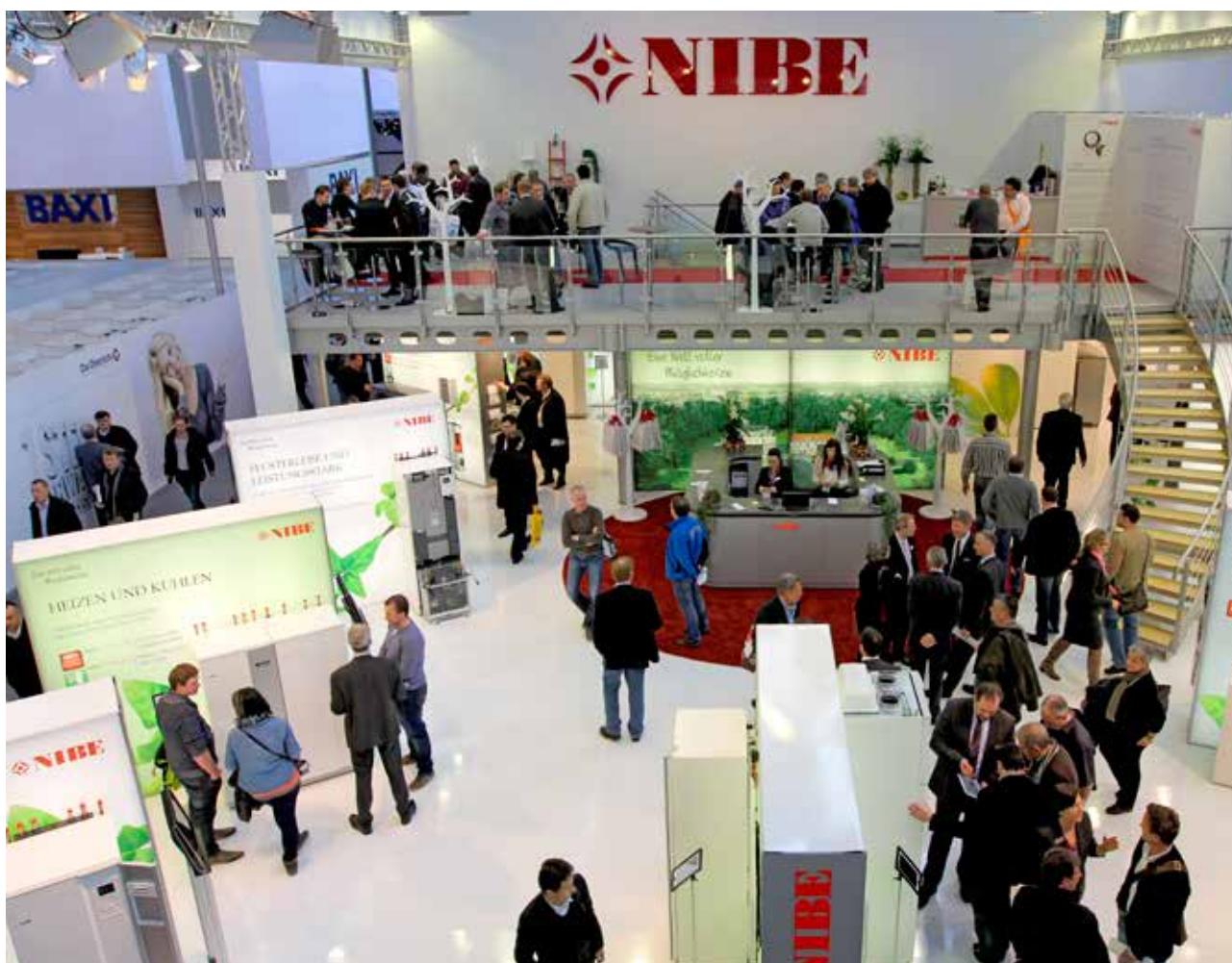
Within the heating market as a whole we remain a medium-sized player across much of Europe, as we do not deal in gas-fired heating products.

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



*There is a growing need to replace heating equipment in larger properties, which opens up considerable potential for heat pump solutions in the European market. This property has been equipped with six top-of-the-range heat pumps from ait-deutschland.*





*NIBE Energy Systems was well represented with five different stands at the international ISH trade fair in Germany, which is held every two years.*

### Tougher requirements from public sector

Government authority requirements for ventilation and heat recovery in new builds are increasing the need 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.

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. 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.

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

## Market conditions

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

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

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 persistently weak economic situation, financial uncertainty and low levels of new construction all had a negative effect on demand, particularly at the start of the year.

Following a hesitant start, the four largest heat pump markets in Europe – France, Germany, Sweden and Switzerland – all enjoyed a relatively stable development during the latter part of the year. Meanwhile the markets in Eastern Europe have gradually deteriorated.

The level of new construction, which has been low in recent years, improved slightly during the second half of 2013, and production of new homes is now displaying modest growth on markets that are significant for us, namely Sweden, Germany and the UK.

The water heater market is not particularly affected by economic fluctuations and is therefore stable. The market for district heating products, which is chiefly concentrated in Denmark, Sweden, the UK, Germany and the Netherlands, remains relatively weak.

The international market for cooling equipment is expanding to meet tough new energy-

efficiency requirements in commercial and industrial premises. There is also a 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.

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.

## Distribution

Alongside our international expansion through both organic growth and corporate acquisitions, we have gradually built up comprehensive distribution arrangements for each market. Our thirteen production units supply both their respective domestic markets and their export markets.

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

There may be different distribution arrangements on the same geographical market in cases where we are represented by several individual players. The businesses' history, product range and brands determine the choice of distribution method.

Other partners that also participate in the sales process include architects, project managers, consultants and energy advisors.



*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 2013, KKT Kraus launched an entirely new range of cooling units, Compact-Line. The products are modern, compact and highly efficient, featuring exceptional design and technology. The most prestigious design award, the Red Dot Award, has been conferred on the product range.*



*Since 1991, Norska ABK has been importing and supplying a wide range of heat pumps and air conditioning products to provide for both cooling and heating needs in all types of commercial properties. The company also plans and delivers solutions for IT and process cooling, as well as heat pumps for the production of domestic hot water.*

## Product range

### We sell sustainable energy solutions

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

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

The range is also being gradually expanded through new corporate acquisitions. For example, the Schulthess Group provides us with access to a number of property solutions within heating, cooling and ventilation. Another example is Akvaterm, the Finnish manufacturer of accumulator tanks, which has given us access to larger tanks that fit in well with our product concept for larger properties.

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

### Record number of product launches

The pace of new product launches in 2013 has been the highest to date for the business area.

### Heat pump news from ait-deutschland in Kasendorf and NIBE in Markaryd

- a completely new generation of air heat pumps within the monobloc category based on speed control, optimised for selected foreign markets
- a completely new generation of air heat pumps within the monobloc category as a complement to the range of air heat pumps for larger properties
- a complete generation of indoor units adapted for air heat pumps with control functions that also enable remote control via internet or mobile text
- upgraded control of heat pumps that also offers smart-grid ready functionality, which means the product is optimised according to the customer's electricity tariffs based on an hourly rate.
- a number of products intended for cross selling, which expands the product offering under each brand based on the Group's available product range
- a completely new generation of ground-source/geothermal heat pumps based on speed control
- an upgraded generation of ground-source/geothermal products with optimised performance

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

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

### New product areas

2014 is also set to be a big year for new product launches within most of our business areas. This further consolidates our position as a leading European company for sustainable energy solutions.

We will, for example, be strategically positioning ourselves closer to the gas market by introducing hybrid solutions in which renewable types of energy are used in combination with gas.

We will also gain a foothold in a completely new market segment with our plans to launch a high-quality range of air/air source heat pumps.

### The range

comprises eight product areas:

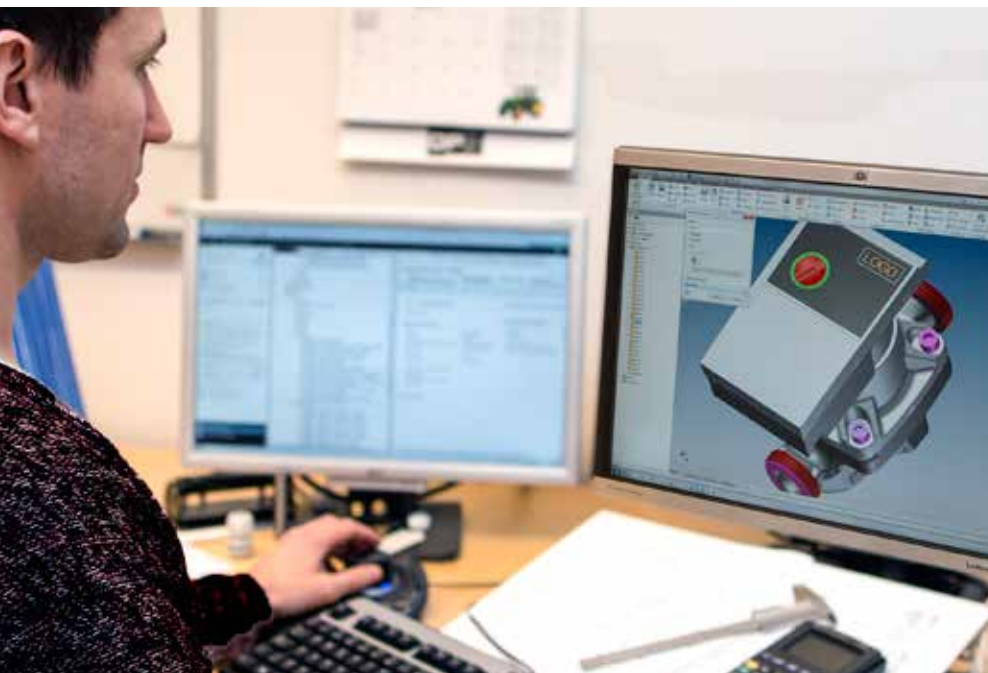
- Heat pumps
- Domestic boilers and accumulator tanks
- Ventilation products
- District-heating products
- Solar panels
- Domestic water heaters
- Cooling equipment
- Commercial washing machines and tumble dryers



A completely new generation of air heat pumps within the monobloc category as a complement to the range of air heat pumps for larger properties. The unique feature of these products is the use of propane as a refrigerant, which is extremely eco-friendly.



# Product development



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

## Product development process

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

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

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

Despite the economic downturn of the past few years we have continued to expand our R&D resources and have further consolidated our reputation for technically competitive solutions in Europe.

We have also invested in a completely new laboratory at ait-deutschland in Kasendorf, which will be officially opened in spring 2014.

Work is also underway 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.

*The development process can be divided into four key stages:*

- Identification of market needs
- Project implementation
- Market launch
- Follow-up

*Product development will 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

## Continuous improvement process

Continual improvements are also 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 preferences with a basic concept that nevertheless offers the potential for market adaptations. Our two specialist R&D centres for heat pumps in Sweden and Germany respectively are widely regarded as world-class.



## Production plants

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

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

Continual, extensive investments are being made in the production plants in Markaryd and Kasendorf, which are the business area's two largest plants. The production plant in Kasendorf was extended by 4,000 square metres in 2013, to accommodate warehousing and production.

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

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

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

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



*Traditional lighting has been replaced by energy-efficient LED lighting at the new production and warehouse building at ait-deutschland. Some 470 LED strip lights have been installed, covering roughly 4,000m<sup>2</sup>. One LED strip light has an effect of 26 watts instead of the traditional 59 watts. Electricity consumption has dropped by 55%, producing a saving of 122 kWh per working day. LED strip lights last three times longer than conventional strip lights so they do not need replacing as often, which is also a major saving.*

# Energy efficiency at a global level



Christer Fredriksson,  
Business Area Manager

In 2013 we continued to fulfil our objective of becoming a global supplier with a more comprehensive product range for measuring, control and heating, both through acquisitions and the launch of new products for the international market. Our ambition is also for our products to contribute to increased energy efficiency and aid global sustainable development.

With growth of over twenty percent over the past year, we have established ourselves as one of the leading global players in our industry. Meanwhile the structural changes we have implemented have resulted in improved profitability, and we have taken further steps towards achieving our operating margin target.

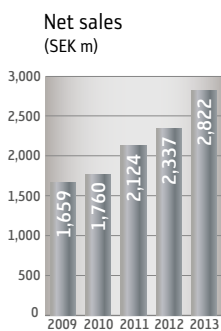
### Carefully timed acquisitions

The acquisition of the element manufacturing business of Springfield Wire, which was completed at the end of 2012, has enabled us to strengthen our position as one of the very top companies in the industry in North America. Following the acquisition there have been extensive efforts to integrate the acquired units

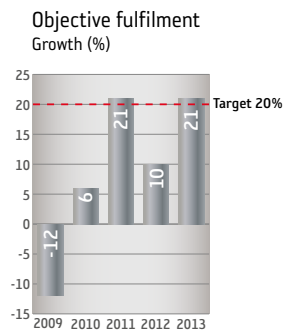
and restructure our entire North American operations. This has resulted in the units in the US and Mexico becoming more specialised, which in turn has generated opportunities to cut costs and boost our competitive edge in terms of technology and customer service.

The acquisitions in North America were carried out during a promising period, based on the fact that we are now seeing increasing growth within several market segments. This is compensating for the current weaker growth in Europe. We are also seeing major opportunities for using these units as a development platform for the commercial and industrial element market in North America. We will in general be strengthening our sales resources to utilise these opportunities and create a solid foundation for continued organic expansion.

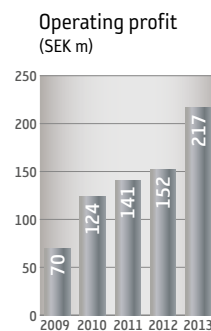
The acquisition of the Danish Eltwin Group in the spring further strengthens our focus on system products for energy efficiency. Eltwin has for many years been a well-established supplier of industrial electronics to the energy sector and has developed a unique range of



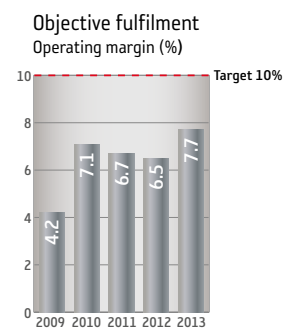
Net sales rose by 20.8% in 2013



Growth over the past five years averages 8.5%



Operating profit rose by 42.2% in 2013



Operating margin over the past five years averages 6.6%

products for control and enhanced efficiency in electric motors. Product development collaboration with other units in the Group functions extremely well and in addition to its existing operations in Denmark, Eltwin has established a manufacturing unit for volume production in Poland. With an increased focus on energy efficiency, we are convinced that these products, combined with the other products in our range, will generate exciting opportunities for growth.

### Competitive production in Europe

We extended our production facility in Poland during the year to satisfy levels of demand for European quality production, with the advantage of lower labour costs. The move also provides us with a firm base for future cost-effective expansion. Our Polish units have a strong competitive edge through a combination of good technical knowledge, advantageous cost levels and the perfect location in purely logistical terms.

### Excellent foundation for continued expansion

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

We believe the gradual improvement in the industrial economy as a whole on our markets and a general heightened interest in energy efficiency will have a positive impact on demand in 2014 as well. We are also detecting signs of recovery on markets that have experienced a weak performance for several years, such as southern Europe and the UK.

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

### NIBE Element

#### Mission statement

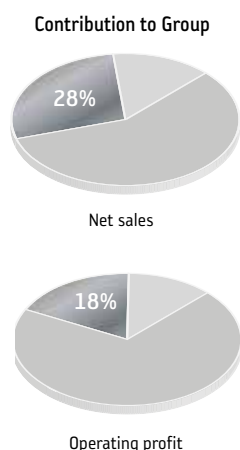
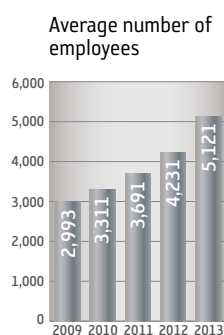
NIBE Element is one of the leading international manufacturers of components and solutions for measuring, controlling and electric heating applications. NIBE Element's mission is to supply both manufacturers and users with components and systems within these areas.

#### 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 the strategy is to maintain a local presence and market a complete range. 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.



### 2013

|                      |               |
|----------------------|---------------|
| Net sales            | SEK 2,821.8 m |
| Growth               | 20.8 %        |
| Operating profit     | SEK 216.7 m   |
| Operating margin     | 7.7 %         |
| Av. no. of employees | 5,121         |

# Product range

## The product range

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

- 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

Major sectors for our business include:

- Domestic appliances
- Commercial equipment, for example for catering and drinks machines
- Indoor comfort sector, including heat pumps and domestic boilers
- Energy sector, including wind power and oil/gas
- Automotive industry
- Rail transport
- Medical technology

## We supply complete solutions

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

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

We have also developed our offering to supply turnkey solutions instead of just indi-

vidual components. This is done by offering both fully assembled system products and optional steering and control functions for various products. We are confident that this move is the best way of providing competitive solutions for the customer. It also creates opportunities for increasing the size of the order and boosting our added value.

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



In October 2013, Structurgruppen AB was entrusted with the task of supplying an extremely large load bank to Ringhals AB. The product was a customised resistive/reactive load bank separated into two containers. This multi-million project is the largest in the history of Structurgruppen. The pre-planning and procurement stage took almost six months. The load bank is used for testing new diesel generators and will be in use for many more years for testing upgrades to a minimum of a further eight diesel generators.



In 2013, Jevi/NIBE Element experienced a strong trend in the resistors product range, which are primarily supplied to the oil and gas industry. Our products are now used all over the world.



## Products for energy efficiency

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

Since electric motors are high energy consumers for many products and plants, they will also need to be made more efficient. Through Eltwin we are able to offer control functions for electric motors, which drastically reduces energy consumption.

## Specialist technologies

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

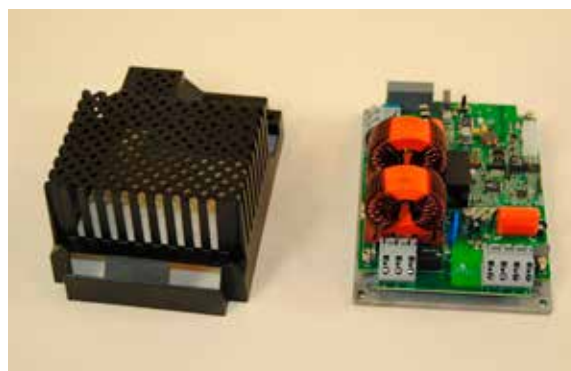
## Distribution

The element market can be divided into two main groups: OEM (Original Equipment Manufacturer), 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.

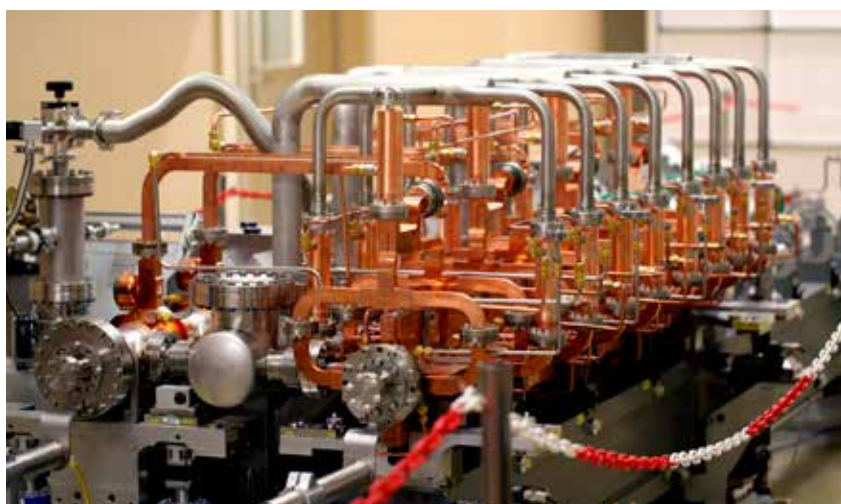
As one of the international leading players we are represented on three continents and can distribute our products to both these customer groups in a cost effective and environmentally sound way, with good service and geographical proximity.



*Foil elements from NIBE facilitate rescue operations. The foil element protects the camera lens from ice build-up, because the element helps the glass maintain a constant temperature of +14°C. Areas of use include search and rescue, navigation, work lighting, oil spills and anti-piracy operations.*



*The new highly effective ECT inverter from Eltwin can generate energy savings of up to 80% compared with traditional frequency converters to control motors.*



*Vacuum-brazing products have been supplied to the world's largest particle physics laboratory, CERN (the European Organization for Nuclear Research) in Switzerland.*

# Market trends

## Varying market structure

The market for our product areas tends to keep pace with national industrial development and growth in GDP.

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

There is at present a clear tendency to-

## 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

## Risks

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

wards transferring production back to Europe and North America, which is largely due to the fact that costs between Asia and Eastern Europe/Mexico have levelled out. Many customers are also keen to avoid lengthy transportation for logistical and environmental reasons.

## Varying customer conditions

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

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

In some of our markets, where perhaps for cost reasons we have chosen not to set up our own manufacturing operations, we have instead established a presence in the form of a sales and technical support office. We market our products by industry or country, depending on the size and structure of each industry.

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

## Heightened interest in energy efficiency

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

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

## Market conditions

Although there has been a gradual increase in overall demand during the year, the situation varies considerably between different markets and for different product areas.



*NIBE Element supplies a number of products for electric and hybrid vehicles.*

The European construction industry has in general seen weak development, but with a degree of stabilisation in the second half of the year on the markets in northern Europe. In North America we have noted a steady improvement in both the comfort sector and the domestic appliances sector.

Demand from product areas related to the automotive industry was stable, and here too the trend is most positive in North America. Several innovative products for the automotive industry were launched, which are expected to boost sales over the next few years.

Considerable expansion is underway and investments are being made in rail infrastructure around the world, which is also boosting sales in this area.

The general industrial economy, which affects our sales to commercial and industrial customers, showed some signs of improvement. It is chiefly products related to oil and gas that are experiencing healthy demand, and we also successfully launched a number of products on the global market.

Sales of resistors, a product area that serves many customers in the energy-saving and renewable energy segments, continue to develop positively.

# Product development

## Sustainable product solutions

Much of our product development and product launches is now linked to the increasingly tough requirements from society for products to be sustainable and eco-friendly. We work in partnership with our customers to develop these very products.

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

## Product development

Our development process can be divided into four stages:

Product development, which focuses on new products or equipping the product with

embedded functions, such as control and regulation. R&D work also aims to improve the properties of the product as regards temperature ranges, insulation, etc.

Product adaptation, which is usually conducted in close collaboration with customers to arrive at a solution that suits their specific needs, or, if required, to assume responsibility for the entire system.

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

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

*Examples of innovative development of products for sustainable solutions:*

- Heat pump modules designed for recovering waste heat in commercial equipment
- Thick film elements for heaters that are integrated into systems for vehicle emissions control
- Resistors to ensure a consistent power supply from wind turbines
- Resistors for hybrid vehicles
- Resistors for frequency converters to reduce electricity consumption
- Electronic control for domestic boilers to reduce electricity consumption
- Complete control of heating for railway points, which drastically reduces energy consumption
- Electronic control of electric motors
- Components and solutions for more efficient heat pumps

# Production plants

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

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

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

Key aspects of our productivity efforts include performance-based wage systems and continually implemented time studies.

*As a result of the new acquisitions, several production plants were merged in Mexico in 2013. Many employees were involved in decorating the premises that will house production facilities in future.*







Niklas Gunnarsson,  
Business Area Manager

# A strong platform from which to grow

Despite a persistently tentative European market for wood stoves and challenging market conditions, we have succeeded in fulfilling our objective of continuing to be a stable player with healthy profitability. We are now the largest supplier of wood stoves in Europe and have established a strong platform from which to grow.

## Adjusting to a tough market situation

Market conditions were tough in 2013, particularly in the Nordic region, which resulted in an organic decline. However, we still managed to retain our operating margin at the same level as the previous year. This was achieved by adjusting production capacity to the prevailing demand situation and reducing total costs, without jeopardising our long-term ambitions within product development and marketing.

## The UK is our largest market

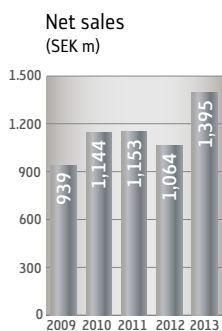
The acquisition of 60% of the shares in the British firm Stovax Heating Group Ltd, which was completed at the start of the year, is an

excellent complement to our offering both in geographical and product terms. In addition to wood-burning products under the Stovax brand, the company's product portfolio also includes an extensive range of gas and electric stove products sold under the Gazco brand.

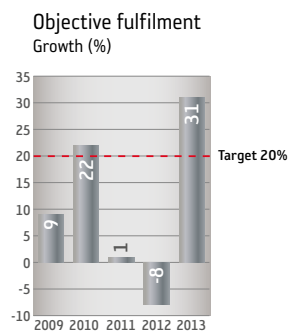
Since the acquisition the company has experienced excellent growth, which combined with persistently strong organic growth in our other British operations has resulted in the UK now becoming our single largest market. The UK is also the only one of the markets we have been focusing on that has displayed a robust improvement in demand for all types of stove products.

## Strong market position

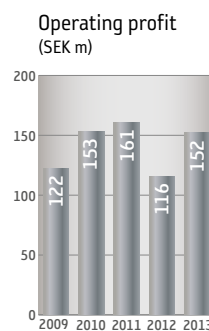
Consistent marketing efforts via a strong European network of distributors have enabled us to retain an extremely strong position on several major markets in Europe. Our strategy of continuing to launch new products therefore creates excellent opportunities to further increase our market share.



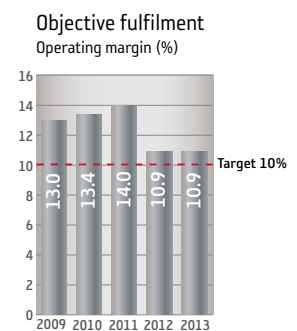
Net sales rose by 31.1% in 2013



Growth over the past five years averages 10.1%



Operating profit rose by 31.1% in 2013



Operating margin over the past five years averages 12.4%



We believe demand will slowly improve on most markets as the economy recovers. Furthermore, production of houses is expected to gather pace after several years of declining volumes.

### Broadening of product range

To broaden our product programme, in 2013 we launched new inserts for fireplaces and a number of new inserts with different types of surrounds under a number of brands.

All of these products were positively received and sales have exceeded our expectations. Most of our new products have also been ready for delivery in time for the peak season in the autumn, however some models have experienced slight delays, which has had some impact on sales.

### New opportunities

There is a relatively large number of European wood-stove manufacturers of different sizes and with varying levels of profitability. Following a few years of low demand we are now of the opinion that there will be substantial opportunities for acquisitions for us in Europe going forward.

The acquisition of Stovax has also given us a range of gas-fired products, which provides good opportunities for boosting sales on existing markets and expanding onto new markets both in and outside Europe.

The slightly improved market situation and implemented cost savings have enabled us to establish a solid basis from which to further develop our business and achieve healthy profitability in 2014.

### NIBE Stoves

#### Mission statement

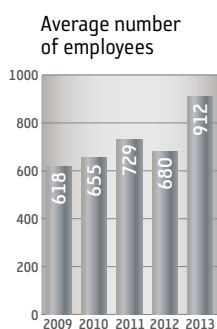
NIBE Stoves is the European market leader in wood-burning stoves. The business area's mission is to supply the market with attractively designed, value-for-money solid-fuel stoves and chimney systems developed and manufactured with genuine concern for the natural environment.

#### Strategy

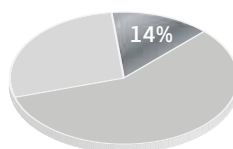
NIBE Stoves' strategy is to supply a wide and complete range of wood-burning products in order to confirm and consolidate its position as the market leader in Sweden. Expansion abroad will be supported by the continuous development of products tailored to new markets, combined with moves into new markets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

#### Objective

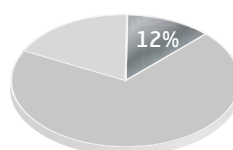
The business area's objective is growth of at least 20% per annum, half of it organic, and an operating profit of at least 10% of sales over a complete business cycle.



Contribution to Group



Net sales



Operating profit

### 2013

|                      |             |   |
|----------------------|-------------|---|
| Net sales            | SEK 1,395.3 | m |
| Growth               | 31.1        | % |
| Operating profit     | SEK 151.8   | m |
| Operating margin     | 10.9        | % |
| Av. no. of employees | 912         |   |

# Market trends

## Market affected by different factors

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

Since these two factors almost always coincide, demand has a tendency to be fairly volatile. When the economy is strong, it boosts consumer purchasing power and energy prices rise.

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

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

There are currently no standardised testing methods and limits in Europe for wood-burning stoves, but work is underway to introduce a more integrated system. Variations in testing methods between countries means



*Conturas latest insert model Ci41 was launched in 2013, shown here with a soapstone finish.*

## Opportunities

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

## Risks

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

that the products now need to undergo several tests in order to be sold on more than one market. This does not lead to better products, as manufacturers are often forced to compromise to satisfy the various requirements. Tough requirements and standardised testing methods will therefore benefit both NIBE and the industry in the long term.

## Varying levels of demand

The international market for wood-burning stoves varies considerably both in terms of the appearance of products and their properties. Differences between countries or regions are generally due to the fact that the major domestic manufacturers in each country have spent many years developing unique features for their products. This has historically set the standard and taught customers how a product should look and what properties it should have. This has partly changed as interest in home furnishing has increased, while globalisation has meant that consumers are discovering other types of products besides those available on their domestic markets. It is primarily products with a more modern appearance, clean lines and timeless design that are attracting greater interest.

## Different energy sources

Various types of energy are used in stoves and the three main categories are wood, gas and pellets. The European market for wood-burning stoves mainly comprises traditional wood-fired stoves and they are essentially sold on all markets.

The UK, Ireland and the Netherlands are significant markets in Europe for stove products adapted for gas. This is due to a strong tradition of using gas, combined with a well developed network of gas pipelines. Furthermore, almost all homes in the UK and Ireland have a brick chimney and there is often more than one fireplace per household.

The third category is wood-stove products adapted for pellets, which is the predominant energy type on the Italian market. Demand for pellet-fired products is also strong in other Mediterranean countries such as France and Spain. The flames are not as attractive and relaxing as with a traditional wood-burning product, but it still serves as an excellent additional source of heat during the colder months in southern Europe.

There are also electric stoves that are mainly used for decorative purposes. They do

not burn in the traditional way, but they do give out a certain amount of heat.

### Fragmented industry

The European wood-stove industry is large, but very fragmented. There is a large number of small companies and even more different brands, but no strong global brands. This also means that there is a vast range of products of various kinds, which makes it difficult to gain an overview.

Companies are often family-owned, with the owner also taking an active role in operations. There have been a number of changes in recent years, but the industry has not undergone any major consolidation process. This opens up opportunities for us to continue with our strategy of making acquisitions and thus actively influence the necessary consolidation process.

### Market conditions

We hold a strong position on our main markets, although the market was somewhat reserved in 2013.

Demand for stove products in the Nordic region continued to drop on all markets and we are experiencing the company's weakest level of demand to date. The primary explanation for this situation is continued restraint among consumers as regards investment in consumer durables and renovating their homes. In addition, very few new homes are being built.

In Germany and France, demand has remained relatively stable despite a generally weak economy. Demand dipped slightly in Germany during the latter part of the year, which was probably due to the unusually warm autumn.

The UK, which is now our single largest market, saw a clear improvement in demand for all types of wood-stove products. This is due to the economy rallying, which has fuelled the housing market, but it is also an effect of last year's long cold winter.

### Distribution

Wood-burning stoves are mainly sold via a well established network of distributors, who showcase the products in home settings and offer a

high level of customer service. The stores are often small, independent family-owned companies and there are only a few specialist retail chains for wood-burning stoves in Europe.

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

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



*At the beginning of the year, NIBE acquired 60% of the Stovax Heating Group. The product range comprises both classic English free-standing stoves and large, modern inserts, as shown above. The company also has a broad range of stoves and inserts for gas and electric stoves used mainly for decorative purposes, which has added new product categories to the NIBE Stoves business area.*

# Product range

## The product range

comprises six product groups:

- Free-standing wood-burning stoves, in steel or cast iron
- Inserts with a choice of surrounds
- Heat-retaining products
- Wood-burning inserts for fireplaces
- Chimney systems
- Wood-stove accessories

## Strong brands

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

## Strong product portfolio

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

Our ambition is to use new products to fur-

ther reinforce the position we have achieved within each product area. Alongside this strategy we will extend our product range into new product areas as another way of increasing our market share.

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

We have also supplemented our product portfolio through acquisitions. UK group Stovax has given us access to a large range of gas-fired and electric products. Danish TermaTech has brought a complete range of accessories for wood-stove products.

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

Contura

VARDE

TermaTech

STOVAX

Nordpeis

PREMODUL

LOTUS

GAZCO



## Products satisfy environmental requirements

Wood provides renewable energy and burning wood in a stove is therefore CO<sub>2</sub> neutral. Moreover, choosing a product that uses good combustion technology minimises the environmental impact.

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

## Launches in 2013

During the past financial year we launched several new inserts with different types of surround under several of our brands. This is the start of a long-term focus on broadening our model range and increasing market share within this product segment as well. All the products have been well received by the market.

*Danish Lotus has a wide range of both free-standing stoves and inserts. The Prio series is a traditional wood-stove and in 2013 a new version was launched, featuring a sandstone surround.*



## Product development

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

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

### Design

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

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

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

### Combustion technology

All combustion involves emissions to a greater or lesser extent, which impacts on our environment and health. Demand for our products will increase in future, which will require even greater efficiency and lower emissions.

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



*Being able to offer comprehensive chimney systems is a key element of our concept of providing our customers with turnkey solutions, mainly on the Scandinavian markets. To further improve our offering, a number of product changes have been implemented to the existing chimney range. At the same time, a completely new range of chimneys has been launched, in which the combustion air is supplied via a separate integrated channel in the chimney.*

Over several decades we have built up substantial knowledge of how different types of energy combust in stoves. We have recently stepped up our efforts and are continually investing considerable development resources in this area. We will also be building one of Europe's largest and most modern laboratories for wood-stove products in 2014.

### Functionality

Wood-stove products are used frequently during the cold months of the year and we there-

fore place great emphasis on our products being reliable. We ensure this by conducting extensive tests on both the materials used and the final product.

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

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

## Production plants

The majority of our steel products are made at our modern and rational production plant in Sweden. This plant, which is the most efficient in our entire industry, is largely robotised and designed based on a rational production flow, which both boosts productivity and produces a higher quality end-product. There is a strong focus on minimising emissions and energy consumption during the production process, as we believe it is important to be able to man-

ufacture quality products with the least possible environmental impact. We also believe this will become an increasingly significant competitive advantage in the future.

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

We have a production unit in Poland for

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



# Administration Report

## Financial Information

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# Income statement – Five-year Review

## Income statement

| (SEK million)  | 2013           | 2012           | 2011           | 2010           | 2009           |
|--|----------------|----------------|----------------|----------------|----------------|
| Net sales  | 9,833.6        | 9,192.3        | 8,139.8        | 6,511.5        | 5,751.2        |
| Cost of goods sold   | - 6,461.8      | - 6,032.1      | - 5,341.7      | - 4,274.0      | - 3,928.6      |
| <b>Gross profit</b>  | <b>3,371.8</b> | <b>3,160.2</b> | <b>2,798.1</b> | <b>2,237.5</b> | <b>1,822.6</b> |
| Selling expenses   | - 1,738.5      | - 1,709.4      | - 1,429.3      | - 1,159.1      | - 992.2        |
| Administrative expenses  | - 579.7        | - 542.5        | - 527.1        | - 409.6        | - 371.5        |
| Other operating income   | 125.6          | 130.8          | 149.6          | 127.3          | 172.4          |
| <b>Operating profit</b>  | <b>1,179.2</b> | <b>1,039.1</b> | <b>991.3</b>   | <b>796.1</b>   | <b>631.3</b>   |
| Net financial items  | - 61.8         | - 33.7         | - 50.1         | - 51.0         | - 70.4         |
| <b>Profit after net financial items</b>                                  | <b>1,117.4</b> | <b>1,005.4</b> | <b>941.2</b>   | <b>745.1</b>   | <b>560.9</b>   |
| Tax  | - 259.4        | - 241.9        | - 249.7        | - 192.0        | - 148.8        |
| <b>Profit for the year</b>   | <b>858.0</b>   | <b>763.5</b>   | <b>691.5</b>   | <b>553.1</b>   | <b>412.1</b>   |
| <i>Profit for the year attributable to non-controlling interest</i>      | -              | -              | 0.4            | 4.6            | 3.0            |
| <i>Includes the following amounts for depreciation according to plan</i> | 384.6          | 368.4          | 274.5          | 215.9          | 210.2          |

## 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 five-year period, sales have grown from SEK 5,810.5 million to SEK 9,833.6 million. This has been achieved through an aggressive acquisition strategy. Thirteen companies and lines of business have been acquired.

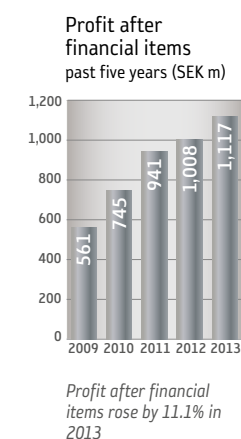
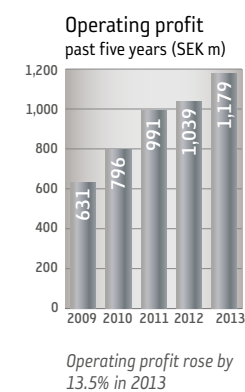
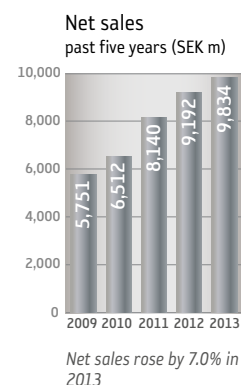
Growth averaged 11.1% percent over the five-year period. Organically, Group sales fell by 0.5% over the period, while acquired growth amounted to 11.6%.

The profit target has been that the Group's busi-

ness areas shall achieve, on average, an operating margin of at least 10%, and that the Group's average return on equity shall be a minimum of 20%.

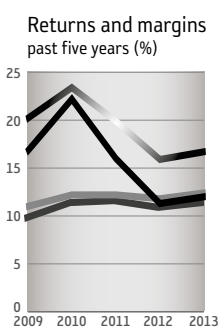
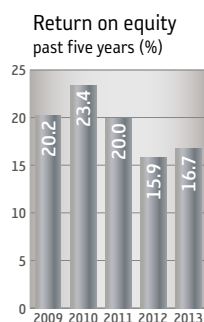
NIBE Energy Systems' average operating margin over the five-year period was 14.5%. NIBE Element's average operating margin was 6.6%, while the corresponding figure for NIBE Stoves was 12.4%.

The Group's operating margin over the five-year period has averaged 11.8% and return on equity has averaged 18.4%.

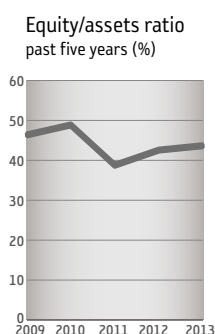




# Balance sheets – Five-year review



■ Equity  
■ Capital employed  
■ Operating margin  
■ Profit margin



## Balance sheet

| (SEK million)                          | 2013            | 2012            | 2011            | 2010           | 2009           |
|--|-----------------|-----------------|-----------------|----------------|----------------|
| Intangible assets                      | 6,153.6         | 5,598.2         | 5,642.4         | 1,188.5        | 1,018.4        |
| Property, plant and equipment          | 1,889.1         | 1,880.8         | 1,897.6         | 1,275.7        | 1,398.8        |
| Financial assets                       | 155.2           | 152.3           | 140.9           | 59.0           | 57.0           |
| <b>Total non-current assets</b>        | <b>8,197.9</b>  | <b>7,631.3</b>  | <b>7,680.9</b>  | <b>2,523.2</b> | <b>2,474.2</b> |
| Inventories                            | 1,760.0         | 1,685.0         | 1,679.6         | 1,118.1        | 1,038.0        |
| Current receivables                    | 1,414.7         | 1,338.8         | 1,377.7         | 1,097.8        | 932.2          |
| Investments in securities, etc.        | 3.0             | -               | -               | -              | -              |
| Cash and cash equivalents              | 1,591.2         | 934.3           | 1,007.1         | 409.5          | 349.1          |
| <b>Total current assets</b>            | <b>4,768.9</b>  | <b>3,958.1</b>  | <b>4,064.4</b>  | <b>2,625.4</b> | <b>2,319.3</b> |
| <b>Total assets</b>                    | <b>12,966.8</b> | <b>11,589.4</b> | <b>11,745.3</b> | <b>5,148.6</b> | <b>4,793.5</b> |
| Equity                                 | 5,575.4         | 4,857.9         | 4,472.2         | 2,482.7        | 2,190.0        |
| Non-current liabilities and provisions |                 |                 |                 |                |                |
| - non-interest-bearing                 | 1,267.2         | 893.6           | 937.1           | 397.0          | 239.1          |
| - interest-bearing                     | 4,390.7         | 4,013.6         | 4,340.9         | 952.2          | 1,360.0        |
| Current liabilities and provisions     |                 |                 |                 |                |                |
| - non-interest-bearing                 | 1,532.9         | 1,320.3         | 1,465.3         | 1,136.1        | 845.3          |
| - interest-bearing                     | 200.6           | 504.0           | 529.8           | 180.6          | 159.1          |
| <b>Total equity and liabilities</b>    | <b>12,966.8</b> | <b>11,589.4</b> | <b>11,745.3</b> | <b>5,148.6</b> | <b>4,793.5</b> |

## Balance sheet over five years

Over the past five years total assets have risen from SEK 5,146.7 million to SEK 12,966.8 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'.

Property, plant and equipment consists exclusively of land, buildings and machinery. The increase over the past five years amounts to SEK 388.6 million. Of this increase, approximately 41% has been added through acquisitions of companies and lines of business, and the remaining 59% through investments in existing operations. These investments have been primarily in the Group's facilities in Markaryd, Sweden, where most of the production facilities for NIBE Energy Systems and NIBE Stoves are located, and in the Group's production facilities in Poland and the Czech Republic.

Inventories and current receivables (mainly trade receivables) account for approximately 24% 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, provisions for additional considerations and warranty provisions. These have grown from SEK 246.9 million to SEK 1,267.2 million over the past five years, chiefly as a consequence of provisions for contingent consideration and 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 loans from banks and other financial institutions and pension provisions. Over the past five years, these have risen from SEK 2,152.0 million to SEK 4,591.3 million. 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 42.3%.

Around 80% of current non-interest-bearing liabilities and provisions, which have grown by SEK 673.8 million during the period, from SEK 859.1 million to SEK 1,532.9 million, consist of accrued expenses and traditional accounts payable, both of which are directly related to the expansion of the operation.

# Statement of cash flows – Five-year review

## Statements of cash flows

| (SEK million)                                      | 2013           | 2012           | 2011             | 2010         | 2009         |
|--|----------------|----------------|------------------|--------------|--------------|
| Cash flow before changes in working capital        | 1,283.3        | 1,070.3        | 882.2            | 825.7        | 679.4        |
| Change in working capital                          | - 186.2        | - 53.2         | 237.9            | - 38.7       | 217.4        |
| <b>Cash flow from operating activities</b>         | <b>1,097.1</b> | <b>1,017.1</b> | <b>1,120.1</b>   | <b>787.0</b> | <b>896.8</b> |
| Investments in existing operations                 | - 309.2        | - 251.5        | - 333.4          | - 166.2      | - 145.3      |
| <b>Operating cash flow</b>                         | <b>787.9</b>   | <b>765.6</b>   | <b>786.7</b>     | <b>620.8</b> | <b>751.5</b> |
| Acquisition of businesses                          | - 193.5        | - 226.0        | - 3,481.8        | - 239.7      | - 72.6       |
| <b>Cash flow after investments</b>                 | <b>594.4</b>   | <b>539.6</b>   | <b>- 2,695.1</b> | <b>381.1</b> | <b>678.9</b> |
| Financing  | 271.0          | - 364.1        | 3,465.3          | - 175.1      | - 562.9      |
| Share dividends                                    | - 220.4        | - 220.5        | - 164.4          | - 122.1      | - 108.0      |
| <b>Cash flow for the year</b>                      | <b>645.0</b>   | <b>- 45.0</b>  | <b>605.8</b>     | <b>83.9</b>  | <b>8.0</b>   |
| Cash and cash equivalents at the start of the year | 934.3          | 1,007.1        | 409.5            | 349.1        | 349.3        |
| Exchange difference in cash and cash equivalents   | 11.9           | - 27.8         | - 8.2            | - 23.5       | - 8.2        |
| <b>Cash and cash equivalents at the year-end</b>   | <b>1,591.2</b> | <b>934.3</b>   | <b>1,007.1</b>   | <b>409.5</b> | <b>349.1</b> |

## 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

Working capital, measured as current assets less current liabilities was reduced during the five-year period from 21.5% to 14.7%. On average, it amounted to approximately 14% during the period.

### Investments in existing operations

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

### 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, at the same time as a great deal of attention has been paid to working capital in the day-to-day work.

### Acquisition of businesses

Over the years, NIBE Industrier AB has adopted an aggressive acquisition strategy. During the five-year period, thirteen companies and lines of business have been acquired: four 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. During 2012 and 2013, the intensity of acquisitions has been lower. The objective is to continue to use an aggressive acquisition strategy in the future.

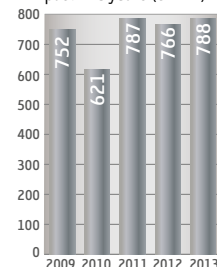
### Financing

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.

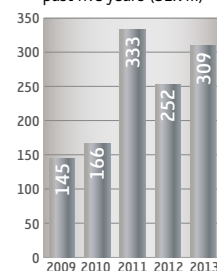
### Share dividends

NIBE Industrier aims to pay share dividends of 25–30% of the profit for the year after tax. Over the most recent five-year period, share dividends have varied between 28.9% and 31.9% of the year's profit after tax.

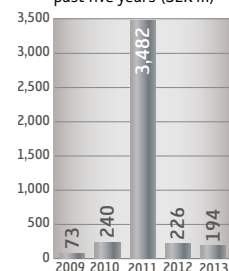
Operating cash flow past five years (SEK m)



Investments in existing operations past five years (SEK m)



Investments/ Acquisitions past five years (SEK m)



# Risk Management

|  | Basis for calculation | Change |                       | Impact on profit or loss |
|--|-----------------------|--------|-----------------------|--------------------------|
| Net sales (margin constant)                              | 9,833.6 SEK million   | +/-    | 1.0 %                 | 38.3 SEK million         |
| Operating margin (volume constant)                       | 9,833.6 SEK million   | +/-    | 1.0 %                 | 98.3 SEK million         |
| Material costs   | 4,098.5 SEK million   | +/-    | 1.0 %                 | 41.0 SEK million         |
| Personnel costs  | 2,459.5 SEK million   | +/-    | 1.0 %                 | 24.6 SEK million         |
| Interest-bearing liabilities (interest constant)         | 4,591.3 SEK million   | +/-    | 10.0 %                | 7.3 SEK million          |
| Interest-rate, % (interest-bearing liabilities constant) | 1.6 %                 | +/-    | 1.0 Percentage points | 45.9 SEK million         |

Based on Income statement 2013

## 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 have a serious impact on 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 2013 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 these risks are outside the Group's control. The table above shows the effect of a variety of changes on the Group's profitability. The impact of the changes is calculated on the basis of the figures on the balance sheet and in the income statement for 2013.

## Key ratios

|                                       |             | 2013     | 2012    | 2011    | 2010    | 2009    |
|---------------------------------------|-------------|----------|---------|---------|---------|---------|
| Net sales                             | SEK million | 9,833.6  | 9,192.3 | 8,139.8 | 6,511.5 | 5,751.2 |
| Growth                                | %           | + 7.0    | + 12.9  | + 25.0  | + 13.2  | - 1.0   |
| Operating profit                      | SEK million | 1,179.2  | 1,039.1 | 991.3   | 796.1   | 631.3   |
| Profit after net financial items      | SEK million | 1,117.4  | 1,005.4 | 941.2   | 745.1   | 560.9   |
| Net investments in non-current assets | SEK million | 911.6    | 477.5   | 3,815.2 | 405.9   | 217.9   |
| Gross margin                          | %           | 15.9     | 15.3    | 15.6    | 15.5    | 14.6    |
| Operating margin                      | %           | 12.0     | 11.3    | 12.2    | 12.2    | 11.0    |
| Profit margin                         | %           | 11.4     | 10.9    | 11.6    | 11.4    | 9.8     |
| Capital employed                      | SEK million | 10,166.7 | 9,375.5 | 9,337.5 | 3,615.5 | 3,709.0 |
| Equity                                | SEK million | 5,575.4  | 4,857.9 | 4,472.2 | 2,482.7 | 2,190.0 |
| Return on capital employed            | %           | 12.4     | 11.8    | 16.0    | 22.2    | 16.8    |
| Return on equity                      | %           | 16.7     | 15.9    | 20.0    | 23.4    | 20.2    |
| Return on capital employed            | %           | 9.9      | 9.5     | 12.3    | 16.4    | 13.1    |
| Capital turnover rate                 | times       | 0.80     | 0.79    | 0.96    | 1.31    | 1.16    |
| Equity/assets ratio                   | %           | 43.0     | 41.9    | 38.1    | 48.2    | 45.7    |
| Proportion of risk-bearing capital    | %           | 47.2     | 46.5    | 43.0    | 50.9    | 48.6    |
| Operating cash flow                   | SEK million | 787.9    | 765.6   | 786.7   | 620.8   | 751.5   |
| Net debt/EBITDA                       | times       | 1.9      | 2.5     | 3.0     | 0.7     | 1.4     |
| Interest cover                        | times       | 12.4     | 11.0    | 10.7    | 11.8    | 7.3     |
| Interest-bearing liabilities/Equity   | %           | 82.3     | 93.0    | 108.9   | 45.6    | 69.4    |
| Average number of employees           | people      | 8,983    | 8,006   | 6,895   | 5,945   | 5,519   |

## Definitions – key ratios

### Growth

Percentage change in net sales compared with previous year.

### Gross margin

Operating profit before depreciation as a percentage of net sales.

### Operating margin

Operating profit as a percentage of net sales.

### Profit margin

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

### Capital employed

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

### Equity

Taxed equity plus untaxed reserves minus tax.

### Return on capital employed

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

### Return on equity

Profit after net financial items minus tax at standard rate 22.0% (2009-2012: 26.3%) as a percentage of average equity.

### Return on capital employed

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

### Capital turnover rate

Net sales divided by the average balance sheet total.

### Equity/assets ratio

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 2013

## Income statement 2013

### Net sales

Group net sales rose by SEK 641.3 million or 7.0% to SEK 9,833.6 million (SEK 9,192.3 million). NIBE Energy Systems' contracted by 2.7%. Since acquired growth was 0.7%, organic sales contracted by 3.4%. NIBE Element's sales rose by 20.8%. Since acquired growth was 18.2%, organic sales fell by 2.6%. NIBE Stoves' sales rose by 31.1%. Since acquired growth was 36.9%, organic sales contracted by 5.8%.

Consolidated net sales outside Sweden totalled SEK 8,139.1 million (SEK 7,565.9 million), an increase of SEK 573.2 million. This means that net sales abroad accounted for 82.8% (82.3%) of total net sales. Consolidated net sales on the Swedish market grew by 4.2% to SEK 1,694.5 million (SEK 1,626.4 million).

As acquired sales growth during the year totalled SEK 857.4 million, this means that organic sales fell by SEK 216.1 million or 2.3%. Acquired growth accounted for sales of SEK 40.0 million at NIBE Energy Systems, SEK 424.5 million at NIBE Element and SEK 392.9 million at NIBE Stoves.

### Operating profit

Group operating profit totalled SEK 1,179.2 million, an increase of 13.5% on the figure of SEK 1,039.1 million reported for 2012. The operating margin was 12.0% compared with 11.3% in the preceding year. Operating profit for the year has been charged with acquisition costs of SEK 8.9 million (previous year: SEK 14.5 million).

NIBE Energy Systems' operating profit rose by SEK 36.8 million to SEK 844.2 million (SEK 807.4 million). This increase generated profit growth of 4.6%. The operating margin was 14.7% (13.7%).

NIBE Element's operating profit rose by SEK 64.2 million from SEK 152.5 million to SEK 216.7 million. This increase generated profit growth of 42.2%. The operating margin was 7.7% (6.5%).

NIBE Stoves' operating profit rose by SEK 36.0 million from SEK 115.8 million to SEK 151.8 million. This increase resulted in profit growth of 31.1%. The operating margin was 10.9%, the same figure as in the previous year.

### Profit after net financial items

Profit after financial items rose by 11.1% to SEK 1,117.4 million (SEK 1,005.4 million), equivalent to a profit margin of SEK 11.4% (10.9%). Consolidated net financial items totalled SEK -61.8 million (SEK -33.7 million). Net financial items for the preceding year were affected positively by exchange gains of SEK 27.8 million relating to the repayment of bank loans in foreign currencies. Financial items for the year included no such component. Disregarding the effects of this, profit after financial items increased by 14.3%.

### Tax

The tax expense for the year was SEK 259.4 million (SEK 241.9 million), which gives an effective tax rate of 23.2% (24.1%). The single most important reason for the lower tax rate is the decision by the Swedish government to reduce corporation tax to 22.0% (26.3%) with effect from 2013.

## Balance sheet 2013

### Equity/assets ratio and returns

The Group's equity ratio at the end of the reporting period was 43.0% (41.9%). Equity totalled SEK 5,575.4 million (SEK 4,857.9 million).

The Group's return target is a return on equity of at least 20% in the long term. The return on equity in 2013 was 16.7% (15.9%). The return on capital employed was 12.4% (11.8%). 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 14.7% (13.7%), for NIBE Element 7.7% (6.5%), and for NIBE Stoves 10.9% (10.9%). The operating margin for the Group as a whole was 12.0% (11.3%).

### Cash and cash equivalents

The Group's cash and cash equivalents at the end of the financial year amounted to SEK 1,591.2 million (SEK 934.3 million), to which may be added unutilised overdraft facilities of SEK 778.0 million (SEK 775.8 million). During the year, the Group's net overdraft was reduced by SEK 169.3 million. Acquisitions provided SEK 7.0 million, which meant that the previous overdraft facilities were reduced by SEK 176.3 million.



# Annual Accounts 2013

## Cash flow 2013

### Cash flow from operating activities

Consolidated cash flow for the year after changes in working capital amounted to SEK 1,097.1 million (SEK 1,017.1 million).

### Investments

Investments in Group acquisitions of subsidiary companies/lines of business totalled SEK 602.4 million. Since this amount includes both deemed consideration for the remaining 40% of the shares of the Stovax Heating Group and estimated future contingent consideration for the Eltwin Group, the effect on the cash flow for the year was SEK 193.5 million. Other investments totalled SEK 309.2 million (SEK 251.5 million), allocated as follows:

| (SEK million)            | 2013         | 2012         |
|--------------------------|--------------|--------------|
| Machinery and equipment  | 121.0        | 126.7        |
| Real property            | 54.9         | 59.4         |
| Construction in progress | 50.2         | 33.2         |
| Other non-current assets | 83.1         | 32.2         |
| <b>Total</b>             | <b>309.2</b> | <b>251.5</b> |

Consequently, cash flow after investment activities was SEK 594.4 million (SEK 539.6 million). Operating cash flow – i.e. after investments, but excluding acquisitions of operations/subsidiaries – was SEK 787.9 million (SEK 765.6 million).

### Credits from finance institutions and pension funds

| (SEK million)  | 2013           | 2012           |
|--|----------------|----------------|
| Loans with floating interest rate                                    | 4,275.0        | 3,997.6        |
| Utilised portion of overdraft facilities with floating interest rate | 150.6          | 322.1          |
| Provisions for pensions  | 165.7          | 197.9          |
| <b>Total interest-bearing liabilities</b>                            | <b>4,591.3</b> | <b>4,517.6</b> |
| Unutilised overdraft facilities                                      | 778.0          | 775.8          |
| Other unutilised credits   | 2,551.3        | 710.8          |
| <b>Total credit available</b>  | <b>7,920.6</b> | <b>6,004.2</b> |

The Group's total interest-bearing liabilities at the year-end amounted to SEK 4,591.3 million (SEK 4,517.6 million). The average interest expense for the total of interest-bearing liabilities was 1.6% (1.5%). The Group's net liabilities, which consist of interest-bearing liabilities minus cash and cash equivalents and investments in securities etc., totalled SEK 2,997.1 million (SEK 3583.3 million).

## Important events during the year

At the end of January 2013 NIBE acquired a 60% stake in the British wood-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. The company was consolidated in business area NIBE Stoves as of 1 February. Agreement has also been reached on the acquisition of the remaining 40% of shares in the company in 2016.

Under an agreement in principle signed in June 2012, the Danish company, the Eltwin Group, which produces steering and control technology for the energy sector, was acquired in February. The Eltwin Group reports annual sales of some SEK 85 million and an operating margin of approximately 9%. It was consolidated into the NIBE Element business area with effect from 1 March 2013.

## 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 President/CEO and other senior executives. The Board, acting in accordance with these guidelines, determines the remuneration of the President/CEO. The remuneration of other senior personnel is determined by the President/CEO in consultation with the Chairman of the Board. Decisions in this regard are reported to the Board of Directors. Certain key individuals in the foreign companies acquired in recent years have incentive programmes that, in certain respects, deviate from the principles for remuneration that are otherwise applied in the NIBE Group. For further details of remuneration for the year, please refer to Note 6.

The Board proposes that remuneration for 2014 should be determined in accordance with the same principles as those adopted in 2013.

## Human resources

It is our ambition to ensure that NIBE is perceived as an attractive employer offering exceptional 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 micromanaged, but are expected nevertheless to conform to clear ethical and commercial guidelines. These are formalised in two brochures, each translated into 14 languages so that copies could be distributed to all employees 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. Other manufacturing companies within the Group were invited to introduce certified environmental management systems in accordance with ISO 14001 by 2016 at the latest. The Group currently reports its environmental performance in accordance with level B of the 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 2014. 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 ten units will make 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 2013. 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 identified at three plants, two in Denmark and one in the Czech Republic. In all known cases, it has been confirmed that the NIBE Group cannot be held responsible. The authorities in Sweden have classed the Group's plants in Markaryd as "moderate risks" in respect of soil pollution.

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

## Research and development

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

See also Note 9.

## Important events after the end of the reporting period

The operations of the French company, Technibel SAS, were acquired at the beginning of February 2014. The company has annual sales of around SEK 105 million. It is a specialised sales company for air conditioning products and heat pumps under the well-established brand, Technibel.

## Future developments

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.

We will defend our margins through continual initiatives to improve productivity and by prudence in respect of our fixed costs. We will also focus strongly on professional marketing and a high rate of product development.

In combination with the increasingly positive signs of recovery, this means that we look to the future with confidence.

## 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:

|                         |                            |
|-------------------------|----------------------------|
| Profits brought forward | SEK 790.1 million          |
| Share premium reserve   | SEK 1,752.8 million        |
| Fair value reserve      | SEK 148.2 million          |
| Profit for the year     | SEK 525.9 million          |
| <b>Total</b>            | <b>SEK 3,217.0 million</b> |

The Board of Directors proposes issuing a dividend to shareholders of SEK 2.35 per share, equivalent to a total pay-out of SEK 259.1 million. A total of SEK 2,957.9 million will be carried over in the accounts: SEK 148.2 million of this in the fair value reserve, SEK 1,752.8 million in the share premium reserve and SEK 1,056.9 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 statement

| (SEK million)   |              | Group          |                | Parent        |               |
|---|--------------|----------------|----------------|---------------|---------------|
|   |              | 2013           | 2012           | 2013          | 2012          |
| Net sales   | Note 3       | 9,833.6        | 9,192.3        | 6.3           | 4.9           |
| Cost of goods sold  |              | - 6,461.8      | - 6,032.1      | -             | -             |
| <b>Gross profit</b>   |              | <b>3,371.8</b> | <b>3,160.2</b> | <b>6.3</b>    | <b>4.9</b>    |
| Selling expenses  |              | - 1,738.5      | - 1,709.4      | -             | -             |
| Administrative expenses   | Note 5       | - 579.7        | - 542.5        | - 36.3        | - 27.1        |
| Other operating income  | Note 10      | 125.6          | 130.8          | -             | 0.1           |
| <b>Operating profit</b>   | Notes 3 - 10 | <b>1,179.2</b> | <b>1,039.1</b> | <b>- 30.0</b> | <b>- 22.1</b> |
| <b>Result from financial investments</b>                                    |              |                |                |               |               |
| Result from participations in Group companies                               | Note 11      | -              | -              | 594.7         | 645.4         |
| Financial income  | Note 12      | 35.8           | 66.5           | 66.0          | 51.1          |
| Financial expense   | Note 13      | - 97.6         | - 100.2        | - 103.4       | - 73.7        |
| <b>Profit after net financial items</b>                                     |              | <b>1,117.4</b> | <b>1,005.4</b> | <b>527.3</b>  | <b>600.7</b>  |
| Appropriations  |              | -              | -              | -             | - 1.1         |
| Tax   | Note 14      | - 259.4        | - 241.9        | - 1.4         | - 1.3         |
| <b>Profit for the year</b>  |              | <b>858.0</b>   | <b>763.5</b>   | <b>525.9</b>  | <b>598.3</b>  |
| <b>Profit for the year attributable to</b>                                  |              |                |                |               |               |
| Shareholders in the parent  |              | 858.0          | 763.5          | 525.9         | 598.3         |
| Non-controlling interest  |              | -              | -              | -             | -             |
| <b>Profit for the year</b>  |              | <b>858.0</b>   | <b>763.5</b>   | <b>525.9</b>  | <b>598.3</b>  |
| <i>Includes the following amounts for depreciation according to plan</i>    |              | 384.6          | 368.4          | -             | -             |
| <i>Average number of shares</i>   |              | 110,253,638    | 110,182,238    |               |               |
| <i>Earnings per share before and after dilution, SEK</i>                    |              | 7.78           | 6.93           |               |               |
| <i>Proposed dividend per share, SEK</i>                                     |              | 2.35           | 2.00           |               |               |
| <b>Profit for the year</b>  |              | <b>858.0</b>   | <b>763.5</b>   | <b>525.9</b>  | <b>598.3</b>  |
| <b>Other comprehensive income</b>   |              |                |                |               |               |
| <b>Items which will not be reclassified to profit or loss <sup>1)</sup></b> |              |                |                |               |               |
| Actuarial gains and losses in pension plans                                 | Note 24      | 35.4           | - 64.1         | -             | -             |
| Tax attributable to other comprehensive income                              | Note 14      | - 7.5          | 13.2           | -             | -             |
|   |              | 27.9           | - 50.9         | -             | -             |
| <b>Items which may be reclassified to profit or loss <sup>1)</sup></b>      |              |                |                |               |               |
| Cash flow hedges  |              | - 5.1          | 1.5            | - 0.4         | -             |
| Hedging of net investment   |              | - 82.1         | 69.9           | - 81.7        | 68.6          |
| Exchange differences  |              | 120.0          | - 192.8        | -             | -             |
| Tax attributable to other comprehensive income                              | Note 14      | 19.2           | - 6.9          | 18.0          | - 6.3         |
|   |              | 52.0           | - 128.3        | - 64.1        | 62.3          |
| <b>Total other comprehensive income</b>                                     |              | <b>79.9</b>    | <b>- 179.2</b> | <b>- 64.1</b> | <b>62.3</b>   |
| <b>Total comprehensive income</b>   |              | <b>937.9</b>   | <b>584.3</b>   | <b>461.8</b>  | <b>660.6</b>  |
| <b>Total comprehensive income attributable to</b>                           |              |                |                |               |               |
| Shareholders in the parent  |              | 937.9          | 584.3          | 461.8         | 660.6         |
| Non-controlling interest  |              | -              | -              | -             | -             |
| <b>Total comprehensive income</b>   |              | <b>937.9</b>   | <b>584.3</b>   | <b>461.8</b>  | <b>660.6</b>  |

1) For further information on the amendments to IAS 1, please refer to Note 2.



# Income statement

## Quarterly data

| Consolidated income statements<br>(SEK million) | 2013         |              |              |              | 2012         |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | Q1           | Q2           | Q3           | Q4           | Q1           | Q2           | Q3           | Q4           |
| Net sales                                       | 2,062.4      | 2,350.2      | 2,544.9      | 2,876.1      | 2,106.7      | 2,318.4      | 2,271.2      | 2,496.0      |
| Operating expense                               | - 1,918.3    | - 2,095.4    | - 2,187.7    | - 2,453.0    | - 1,948.9    | - 2,054.5    | - 1,958.9    | - 2,190.9    |
| <b>Operating profit</b>                         | <b>144.1</b> | <b>254.8</b> | <b>357.2</b> | <b>423.1</b> | <b>157.8</b> | <b>263.9</b> | <b>312.3</b> | <b>305.1</b> |
| Net financial items                             | - 9.9        | - 13.3       | - 19.3       | - 19.3       | - 11.4       | - 24.6       | - 16.6       | 18.9         |
| <b>Profit after net financial items</b>         | <b>134.2</b> | <b>241.5</b> | <b>337.9</b> | <b>403.8</b> | <b>146.4</b> | <b>239.3</b> | <b>295.7</b> | <b>324.0</b> |
| Tax   | - 35.4       | - 55.6       | - 74.8       | - 93.6       | - 38.1       | - 59.5       | - 72.6       | - 71.7       |
| <b>Profit for the year</b>                      | <b>98.8</b>  | <b>185.9</b> | <b>263.1</b> | <b>310.2</b> | <b>108.3</b> | <b>179.8</b> | <b>223.1</b> | <b>252.3</b> |

### Net sales by business area

|                     |                |                |                |                |                |                |                |                |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| NIBE Energy Systems | 1,185.3        | 1,397.7        | 1,498.9        | 1,658.0        | 1,303.4        | 1,548.8        | 1,477.8        | 1,571.1        |
| NIBE Element        | 649.8          | 734.5          | 704.5          | 733.0          | 603.8          | 624.4          | 540.5          | 568.1          |
| NIBE Stoves         | 252.3          | 251.1          | 368.7          | 523.2          | 226.0          | 175.9          | 276.5          | 386.0          |
| Group eliminations  | - 25.0         | - 33.1         | - 27.2         | - 38.1         | - 26.5         | - 30.7         | - 23.6         | - 29.2         |
| <b>Group total</b>  | <b>2,062.4</b> | <b>2,350.2</b> | <b>2,544.9</b> | <b>2,876.1</b> | <b>2,106.7</b> | <b>2,318.4</b> | <b>2,271.2</b> | <b>2,496.0</b> |

### Operating profit by business area

|                     |              |              |              |              |              |              |              |              |
|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| NIBE Energy Systems | 101.1        | 205.4        | 264.9        | 272.8        | 111.6        | 226.6        | 256.7        | 212.5        |
| NIBE Element        | 42.4         | 58.4         | 59.9         | 56.0         | 37.0         | 46.6         | 25.7         | 43.2         |
| NIBE Stoves         | 8.9          | 1.6          | 38.3         | 103.0        | 15.1         | 0.4          | 35.9         | 64.4         |
| Group eliminations  | - 8.3        | - 10.6       | - 5.9        | - 8.7        | - 5.9        | - 9.7        | - 6.0        | - 15.0       |
| <b>Group total</b>  | <b>144.1</b> | <b>254.8</b> | <b>357.2</b> | <b>423.1</b> | <b>157.8</b> | <b>263.9</b> | <b>312.3</b> | <b>305.1</b> |

# Balance sheet

## Assets

| (SEK million)                              |         | Group           |                 | Parent         |                |
|--|---------|-----------------|-----------------|----------------|----------------|
|  |         | 2013-12-31      | 2012-12-31      | 2013-12-31     | 2012-12-31     |
| <b>NON-CURRENT ASSETS</b>                  |         |                 |                 |                |                |
| <b>Intangible assets</b>                   |         |                 |                 |                |                |
| Market positions                           | Note 15 | 804.3           | 730.6           | -              | -              |
| Brands                                     | Note 16 | 647.5           | 557.6           | -              | -              |
| Goodwill                                   | Note 16 | 4,453.6         | 4,119.6         | -              | -              |
| Other intangible assets                    | Note 17 | 248.2           | 190.4           | -              | -              |
| <b>Total intangible assets</b>             |         | <b>6,153.6</b>  | <b>5,598.2</b>  | <b>-</b>       | <b>-</b>       |
| <b>Property, plant and equipment</b>       |         |                 |                 |                |                |
| Buildings and land                         | Note 18 | 1,115.9         | 1,080.4         | -              | -              |
| Machinery and equipment                    | Note 19 | 711.3           | 747.2           | -              | -              |
| Construction in progress                   | Note 20 | 61.9            | 53.2            | -              | -              |
| <b>Total property, plant and equipment</b> |         | <b>1,889.1</b>  | <b>1,880.8</b>  | <b>-</b>       | <b>-</b>       |
| <b>Financial assets</b>                    |         |                 |                 |                |                |
| Shares in subsidiaries                     | Note 21 | -               | -               | 7,345.3        | 6,778.8        |
| Receivables from Group companies           |         | -               | -               | 832.1          | 367.6          |
| Shares in Associates                       | Note 22 | -               | -               | -              | -              |
| Investments held as non-current assets     |         | 46.4            | 39.3            | 9.3            | 2.0            |
| Deferred tax assets                        | Note 14 | 97.0            | 102.5           | 0.7            | 0.5            |
| Other non-current receivables              |         | 11.8            | 10.5            | -              | -              |
| <b>Total financial assets</b>              |         | <b>155.2</b>    | <b>152.3</b>    | <b>8,187.4</b> | <b>7,148.9</b> |
| <b>TOTAL NON-CURRENT ASSETS</b>            |         | <b>8,197.9</b>  | <b>7,631.3</b>  | <b>8,187.4</b> | <b>7,148.9</b> |
| <b>CURRENT ASSETS</b>                      |         |                 |                 |                |                |
| <b>Inventories</b>                         |         |                 |                 |                |                |
| Raw materials and consumables              |         | 701.6           | 697.8           | -              | -              |
| Work in progress                           |         | 117.9           | 110.9           | -              | -              |
| Finished products and goods for resale     |         | 940.5           | 876.3           | -              | -              |
| <b>Total inventories</b>                   |         | <b>1,760.0</b>  | <b>1,685.0</b>  | <b>-</b>       | <b>-</b>       |
| <b>Current receivables</b>                 |         |                 |                 |                |                |
| Accounts receivable                        |         | 1,192.1         | 1,090.5         | -              | -              |
| Receivables from Group companies           |         | -               | -               | 56.9           | 14.2           |
| Current tax assets                         |         | 69.8            | 113.2           | -              | -              |
| Other receivables                          |         | 65.8            | 68.4            | 3.6            | 6.9            |
| Prepaid expenses and accrued income        |         | 87.0            | 66.7            | 12.4           | 1.8            |
| <b>Total current receivables</b>           |         | <b>1,414.7</b>  | <b>1,338.8</b>  | <b>72.9</b>    | <b>22.9</b>    |
| Investments in securities, etc.            |         | 3.0             | -               | -              | -              |
| Cash and cash equivalents                  |         | 1,591.2         | 934.3           | 579.5          | 80.7           |
| <b>TOTAL CURRENT ASSETS</b>                |         | <b>4,768.9</b>  | <b>3,958.1</b>  | <b>652.4</b>   | <b>103.6</b>   |
| <b>TOTAL ASSETS</b>                        |         | <b>12,966.8</b> | <b>11,589.4</b> | <b>8,839.8</b> | <b>7,252.5</b> |

## Equity and liabilities

| (SEK million)                                       |         | Group           |                 | Parent         |                |
|---|---------|-----------------|-----------------|----------------|----------------|
|   |         | 2013-12-31      | 2012-12-31      | 2013-12-31     | 2012-12-31     |
| <b>EQUITY</b>                                       |         |                 |                 |                |                |
| Share capital                                       | Note 23 | 68.9            | 68.9            | 68.9           | 68.9           |
| Contributed capital/Statutory reserve               |         | 1,820.1         | 1,820.1         | 74.9           | 74.9           |
| <b>Total restricted equity</b>                      |         |                 |                 | <b>143.8</b>   | <b>143.8</b>   |
| <b>Non-restricted equity</b>                        |         |                 |                 |                |                |
| Other reserves/Fair value reserve                   |         | - 348.1         | - 428.0         | 148.2          | 212.3          |
| Share premium reserve                               |         | -               | -               | 1,752.8        | 1,752.8        |
| Profit brought forward                              |         | 4,034.5         | 3,396.9         | 1,316.0        | 1,010.5        |
| <b>Equity attributable to parent</b>                |         | <b>5,575.4</b>  | <b>4,857.9</b>  |                |                |
| <b>Total non-restricted equity</b>                  |         |                 |                 | <b>3,217.0</b> | <b>2,975.6</b> |
| <b>TOTAL EQUITY</b>                                 |         | <b>5,575.4</b>  | <b>4,857.9</b>  | <b>3,360.8</b> | <b>3,119.4</b> |
| <b>UNTAXED RESERVES</b>                             |         |                 |                 |                |                |
| Tax allocation reserve                              |         | -               | -               | 1.1            | 1.1            |
| <b>NON-CURRENT LIABILITIES AND PROVISIONS</b>       |         |                 |                 |                |                |
| Provisions for pensions                             | Note 24 | 184.4           | 212.5           | 3.4            | 2.5            |
| Provisions for tax                                  | Note 14 | 551.3           | 535.4           | 41.9           | 59.9           |
| Guarantee risk reserve                              | Note 25 | 153.8           | 162.4           | -              | -              |
| Other provisions, non-interest-bearing              | Note 25 | 541.7           | 178.6           | 472.2          | 125.1          |
| Bank overdraft facilities                           | Note 26 | 150.6           | 322.1           | -              | -              |
| Liabilities to credit institutions                  | Note 7  | 4,073.1         | 3,492.3         | 3,781.2        | 2,858.6        |
| Liabilities to Group companies                      |         | -               | -               | 1,015.5        | 671.4          |
| Other liabilities, interest-bearing                 |         | 1.3             | 1.3             | -              | -              |
| Other liabilities, non-interest-bearing             |         | 1.7             | 2.6             | -              | -              |
| <b>TOTAL NON-CURRENT LIABILITIES AND PROVISIONS</b> |         | <b>5,657.9</b>  | <b>4,907.2</b>  | <b>5,314.2</b> | <b>3,717.5</b> |
| <b>CURRENT LIABILITIES AND PROVISIONS</b>           |         |                 |                 |                |                |
| Liabilities to credit institutions                  |         | 200.6           | 504.0           | 141.1          | 384.8          |
| Accounts payable                                    |         | 713.3           | 594.5           | 7.4            | 13.6           |
| Advance payments from customers                     |         | 17.8            | 8.9             | -              | -              |
| Liabilities to Group companies                      |         | -               | -               | 2.9            | 3.3            |
| Current tax liabilities                             |         | 71.3            | 69.8            | 1.0            | 0.3            |
| Other liabilities                                   |         | 207.2           | 200.4           | 0.9            | 4.3            |
| Accrued expenses and deferred income                | Note 27 | 523.3           | 446.7           | 10.4           | 8.2            |
| <b>TOTAL CURRENT LIABILITIES AND PROVISIONS</b>     |         | <b>1,733.5</b>  | <b>1,824.3</b>  | <b>163.7</b>   | <b>414.5</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                 |         | <b>12,966.8</b> | <b>11,589.4</b> | <b>8,839.8</b> | <b>7,252.5</b> |
| Pledged assets                                      | Note 28 | 142.5           | 7,034.0         | 2.8            | 5,240.9        |
| Contingent liabilities                              | Note 29 | 0.8             | 0.9             | 595.6          | 1,041.9        |

# Changes in equity

| Group<br>(SEK million)                   | Share capital | Contributed capital | Other reserves <sup>1)</sup> | Profit brought forward | Equity attributable to parent | Total equity |
|--|---------------|---------------------|------------------------------|------------------------|-------------------------------|--------------|
| Equity 31 Dec 2011                       | 68.8          | 1,798.4             | - 233.8                      | 2,853.8                | 4,487.2                       | 4,487.2      |
| Effect of changes in accounting policies |               |                     | - 15.0                       |                        | - 15.0                        | - 15.0       |
| Adjusted Equity 31 Dec 2012              | 68.8          | 1,798.4             | - 248.8                      | 2,853.8                | 4,472.2                       | 4,472.2      |
| Profit for the year                      |               |                     |                              | 763.5                  | 763.5                         | 763.5        |
| Other comprehensive income for the year  |               |                     | - 179.2                      |                        | - 179.2                       | - 179.2      |
| Comprehensive income for the year        |               |                     | - 179.2                      | 763.5                  | 584.3                         | 584.3        |
| 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             | - 428.0                      | 3,396.9                | 4,857.9                       | 4,857.9      |
| Profit for the year                      |               |                     |                              | 858.0                  | 858.0                         | 858.0        |
| Other comprehensive income for the year  |               |                     | 79.9                         |                        | 79.9                          | 79.9         |
| Comprehensive income for the year        |               |                     | 79.9                         | 858.0                  | 937.9                         | 937.9        |
| Repaid dividend to shareholders          |               |                     |                              | 0.1                    | 0.1                           | 0.1          |
| Dividend                                 |               |                     |                              | - 220.5                | - 220.5                       | - 220.5      |
| Equity 31 Dec 2013                       | 68.9          | 1,820.1             | - 348.1                      | 4,034.5                | 5,575.4                       | 5,575.4      |

## 1) Other reserves

| (SEK million)                            | Cash flow hedges | Hedging of net investment | Actuarial gains and losses | Exchange rate differences | Total other reserves |
|--|------------------|---------------------------|----------------------------|---------------------------|----------------------|
| Other reserves 31 Dec 2011               | - 0.5            | 148.4                     |                            | - 381.7                   | - 233.8              |
| Effect of changes in accounting policies |                  |                           | - 15.0                     |                           | - 15.0               |
| Adjusted other reserves 31 Dec 2011      | - 0.5            | 148.4                     | - 15.0                     | - 381.7                   | - 248.8              |
| Change during the year                   | 1.5              | 69.9                      | - 64.1                     | - 192.8                   | -185.5               |
| Tax                                      | - 0.3            | - 6.7                     | 13.2                       | 0.1                       | 6.3                  |
| Other reserves 31 Dec 2012               | 0.7              | 211.6                     | - 65.9                     | - 574.4                   | - 428.0              |
| Change during the year                   | - 5.1            | - 82.1                    | 35.4                       | 120.0                     | 68.2                 |
| Tax                                      | 1.3              | 18.0                      | - 7.5                      | - 0.1                     | 11.7                 |
| Closing other reserves 31 Dec 2013       | - 3.1            | 147.5                     | - 38.0                     | - 454.5                   | - 348.1              |

## Parent

| (SEK million)                     | Share capital | Statutory reserve | Fair value reserve | Share premium reserve | Profit brought forward | Total equity |
|-----------------------------------|---------------|-------------------|--------------------|-----------------------|------------------------|--------------|
| Equity 31 Dec 2011                | 68.8          | 74.9              | 150.0              | 1,731.1               | 632.6                  | 2,657.4      |
| Comprehensive 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      |
| Comprehensive income for the year |               |                   | - 64.1             |                       | 525.9                  | 461.8        |
| Repaid dividend to shareholders   |               |                   |                    |                       | 0.1                    | 0.1          |
| Dividend                          |               |                   |                    |                       | - 220.5                | - 220.5      |
| Equity 31 Dec 2013                | 68.9          | 74.9              | 148.2              | 1,752.8               | 1,316.0                | 3,360.8      |



# Statement of cash flows

| (SEK million)   | Group          |                | Parent         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2013           | 2012           | 2013           | 2012           |
| <b>OPERATING ACTIVITIES</b>                             |                |                |                |                |
| Operating profit  | 1,179.2        | 1,039.1        | - 30.0         | - 22.1         |
| + depreciation and impairment charged to this profit    | 387.2          | 369.7          | -              | -              |
| + capital losses/- capital gains                        | - 1.0          | 1.5            | -              | -              |
| <b>Total</b>  | <b>1,565.4</b> | <b>1,410.3</b> | <b>- 30.0</b>  | <b>- 22.1</b>  |
| Interest received and similar items                     | 35.8           | 66.5           | 65.9           | 51.1           |
| Interest paid and similar items                         | - 95.4         | - 100.5        | - 101.1        | - 73.3         |
| Tax paid  | - 222.5        | - 306.0        | - 0.7          | - 0.6          |
| <b>Cash flow before changes in working capital</b>      | <b>1,283.3</b> | <b>1,070.3</b> | <b>- 65.9</b>  | <b>- 44.9</b>  |
| <b>Change in working capital</b>                        |                |                |                |                |
| Change in inventories                                   | 38.6           | 6.5            | -              | -              |
| Change in current receivables                           | - 72.6         | 155.7          | - 49.9         | - 8.9          |
| Change in current liabilities                           | - 152.2        | - 215.4        | - 254.1        | - 39.5         |
| <b>Cash flow from operating activities</b>              | <b>1,097.1</b> | <b>1,017.1</b> | <b>- 369.9</b> | <b>- 93.3</b>  |
| <b>INVESTING ACTIVITIES</b>                             |                |                |                |                |
| Investment in machinery and equipment                   | - 127.4        | - 130.7        | -              | -              |
| Investment in buildings and land                        | - 56.9         | - 59.4         | -              | -              |
| Investment in construction in progress                  | - 50.3         | - 33.2         | -              | -              |
| Investment in other intangible assets                   | - 75.4         | - 61.3         | -              | -              |
| Sales of buildings and land                             | 2.0            | -              | -              | -              |
| Sales of machinery and equipment                        | 6.4            | 4.0            | -              | -              |
| Sales of other intangible assets                        | 0.9            | -              | -              | -              |
| Change in non-current receivables and other securities  | - 8.5          | 29.1           | - 472.0        | - 44.9         |
| <b>Cash flow from investing activities</b>              | <b>- 309.2</b> | <b>- 251.5</b> | <b>- 472.0</b> | <b>- 44.9</b>  |
| <b>OPERATING CASH FLOW</b>                              | <b>787.9</b>   | <b>765.6</b>   | <b>- 841.9</b> | <b>- 138.2</b> |
| Acquisition of businesses <sup>1)</sup>                 | - 193.5        | - 226.0        | - 240.5        | - 85.5         |
| <b>FINANCING ACTIVITIES</b>                             |                |                |                |                |
| Result from participations in Group companies           | -              | -              | 594.7          | 645.4          |
| Amortisation of long-term loans                         | - 218.2        | - 516.5        | - 141.7        | - 372.5        |
| Other changes in non-current liabilities and provisions | 489.2          | 152.4          | 1,348.6        | 48.9           |
| Shareholders' dividend                                  | - 220.4        | - 220.5        | - 220.4        | - 220.5        |
| <b>Cash flow from financing activities</b>              | <b>50.6</b>    | <b>- 584.6</b> | <b>1,581.2</b> | <b>101.3</b>   |
| <b>Cash flow for the year</b>                           | <b>645.0</b>   | <b>- 45.0</b>  | <b>498.8</b>   | <b>- 122.4</b> |
| Cash and cash equivalents at the start of the year      | 934.3          | 1,007.1        | 80.7           | 203.1          |
| Exchange difference in cash and cash equivalents        | 11.9           | - 27.8         | -              | -              |
| <b>Cash and cash equivalents at the year-end</b>        | <b>1,591.2</b> | <b>934.3</b>   | <b>579.5</b>   | <b>80.7</b>    |

<sup>1)</sup> For further information about the acquisition of businesses, please see 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 9,100 employees and conducts business activities in nineteen 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 Hannabadsvägen 5, Markaryd. The Company is listed on the NASDAQ OMX Exchange in Stockholm. Its activities consist of Group-wide functions, such as financing, currency transactions, corporate acquisitions, establishing new operations, financial control and other policy matters.

These consolidated financial statements were approved for publication by the Board on 27 March 2014.

## Note 2 Accounting and valuation policies

The NIBE Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1, 'Supplementary accounting rules for Groups'. Changes in standards and interpretations which came into force in 2013 have had no significant effect on the consolidated financial statements with the exception of those listed below.

### IAS 1 (Revised) Presentation of Financial Statements

The amendment means that other comprehensive income is divided into two groups. The division is based on whether the items may be reclassified in profit or loss or not. The comparison figures have been redesignated in accordance with the new division.

### 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 outside profit or loss. Past service cost will be recognised immediately. Interest expense and expected return on the plan assets are replaced by a net interest rate which is calculated using the discount rate, based on the net surplus or net deficit in the defined-benefit plan. For information on the effects on the consolidated income statement and balance sheet, see Note 24.

### IFRS 7 (Revised) Financial instruments

The amendment refers to new disclosure requirements for offsetting financial assets and liabilities. The amendment is to apply to annual periods beginning on or after 1 January 2013, with retroactive application.

### IFRS 13 (New) Fair value measurement

IFRS 13 is a new uniform standard for measuring fair value and with increased disclosure requirements. The new disclosure requirements are set out in Note 7.

A number of new standards and amendments of existing standards and interpretations which will come into force in the next financial year have not been applied in the preparation of the consolidated financial statements for financial year 2013. None of these is expected to have any significant effect on the consolidated financial statements.

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

### Classification

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

### Consolidated financial statements

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

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

Items included in the financial statements for the different units in the NIBE Group are valued in the currency of the primary economic environment in which the company operates (functional currency). In the consolidated financial statements, the parent's functional and presentation currency is used, which is the Swedish krona (SEK). This means that foreign

subsidiaries' assets and liabilities are translated at the closing day rate. All income statement items are translated at the average rate for the year. Translation differences are recognised outside profit or loss. 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 outside profit or loss.

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. Acquisition-related expenses are expensed as they arise.

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

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

### Associates

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.

### Statements of cash flows

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

### Revenue recognition

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

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

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

### Segment reporting

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

## Transactions with related parties

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

## Other operating income

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

## Accounting of income tax

Income tax accounting has been carried out using IAS 12.

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

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

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

## Price hedging

The NIBE Group applies IAS 39 (Financial Instruments: Recognition and Measurement) for hedge accounting of raw materials futures. The application of this recommendation involves, among other things, recognising derivatives in the form of futures at fair value in the balance sheet, both initially and after subsequent revaluations. To fulfil the requirements for hedge accounting, there is a clear link between the derivative and the hedged items. In addition, calculations of effectiveness and all hedging conditions are documented in accordance with the requirements set out in IAS 39. For price hedging of raw materials flows, changes in the fair value of hedging instruments are recognised, to the extent that the hedging is effective, under Other comprehensive income until the underlying hedged item is recognised in profit or loss. Ineffective portions are expensed immediately. For further information on raw materials derivatives, see Note 7 'Financial instruments and financial risk management' under the section on 'Hedge accounting'.

## Hedging of net investment

Hedging of net investment in foreign operations is accounted for in a way similar to that used for a cash flow hedge. The portion of the gain or loss on a hedging instrument which is assessed as effective hedging is recognised outside profit or loss. 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 brands and trademarks

Goodwill and Group surpluses in trademarks have arisen in connection with the acquisition of business operations and companies. Brand and trademarks are valued at fair value on the date of acquisition. The period of use of the trademarks cannot be estimated with certainty, since it is dependent on a number of unknown factors such as technical developments and market trends. NIBE applies IFRS 38, 'Business Combinations', which means that goodwill and assets with an indeterminate period of use are not amortised. An impairment test is, however, carried out annually, or more frequently if there are indications that an impairment need may exist, in accordance with IAS 36, in which the Group's carrying amounts on these assets 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 assets and property, plant and equipment

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

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

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

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

## Research and development costs

Expenditure on research activities is expensed as it arises.

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

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

## Inventories

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

## Financial instruments

NIBE classifies its financial instruments in the following categories: financial instruments measured at fair value through profit or loss, financial assets held to maturity, accounts receivable and loans receivable, financial instruments available for sale, and financial liabilities measured at accrued cost. NIBE has raw materials derivatives for hedge accounting. NIBE also has currency derivatives for hedge accounting, see 'Currency hedging' above.

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

date at fair value. Loans receivable and accounts receivable are valued initially at fair value and subsequently at accrued cost using the effective interest rate method.

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

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

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 was the case in the preceding year, the recoverable amount as at 31 December 2013 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 outside profit or loss to the extent that they do not involve an impairment that is assessed as significant or long term. Non-current liabilities have an expected term longer than one year, while current liabilities have a term shorter than one year. Accounts payable and other operating liabilities which have a short expected term are, therefore, normally recognised at nominal value.

### Receivables and liabilities in foreign currency

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

### Impairment of non-financial assets

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

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

### Equity

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

### Provisions

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

### Defined-benefit pensions

Defined-benefit retirement benefit plans are alternative plans to defined-contribution plans for post-employment remuneration.

The Group's net obligations under defined-benefit plans are calculated separately for each plan by estimating the future benefits earned by employees through their employment in prior periods. These benefits are discounted to present value. The discount rate is the interest rate at the end of the reporting period on a high-quality investment-grade corporate bond with a term equivalent to the Group's pension obligations. Where there is no active market for corporate bonds of this type, government bonds with a corresponding term are used instead. The calculations have been performed by a qualified actuary using the projected unit credit method. In addition, the fair value of any plan assets is measured as at the end of the reporting period.

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

All the components included in the expense of a defined-benefit plan during the period are recognised in profit or loss.

Re-measurement effects consist of actuarial gains and losses. The re-measurement effects are recognised outside profit or loss.

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

Changes or reductions to a defined-benefit plan are recognised as soon as the change to the plan or the reduction occurs when the company recognises related reorganisation costs and payments on termination. The changes/reductions are recognised in profit or loss.

The special employers' contribution is a component of the actuarial assumptions, and is, therefore, recognised as a part of the net obligation/asset. That part of the special employers' contribution which is calculated on the basis of the Pension Obligations Vesting Act for a legal entity is recognised for simplicity's sake as an accrued expense rather than as a part of the net obligation/asset.

The tax on returns from pension funds is recognised in profit or loss for the period to which the tax relates, and is, therefore, not included in the liability calculation. For funded plans, the tax is charged to the return on plan assets and is recognised outside profit or loss. For unfunded or partially underfunded plans, the tax is charged to profit for the year.

### Significant estimates and assumptions for accounting purposes

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

### Useful life of intangible assets and property, plant and equipment

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

### Impairment tests for goodwill and Group-wide surpluses in trademarks

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

### Provisions

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

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



### Note 3 Information about the business areas

|                            | ENERGY SYSTEMS |           | ELEMENT |         | STOVES  |         | ELIMINATIONS |           | TOTAL           |                 |
|----------------------------|----------------|-----------|---------|---------|---------|---------|--------------|-----------|-----------------|-----------------|
| (SEK million)              | 2013           | 2012      | 2013    | 2012    | 2013    | 2012    | 2013         | 2012      | 2013            | 2012            |
| <b>Sales</b>               |                |           |         |         |         |         |              |           |                 |                 |
| Total net sales            | 6,892.9        | 7,105.2   | 3,393.6 | 2,794.7 | 1,560.9 | 1,212.5 | - 2,013.8    | - 1,920.1 | 9,833.6         | 9,192.3         |
| Net sales, internal        | - 1,153.0      | - 1,204.1 | - 571.8 | - 457.9 | - 165.6 | - 148.1 | 1,890.4      | 1,810.1   | -               | -               |
| Net sales, external        | 5,739.9        | 5,901.1   | 2,821.8 | 2,336.8 | 1,395.3 | 1,064.4 | - 123.4      | - 110.0   | 9,833.6         | 9,192.3         |
| <b>Profit</b>              |                |           |         |         |         |         |              |           |                 |                 |
| Profit per business area   | 844.2          | 807.4     | 216.7   | 152.5   | 151.8   | 115.8   | -            | -         | 1,212.7         | 1,075.7         |
| Unallocated costs          |                |           |         |         |         |         |              |           | - 33.5          | - 36.6          |
| Operating profit           |                |           |         |         |         |         |              |           | 1,179.2         | 1,039.1         |
| Financial income           |                |           |         |         |         |         |              |           | 35.8            | 66.5            |
| Financial expense          |                |           |         |         |         |         |              |           | - 97.6          | - 100.2         |
| Tax expense for the year   |                |           |         |         |         |         |              |           | - 259.4         | - 241.9         |
| <b>Profit for the year</b> |                |           |         |         |         |         |              |           | <b>858.0</b>    | <b>763.5</b>    |
| <b>Other disclosures</b>   |                |           |         |         |         |         |              |           |                 |                 |
| Assets                     | 8,098.6        | 8,108.3   | 2,758.2 | 2,425.0 | 1,592.2 | 1,037.6 | - 8,755.0    | - 7,234.0 | 3,694.0         | 4,336.9         |
| Unallocated assets         |                |           |         |         |         |         |              |           | 9,272.8         | 7,252.5         |
| <b>Total assets</b>        |                |           |         |         |         |         |              |           | <b>12,966.8</b> | <b>11,589.4</b> |
| Liabilities                | 6,837.7        | 7,069.0   | 2,480.0 | 2,244.8 | 1,015.6 | 525.5   | - 8,854.0    | - 7,240.9 | 1,479.3         | 2,598.4         |
| Unallocated liabilities    |                |           |         |         |         |         |              |           | 5,912.1         | 4,133.1         |
| <b>Total liabilities</b>   |                |           |         |         |         |         |              |           | <b>7,391.4</b>  | <b>6,731.5</b>  |
| Investments                | 185.7          | 176.2     | 83.0    | 82.9    | 26.6    | 21.0    |              |           |                 |                 |
| Depreciation/amortisation  | 240.4          | 247.0     | 91.7    | 79.5    | 52.6    | 42.0    |              |           |                 |                 |

SEK 1,694.5 million (SEK 1,626.4 million) of consolidated net sales relate to customers in the Swedish market. Of the Group's non-current assets, SEK 731.0 million (SEK 740.0 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

|                               | Group          |                | Parent        |               |
|-------------------------------|----------------|----------------|---------------|---------------|
| (SEK million)                 | 2013           | 2012           | 2013          | 2012          |
| Net sales                     | 9,833.6        | 9,192.3        | 6.3           | 4.9           |
| Change in inventories         | 5.4            | - 18.8         | -             | -             |
| Other operating income        | 125.6          | 130.8          | -             | 0.1           |
|                               | <b>9,964.6</b> | <b>9,304.3</b> | <b>6.3</b>    | <b>5.0</b>    |
| Raw materials and consumables | - 4,103.9      | - 3,803.8      | -             | -             |
| Other external costs          | - 1,837.4      | - 1,791.7      | - 16.2        | - 8.0         |
| Personnel costs               | - 2,459.5      | - 2,301.3      | - 20.1        | - 19.1        |
| Depreciation/amortisation     | - 384.6        | - 368.4        | -             | -             |
| <b>Operating profit</b>       | <b>1,179.2</b> | <b>1,039.1</b> | <b>- 30.0</b> | <b>- 22.1</b> |

### Note 5 Remuneration of auditors

During the year, the parent paid audit expenses of SEK 0.7 million (SEK 0.9 million), other audit fees of SEK 0.0 million (SEK 0.1 million) and expenses other than audit expenses of SEK 1.8 million (SEK 0.6 million).

| Group<br>(SEK million)   | 2013       |            |             | 2012       |            |             |
|--------------------------|------------|------------|-------------|------------|------------|-------------|
|                          | KPMG       | Other aud. | Total Group | Mazars     | Other aud. | Total Group |
| Audit assignments        | 5.4        | 2.6        | 8.0         | 2.5        | 6.7        | 9.2         |
| Other audit-related fees | 0.3        | 0.9        | 1.2         | 0.3        | 0.4        | 0.7         |
| Tax advice               | 0.2        | 0.9        | 1.1         | 0.1        | 1.0        | 1.1         |
| Other services           | 0.6        | 3.5        | 4.1         | 0.1        | 1.3        | 1.4         |
| <b>Total</b>             | <b>6.5</b> | <b>7.9</b> | <b>14.4</b> | <b>3.0</b> | <b>9.4</b> | <b>12.4</b> |

## Note 6 Personnel costs, average number of co-workers, number of men and women in senior positions

### Salaries and other remuneration

| (SEK million)      | 2013           | 2012           |
|--------------------|----------------|----------------|
| Parent             | 12.3           | 11.5           |
| Subsidiaries       | 2,001.0        | 1,859.5        |
| <b>Group total</b> | <b>2,013.3</b> | <b>1,871.0</b> |

| (SEK million)      | 2013                          |                        | 2012                          |                        |
|--------------------|-------------------------------|------------------------|-------------------------------|------------------------|
|                    | Social security contributions | of which pension costs | Social security contributions | of which pension costs |
| Parent             | 7.1                           | 2.6                    | 6.6                           | 2.4                    |
| Subsidiaries       | 442.8                         | 112.4                  | 418.8                         | 103.2                  |
| <b>Group total</b> | <b>449.9</b>                  | <b>115.0</b>           | <b>425.4</b>                  | <b>105.6</b>           |

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 2.6 million (SEK 1.9 million). The corresponding amount for the Group is SEK 6.4 million (SEK 5.6 million). The Group's outstanding pension obligations to the previous Board of Directors and CEO total SEK 0.7 million (SEK 0.8 million).

### Board and senior executives

| (SEK thousand)                    | 2013                            |                                  | 2012                            |                                  |
|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|----------------------------------|
|                                   | Salaries and other remuneration | Retirement benefit contributions | Salaries and other remuneration | Retirement benefit contributions |
| Arvid Gierow, Chair               | 400                             | -                                | 400                             | -                                |
| Georg Brunstam                    | 200                             | -                                | 200                             | -                                |
| Hans Linnarson                    | 200                             | -                                | 200                             | -                                |
| Eva-Lotta Kraft                   | 200                             | -                                | 200                             | -                                |
| Anders Pålsson                    | 200                             | -                                | 200                             | -                                |
| Gerteric Lindquist, President/CEO | 3,673                           | 946                              | 3,512                           | 900                              |
| Other senior executives           |                                 |                                  |                                 |                                  |
| 4 (4) individuals                 | 10,690                          | 3,062                            | 10,275                          | 3,452                            |
| <b>Group total</b>                | <b>15,563</b>                   | <b>4,008</b>                     | <b>14,987</b>                   | <b>4,352</b>                     |

### Remuneration principles and other terms of employment for the company management team

In accordance with the resolution adopted by the Annual General Meeting, the following principles applied during 2013 and the Board proposes that the same principles continue to apply for 2014, 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 President of the parent (CEO), for whom an agreement has been reached on severance pay amounting to one year's salary.

### Pensions

The President/CEO has an individual pension insurance arrangement that corresponds to ITP (supplementary pensions for salaried employees). For 2013, 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 President/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.

### Gender distribution at board/management level

|                           | 2013     |             | 2012     |             |
|---------------------------|----------|-------------|----------|-------------|
|                           | Number   | Of whom men | Number   | Of whom men |
| <b>Board of Directors</b> | 6        | 5           | 6        | 5           |
| <b>Company management</b> |          |             |          |             |
| Parent                    | 2        | 2           | 2        | 2           |
| Subsidiaries              | 3        | 3           | 3        | 3           |
| <b>Group</b>              | <b>5</b> | <b>5</b>    | <b>5</b> | <b>5</b>    |

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

| (SEK million)                                    | 2013                              |                 | 2012                              |                 |
|--|-----------------------------------|-----------------|-----------------------------------|-----------------|
|  | Board, CEO and other senior staff | Other employees | Board, CEO and other senior staff | Other employees |
| Parent   | 8.9                               | 4.6             | 8.7                               | 4.1             |
| Subsidiaries in Sweden                           | 6.7                               | 420.9           | 6.3                               | 431.4           |
| Norway <sup>1)</sup> (0.2 and 0.0 resp.)         | -                                 | 139.0           | -                                 | 135.2           |
| Finland <sup>1)</sup> (0.3 and 0.4 resp.)        | -                                 | 134.2           | -                                 | 125.8           |
| Denmark <sup>1)</sup> (1.8 and 1.4 resp.)        | -                                 | 278.9           | -                                 | 255.3           |
| France <sup>1)</sup> (0.2 and 0.2 resp.)         | -                                 | 15.2            | -                                 | 11.4            |
| Germany <sup>1)</sup> (0.4 and 1.5 resp.)        | -                                 | 192.3           | -                                 | 197.2           |
| Poland <sup>1)</sup> (0.5 and 0.7 resp.)         | -                                 | 119.4           | -                                 | 113.6           |
| Czech Republic <sup>1)</sup> (0.2 and 0.5 resp.) | -                                 | 54.6            | -                                 | 57.5            |
| Slovakia   | -                                 | 0.6             | -                                 | 1.0             |
| Italy  | -                                 | 8.8             | -                                 | 8.3             |
| Netherlands <sup>1)</sup> (0.0 and 0.2 resp.)    | -                                 | 21.6            | -                                 | 22.4            |
| Belgium  | -                                 | 2.2             | -                                 | 1.4             |
| UK <sup>1)</sup> (3.8 and 0.0 respectively)      | -                                 | 91.8            | -                                 | 23.4            |
| Spain  | -                                 | 12.9            | -                                 | 13.9            |
| Russia   | -                                 | 15.2            | -                                 | 16.3            |
| Austria <sup>1)</sup> (0.1 and 0.2 resp.)        | -                                 | 20.2            | -                                 | 18.0            |
| Switzerland <sup>1)</sup> (0.4 and 2.8 resp.)    | -                                 | 286.8           | -                                 | 302.2           |
| China  | -                                 | 47.2            | -                                 | 30.9            |
| Mexico   | -                                 | 96.4            | -                                 | 61.9            |
| USA <sup>1)</sup> (0.0 and 0.2 resp.)            | -                                 | 36.2            | -                                 | 26.0            |
| <b>Group total</b>                               | <b>15.6</b>                       | <b>1,999.0</b>  | <b>15.0</b>                       | <b>1,857.2</b>  |

<sup>1)</sup> (of which bonus in SEK million)

## Average number of employees and gender distribution

|                        | 2013                |              | 2012                |              |
|------------------------|---------------------|--------------|---------------------|--------------|
|                        | Number of employees | Of whom men  | Number of employees | Of whom men  |
| Parent                 | 7                   | 4            | 7                   | 4            |
| Subsidiaries in Sweden | 1,186               | 980          | 1,238               | 1,015        |
| Norway                 | 219                 | 168          | 206                 | 161          |
| Finland                | 429                 | 331          | 416                 | 312          |
| Denmark                | 539                 | 400          | 529                 | 397          |
| France                 | 31                  | 21           | 24                  | 16           |
| Germany                | 504                 | 430          | 534                 | 452          |
| Poland                 | 1,750               | 943          | 1,738               | 981          |
| Czech Republic         | 567                 | 338          | 563                 | 341          |
| Slovakia               | 4                   | 3            | 7                   | 5            |
| Italy                  | 35                  | 21           | 32                  | 19           |
| The Netherlands        | 45                  | 36           | 44                  | 35           |
| Belgium                | 2                   | 2            | 1                   | 1            |
| Great Britain          | 332                 | 258          | 93                  | 70           |
| Spain                  | 51                  | 37           | 51                  | 38           |
| Russia                 | 159                 | 112          | 158                 | 116          |
| Austria                | 40                  | 29           | 42                  | 32           |
| Switzerland            | 472                 | 387          | 487                 | 389          |
| China                  | 849                 | 469          | 555                 | 315          |
| Mexico                 | 1,695               | 765          | 1,220               | 670          |
| USA                    | 67                  | 48           | 61                  | 41           |
| <b>Group total</b>     | <b>8,983</b>        | <b>5,782</b> | <b>8,006</b>        | <b>5,410</b> |

## 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 receivables

| (SEK million)   | 2013         | 2012         |
|---|--------------|--------------|
| Accounts receivable, wholly or partly impaired            |              |              |
| - overdue by less than 3 months                           | 50.6         | 6.1          |
| - overdue by more than 3 months                           | 39.2         | 31.4         |
| Accounts receivable which have not been impaired          |              |              |
| - overdue by less than 3 months                           | 215.5        | 223.8        |
| - overdue by more than 3 months                           | 33.6         | 32.8         |
| <b>Total overdue accounts receivable</b>                  | <b>338.9</b> | <b>294.1</b> |
| Provision for bad debt losses                             | -48.6        | -36.0        |
| <b>Total accounts receivable overdue but not impaired</b> | <b>290.3</b> | <b>258.1</b> |

#### Provision for bad debt losses

| (SEK million)                    | 2013        | 2012        |
|----------------------------------|-------------|-------------|
| Opening provisions               | 36.0        | 32.4        |
| Provisions in acquired companies | 6.9         | 0.3         |
| Established bad debt losses      | -9.8        | -3.5        |
| Reversed provisions              | -3.3        | -6.2        |
| Provisions for the year          | 18.6        | 13.6        |
| Translation differences          | 0.2         | -0.6        |
| <b>Closing provisions</b>        | <b>48.6</b> | <b>36.0</b> |

Profit for the year has been charged with SEK 12.6 million (SEK 11.8 million) in respect of credit losses which arose in consolidated receivables. Since the Group is a net borrower from the banks, the credit risk in respect of the Group's bank balances is insignificant.

## Currency risks

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

### Transaction risks

The term 'transaction 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 2013 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<br>in (+) / out (-) | Weakening<br>by 1% | Net flow<br>in (+) / out (-) | Weakening<br>by 1% |
| CHF          | 11.1                         | 0.1                | -1.8                         | -                  |
| CZK          | -5.0                         | -0.1               | -                            | -                  |
| DKK          | 23.6                         | 0.2                | -                            | -                  |
| EUR          | 85.9                         | 0.9                | -0.7                         | -                  |
| GBP          | 86.4                         | 0.9                | -                            | -                  |
| HKD          | -5.5                         | -0.1               | -                            | -                  |
| JPY          | -5.4                         | -0.1               | -                            | -                  |
| MXN          | -168.7                       | -1.7               | -                            | -                  |
| NOK          | 126.3                        | 1.3                | -                            | -                  |
| PLN          | -109.0                       | -1.1               | -                            | -                  |
| RUB          | 6.3                          | 0.1                | -                            | -                  |
| USD          | 69.6                         | 0.7                | -1.5                         | -                  |
| <b>Total</b> | <b>115.6</b>                 |                    | <b>-4.0</b>                  |                    |

At the end of 2013 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 191.4 million (SEK 269.9 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 2013, represents an unrealised exchange gain of SEK 3.8 million.

The item 'Other receivables' in the consolidated balance sheet includes derivatives with positive fair values of SEK 7.2 million (SEK 3.5 million). The item 'Other liabilities' includes derivatives with negative fair values of SEK 11.0 million (SEK 2.4 million).

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

| Currency  | Flow  | Flow  | Flow  | Flow   | Average<br>forward<br>rate | Closing<br>day rate | Unreal.<br>gain<br>2013-<br>12-31 | Unreal.<br>gain<br>2012-<br>12-31 |
|---|-------|-------|-------|--------|----------------------------|---------------------|-----------------------------------|-----------------------------------|
|   |       |       |       |        |                            |                     |                                   |                                   |
| CHF   | 0.2   | -15.8 | 0.1   | 0.1    | 7.32                       | 7.29                | -0.5                              | 0.2                               |
| CNY   | 2.1   | 3.7   | -0.7  | 0.9    | 1.11                       | 1.07                | 0.2                               | -                                 |
| CZK   | 0.0   | -22.5 | 0.0   | 0.0    | 0.33                       | 0.33                | -0.1                              | -                                 |
| DKK   | 8.9   | 9.5   | 9.0   | 8.5    | 1.17                       | 1.20                | -1.1                              | 0.2                               |
| EUR   | 4.1   | 5.8   | 7.3   | 7.2    | 8.87                       | 8.94                | -1.8                              | 4.3                               |
| GBP   | 0.9   | 0.7   | 0.9   | 1.1    | 10.29                      | 10.73               | -1.5                              | 0.8                               |
| JPY   | 403.5 | 160.9 | -51.3 | -151.9 | 0.06                       | 0.06                | -0.3                              | -                                 |
| MXN   | -59.2 | -49.0 | -54.0 | -23.2  | 0.50                       | 0.50                | -0.3                              | 0.8                               |
| NOK   | 15.0  | 5.0   | -     | -      | 1.09                       | 1.06                | 0.7                               | -0.2                              |
| PLN   | -2.2  | -2.0  | -1.8  | -1.4   | 2.03                       | 2.15                | 0.9                               | 0.4                               |
| USD   | -2.8  | -2.1  | -1.3  | -1.5   | 6.51                       | 6.51                | -                                 | -0.3                              |
| <b>Total</b>  |       |       |       |        |                            |                     | <b>-3.8</b>                       | <b>6.2</b>                        |
| Of which recognised in income against invoices at the end of the reporting period |       |       |       |        |                            |                     | -0.1                              | 5.1                               |
| Of which recognised outside profit or loss at the end of the reporting period     |       |       |       |        |                            |                     | -3.7                              | 1.1                               |

## 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 outside profit or loss. At the end of 2013, the Group held net assets in foreign currencies in accordance with the figures given below with financing taken into account. Net assets also include assets other than those classed as financial instruments.

| Currency     | Net assets     | Currency hedging | 2013           |
|--------------|----------------|------------------|----------------|
| CHF          | 4,052.8        | - 2,421.4        | 1,631.4        |
| CZK          | 338.7          | - 126.6          | 212.1          |
| DKK          | 803.2          | - 154.2          | 649.0          |
| EUR          | 1,162.7        | - 75.9           | 1,086.8        |
| GBP          | 545.6          | - 451.1          | 94.5           |
| HKD          | 42.7           | -                | 42.7           |
| MXN          | 123.5          | -                | 123.5          |
| NOK          | 485.6          | - 84.2           | 401.4          |
| PLN          | 304.0          | -                | 304.0          |
| RUB          | 148.5          | -                | 148.5          |
| USD          | 200.8          | - 220.4          | - 19.6         |
| <b>Total</b> | <b>8,208.1</b> | <b>- 3,533.8</b> | <b>4,674.3</b> |

If the Swedish krona falls in value by 1% against the named currencies, this means that the Group's equity is strengthened by SEK 46.7 million (SEK 43.6 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 82.1 million (SEK 73.1 million).

| Currency     | Net assets     | Currency hedging | 2012           |
|--------------|----------------|------------------|----------------|
| CHF          | 4,012.9        | - 2,480.9        | 1,532.0        |
| CZK          | 313.7          | - 140.4          | 173.3          |
| DKK          | 554.4          | - 25.4           | 529.0          |
| EUR          | 1,063.6        | - 44.3           | 1,019.3        |
| GBP          | 53.4           | -                | 53.4           |
| HKD          | 79.7           | -                | 79.7           |
| MXN          | 105.4          | -                | 105.4          |
| NOK          | 491.5          | -                | 491.5          |
| PLN          | 266.3          | -                | 266.3          |
| RON          | 1.1            | -                | 1.1            |
| RUB          | 158.9          | -                | 158.9          |
| USD          | 211.2          | - 257.8          | - 46.6         |
| <b>Total</b> | <b>7,312.1</b> | <b>- 2,948.8</b> | <b>4,363.3</b> |

## Fair value of financial instruments

Fair value may deviate from carrying amount, partly as a consequence of changes in market interest rates. Since all borrowing on the reporting date is at variable interest rates, fair value is assessed as the same as the carrying amount for the Group's financial liabilities. Fair value is assessed as the same as the carrying amount for non interest-bearing assets and liabilities such as accounts receivable and accounts payable. No instruments have been offset in the balance sheet. All of them have been recognised gross. For an explanation of valuation procedures and input data for evaluation, please refer to Note 2. For Other Financial assets and liabilities, the carrying amounts represent a reasonable approximation of their fair value.

| Assets 31 Dec 2013<br>(SEK million)    | Loans receivable<br>and accounts<br>receivable | Assets<br>held<br>for sale | Assets<br>available<br>for sale | Derivatives<br>used for hedge<br>accounting | Non-<br>financial<br>assets | Total<br>carrying<br>amount | Fair<br>value |
|--|--|----------------------------|---------------------------------|---|-----------------------------|-----------------------------|---------------|
| Intangible assets                      | -  | -                          | -                               | -   | 6,153.6                     | 6,153.6                     |               |
| Property, plant and equipment          | -  | -                          | -                               | -   | 1,889.1                     | 1,889.1                     |               |
| Investments held as non-current assets | -  | -                          | 46.4                            | -   | -                           | 46.4                        | 46.4          |
| Deferred tax assets                    | -  | -                          | -                               | -   | 97.0                        | 97.0                        |               |
| Other non-current receivables          | 11.8   | -                          | -                               | -   | -                           | 11.8                        | 11.8          |
| Inventories                            | -  | -                          | -                               | -   | 1,760.0                     | 1,760.0                     |               |
| Accounts receivable                    | 1,192.1  | -                          | -                               | -   | -                           | 1,192.1                     | 1,192.1       |
| Tax assets                             | -  | -                          | -                               | -   | 69.8                        | 69.8                        |               |
| Other receivables                      | 58.3   | -                          | -                               | 7.5   | -                           | 65.8                        | 65.8          |
| Prepaid expenses and accrued income    | -  | -                          | -                               | -   | 87.0                        | 87.0                        |               |
| Investments in securities, etc.        | -  | 3.0                        | -                               | -   | -                           | 3.0                         | 3.0           |
| Cash and cash equivalents              | 1,591.2  | -                          | -                               | -   | -                           | 1,591.2                     | 1,591.2       |
| <b>Total assets</b>                    | <b>2,853.4</b>                                 | <b>3.0</b>                 | <b>46.4</b>                     | <b>7.5</b>                                  | <b>10,056.5</b>             | <b>12,966.8</b>             |               |

| Gains and losses<br>on financial instruments<br>(SEK million)               | Group         |             | Parent     |             |
|---|---------------|-------------|------------|-------------|
|   | 2013          | 2012        | 2013       | 2012        |
| Exchange gains and losses on currency derivatives used for hedge accounting |               |             |            |             |
| - recognised in profit or loss  | 11.4          | 16.0        | -          | -           |
| - recognised outside profit or loss   | - 4.8         | 1.0         | -          | -           |
| Gains and losses on raw materials derivatives used in hedge accounting      |               |             |            |             |
| - recognised in profit or loss  | - 0.1         | - 1.9       | -          | -           |
| - recognised outside profit or loss   | - 0.3         | 0.5         | -          | -           |
| Exchange gains and losses on other financial assets and liabilities         | - 5.8         | 24.0        | 6.6        | 18.7        |
| Bad debt losses on accounts receivable                                      | - 12.6        | - 11.8      | -          | -           |
| <b>Total</b>  | <b>- 12.2</b> | <b>27.8</b> | <b>6.6</b> | <b>18.7</b> |

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

The parent's risk consists of the risk of exchange-rate fluctuations on loans in foreign currency taken out for the acquisition of foreign subsidiaries. Exchange rate fluctuations on these loans are recognised outside profit or loss. At the end of the reporting period, the parent had loans in foreign currency as listed below.

| Currency     | 2013           | 2012           |
|--------------|----------------|----------------|
| CHF          | 2,403.5        | 2,462.6        |
| CZK          | 126.6          | 140.4          |
| DKK          | 154.2          | 25.4           |
| EUR          | 75.9           | 43.1           |
| GBP          | 451.1          | -              |
| NOK          | 84.2           | -              |
| USD          | 220.4          | 257.8          |
| <b>Total</b> | <b>3,515.9</b> | <b>2,929.3</b> |

If the Swedish krona rises in value by 1% against the named currencies, this means that the parent's equity is strengthened by SEK 35.2 million (SEK 29.3 million). If the Swedish krona falls in value by 1% against the named currencies, the reverse pertains.



| Assets 31 Dec 2012<br>(SEK million)    | Loans receivable<br>and accounts<br>receivable | Assets<br>available<br>for sale | Derivatives<br>used for hedge<br>accounting | Non-financial<br>assets | Total carrying<br>amount | Fair<br>value |
|--|--|---------------------------------|---|-------------------------|--------------------------|---------------|
| Intangible assets                      | -  | -                               | -   | 5,598.2                 | 5,598.2                  |               |
| Property, plant and equipment          | -  | -                               | -   | 1,880.8                 | 1,880.8                  |               |
| Investments held as non-current assets | -  | 39.3                            | -   | -                       | 39.3                     | 39.3          |
| Deferred tax assets                    | -  | -                               | -   | 102.5                   | 102.5                    |               |
| Other non-current receivables          | 10.5   | -                               | -   | -                       | 10.5                     | 10.5          |
| Inventories                            | -  | -                               | -   | 1,685.0                 | 1,685.0                  |               |
| Accounts receivable                    | 1,090.5  | -                               | -   | -                       | 1,090.5                  | 1,090.5       |
| Tax assets                             | -  | -                               | -   | 113.2                   | 113.2                    |               |
| Other receivables                      | 64.7   | -                               | 3.7   | -                       | 68.4                     | 68.4          |
| Prepaid expenses and accrued income    | -  | -                               | -   | 66.7                    | 66.7                     |               |
| Cash and cash equivalents              | 934.3  | -                               | -   | -                       | 934.3                    | 934.3         |
| <b>Total assets</b>                    | <b>2,100.0</b>                                 | <b>39.3</b>                     | <b>3.7</b>                                  | <b>9,446.4</b>          | <b>11,589.4</b>          |               |

| Equity and liabilities 31 Dec 2013<br>(SEK million) | Financial<br>liabilities<br>valued at<br>accrued cost | Derivatives<br>used for hedge<br>accounting | Non-financial<br>items | Total carrying<br>amount | Fair<br>value |
|---|---|---|------------------------|--------------------------|---------------|
| Equity  | -   | -   | 5,575.4                | 5,575.4                  |               |
| Provisions  | -   | -   | 1,431.2                | 1,431.2                  |               |
| Non-current liabilities*                            | 4,226.7   | -   | -                      | 4,226.7                  | 4,226.7       |
| Current liabilities to credit institutions          | 200.6   | -   | -                      | 200.6                    | 200.6         |
| Accounts payable                                    | 713.3   | -   | -                      | 713.3                    | 713.3         |
| Advance payments from customers                     | 17.8  | -   | -                      | 17.8                     | 17.8          |
| Tax liabilities                                     | -   | -   | 71.3                   | 71.3                     |               |
| Other liabilities                                   | 195.7   | 11.5  | -                      | 207.2                    | 207.2         |
| Accrued expenses and deferred income                | 523.3   | -   | -                      | 523.3                    | 523.3         |
| <b>Total equity and liabilities</b>                 | <b>5,877.4</b>  | <b>11.5</b>                                 | <b>7,077.9</b>         | <b>12,966.8</b>          |               |

\* of which SEK 3,061.7 million refers to loans in foreign currencies to hedge net investment in foreign operations.

| Equity and liabilities 31 Dec 2012<br>(SEK million) | Financial<br>liabilities<br>valued at<br>accrued cost | Derivatives<br>used for hedge<br>accounting | Non-financial<br>items | Total carrying<br>amount | Fair<br>value |
|---|---|---|------------------------|--------------------------|---------------|
| Equity  | -   | -   | 4,857.9                | 4,857.9                  |               |
| Provisions  | -   | -   | 1,088.9                | 1,088.9                  |               |
| 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                                   | 198.0   | 2.4   | -                      | 200.4                    | 200.4         |
| Accrued expenses and deferred income                | 446.7   | -   | -                      | 446.7                    | 446.7         |
| <b>Total equity and liabilities</b>                 | <b>5,570.4</b>  | <b>2.4</b>                                  | <b>6,016.6</b>         | <b>11,589.4</b>          |               |

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

## Interest rate risks

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

The parent's interest-bearing liabilities at the year-end amounted to SEK 4,591.3 million. The average interest rate was 1.6%. A change in the interest rate of 1% on constant liabilities would have an impact on the consolidated profit of SEK 45.9 million.

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

The parent's interest-bearing liabilities at the year-end amounted to SEK 4,937.8 million. A change in the interest rate of 1% on constant liabilities would affect the parent's results by SEK 49.5 million.

## Hedge accounting

During 2013 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 2013 outstanding contracts maturing in Q1 2014 totalled SEK 13.6 million with SEK 0.2 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 outside profit or loss provided that there is a net asset in the consolidated balance sheet to hedge.

For information on the amounts recognised outside profit or loss, see the income statements on page 60.

## Capital risk

The term 'capital risk' refers to the risk that the Group's ability to continue its business operations may be inhibited due to a shortage of capital. The Group assesses the day-to-day risk on the basis of the equity/assets ratio, calculated as recognised equity as a percentage of total assets. The target is that the equity/assets ratio shall not fall below 30%. Over the most recent five-year period, the equity/assets ratio has averaged 42.3%. The Group has the ability to counteract any shortage of capital through new issues or reductions in dividends. Capital is defined in the NIBE Group as total equity as recognised in the balance sheet (see page 63). The covenants set by the Group's external creditors were met by good margins.

## Financing risks

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

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

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

## Due date structure of financial liabilities

|               | Group          | Parent         |
|---------------|----------------|----------------|
| (SEK million) | 2013           | 2013           |
| < 1 year      | 1,883.6        | 242.1          |
| 1 - 2 years   | 338.4          | 1,092.3        |
| 3 - 4 years   | 2,902.9        | 2,882.8        |
| 5 - 6 years   | 1,052.0        | 1,052.0        |
| <b>Total</b>  | <b>6,176.9</b> | <b>5,269.2</b> |

The above cash flows are based on average interest rates on interest-bearing liabilities for 2013. 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 0.7 million (SEK 1.2 million) were capitalised. Leasing charges amounting to SEK 106.7 million (SEK 92.2 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:

| (SEK million)                      | Finance leases |            |               | Operating leases |
|------------------------------------|----------------|------------|---------------|------------------|
|                                    | Payments       | Interest   | Present value | Nominal value    |
| Due for payment within 1 year      | 1.0            | 0.1        | 0.9           | 94.7             |
| Due for payment within 2 - 5 years | 2.0            | 0.1        | 1.9           | 184.4            |
| Due for payment in 6 years or more | 0.4            | -          | 0.4           | 88.4             |
| <b>Total</b>                       | <b>3.4</b>     | <b>0.2</b> | <b>3.2</b>    | <b>367.5</b>     |

## Non-current assets held through finance leasing agreements

| (SEK million) | Cost       | Depreciation/ amortisation | Carrying amount |
|---------------|------------|----------------------------|-----------------|
| Machinery     | 0.3        | 0.2                        | 0.1             |
| Equipment     | 1.3        | 0.7                        | 0.6             |
| <b>Total</b>  | <b>1.6</b> | <b>0.9</b>                 | <b>0.7</b>      |

## Note 9 Research and development costs

A total of SEK 224.4 million (SEK 205.5 million) is included under the heading 'Cost of goods sold' to cover the cost of research and development.

## Note 10 Other operating revenue

| (SEK million)                          | Group        |              | Parent   |            |
|--|--------------|--------------|----------|------------|
|  | 2013         | 2012         | 2013     | 2012       |
| Gain on disposal of non-current assets | 2.9          | 1.3          | -        | -          |
| Exchange gains                         | 77.0         | 80.6         | -        | -          |
| Other                                  | 45.7         | 48.9         | -        | 0.1        |
| <b>Total</b>                           | <b>125.6</b> | <b>130.8</b> | <b>-</b> | <b>0.1</b> |

## Note 11 Profit from participations in Group companies and associates

### Result from participations in Group companies

| (SEK million)      | Group    |          | Parent       |              |
|--------------------|----------|----------|--------------|--------------|
|                    | 2013     | 2012     | 2013         | 2012         |
| Group contribution | -        | -        | 70.0         | 50.0         |
| Dividend           | -        | -        | 524.7        | 595.4        |
| <b>Total</b>       | <b>-</b> | <b>-</b> | <b>594.7</b> | <b>645.4</b> |

## Note 12 Financial income

| (SEK million)                    | Group       |             | Parent      |             |
|----------------------------------|-------------|-------------|-------------|-------------|
|                                  | 2013        | 2012        | 2013        | 2012        |
| Interest income, Group companies | -           | -           | 11.9        | 7.6         |
| Interest income, other           | 6.3         | 5.0         | 2.3         | 0.7         |
| Exchange gains                   | 29.4        | 61.1        | 51.8        | 42.8        |
| Other financial income           | 0.1         | 0.4         | -           | -           |
| <b>Total</b>                     | <b>35.8</b> | <b>66.5</b> | <b>66.0</b> | <b>51.1</b> |

## Note 13 Financial expenses

| (SEK million)                     | Group       |              | Parent       |             |
|-----------------------------------|-------------|--------------|--------------|-------------|
|                                   | 2013        | 2012         | 2013         | 2012        |
| Interest expense, Group companies | -           | -            | 4.9          | 6.0         |
| Interest expense, other           | 72.4        | 71.5         | 53.3         | 43.6        |
| Exchange losses                   | 23.5        | 26.7         | 45.2         | 24.1        |
| Other financial expense           | 1.7         | 2.0          | -            | -           |
| <b>Total</b>                      | <b>97.6</b> | <b>100.2</b> | <b>103.4</b> | <b>73.7</b> |

## Note 14 Tax

| (SEK million)                               | Group        |              | Parent     |            |
|---|--------------|--------------|------------|------------|
|   | 2013         | 2012         | 2013       | 2012       |
| Current tax for the year                    | 292.9        | 279.3        | 1.6        | 1.4        |
| Current tax attributable to preceding years | - 5.6        | - 2.6        | -          | -          |
| Deferred tax                                | - 27.9       | - 34.8       | - 0.2      | - 0.1      |
| <b>Total</b>                                | <b>259.4</b> | <b>241.9</b> | <b>1.4</b> | <b>1.3</b> |

### Tax in respect of items recognised outside profit or loss

| (SEK million)             | Group         |              | Parent        |            |
|---------------------------|---------------|--------------|---------------|------------|
|                           | 2013          | 2012         | 2013          | 2012       |
| Defined-benefit pensions  | 7.5           | - 13.2       | -             | -          |
| Cash flow hedges          | - 1.3         | 0.3          | -             | -          |
| Hedging of net investment | - 18.0        | 6.7          | - 18.0        | 6.3        |
| Exchange differences      | 0.1           | - 0.1        | -             | -          |
| <b>Total</b>              | <b>- 11.7</b> | <b>- 6.3</b> | <b>- 18.0</b> | <b>6.3</b> |

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

| (SEK million)                                 | Group        |              | Parent     |            |
|---|--------------|--------------|------------|------------|
|   | 2013         | 2012         | 2013       | 2012       |
| Reported pre-tax profit                       | 1,117.4      | 1,005.4      | 527.3      | 599.6      |
| Tax at current rate                           | 245.8        | 265.0        | 116.0      | 157.7      |
| Effect of change in tax rate for deferred tax | - 1.1        | - 6.6        | -          | - 0.1      |
| Non-deductible expenses                       | 13.4         | 21.9         | 0.8        | 0.3        |
| Non-taxable earnings                          | - 9.0        | - 23.9       | -          | -          |
| Dividends from subsidiaries                   | -            | -            | - 115.4    | - 156.6    |
| Adjustments for taxes, previous years         | - 5.6        | - 2.6        | -          | -          |
| Loss carry-forward not offset                 | 2.0          | 2.1          | -          | -          |
| Effect of foreign tax rates                   | 13.9         | - 14.0       | -          | -          |
| <b>Recognised tax expenses</b>                | <b>259.4</b> | <b>241.9</b> | <b>1.4</b> | <b>1.3</b> |

## Tax rate

The current tax rate has been calculated on the basis of the tax rate which applies for the parent, and amounted to 22.0% (26.3%). See also page 57.

### Temporary differences

Temporary differences arise whenever the carrying amount of the assets and liabilities differs from their tax value. Temporary differences in respect of the following items have resulted in deferred tax liabilities and deferred tax assets.

### Deferred tax liabilities

| (SEK million)                               | Group        |              | Parent      |             | Total |
|---|--------------|--------------|-------------|-------------|-------|
|   | 2013         | 2012         | 2013        | 2012        |       |
| Temporary differences in non-current assets | 449.4        | 396.0        | -           | -           |       |
| Untaxed reserves                            | 33.4         | 50.7         | -           | -           |       |
| Hedging of net investment                   | 41.7         | 59.6         | 41.9        | 59.9        |       |
| Other                                       | 26.8         | 29.1         | -           | -           |       |
| <b>Total</b>                                | <b>551.3</b> | <b>535.4</b> | <b>41.9</b> | <b>59.9</b> |       |

| (SEK million)                     | Temporary differences in non-current assets | Untaxed reserves | Hedging of net investment in foreign operations | Other       | Total        |
|-----------------------------------|---|------------------|---|-------------|--------------|
|                                   | Amount at start of year                     | 396.0            | 50.7  | 59.6        | 29.1         |
| Acquired companies                | 53.9  | -                | -   | - 0.9       | 53.0         |
| Recognised as income              | - 10.1                                      | - 17.4           | -   | - 1.8       | - 29.3       |
| Recognised outside profit or loss | -   | -                | - 18.0  | -           | - 18.0       |
| Translation difference            | 9.6   | 0.1              | 0.1   | 0.4         | 10.2         |
| <b>Amount at year-end</b>         | <b>449.4</b>                                | <b>33.4</b>      | <b>41.7</b>                                     | <b>26.8</b> | <b>551.3</b> |

### Deferred tax assets

| (SEK million)                               | Group       |              | Parent     |            | Total |
|---|-------------|--------------|------------|------------|-------|
|   | 2013        | 2012         | 2013       | 2012       |       |
| Temporary differences in non-current assets | 4.0         | 5.3          | -          | -          |       |
| Loss carry-forward                          | 17.4        | 14.1         | -          | -          |       |
| Defined-benefit pensions                    | 35.4        | 42.3         | -          | -          |       |
| Other                                       | 40.2        | 40.8         | 0.7        | 0.5        |       |
| <b>Total</b>                                | <b>97.0</b> | <b>102.5</b> | <b>0.7</b> | <b>0.5</b> |       |

| (SEK million)                     | Temporary differences in non-current assets | Loss carry forward | Defined-benefit pensions | Other       | Total       |
|-----------------------------------|---|--------------------|--------------------------|-------------|-------------|
|                                   | Amount at start of year                     | 5.3                | 14.1                     | 42.3        | 40.8        |
| Acquired companies                | -   | -                  | -                        | 2.3         | 2.3         |
| Recognised as income              | - 1.4                                       | 3.0                | -                        | - 3.0       | - 1.4       |
| Recognised outside profit or loss | -   | -                  | - 7.5                    | 1.3         | - 6.2       |
| Translation difference            | 0.1   | 0.3                | 0.6                      | - 1.2       | - 0.2       |
| <b>Amount at year-end</b>         | <b>4.0</b>                                  | <b>17.4</b>        | <b>35.4</b>              | <b>40.2</b> | <b>97.0</b> |

Deferred tax liabilities in respect of temporary differences attributable to investments in subsidiaries are not recognised, since the parent can control the date on which the temporary differences are reversed.

Accumulated loss carry-forward which does not correspond to the carrying amount of the deferred tax asset amounts to SEK 199.1 million (SEK 169.7 million) for the Group. The due dates for loss carry-forwards lie within the following ranges:

### Due dates for loss carry-forward periods which have not been offset

| (SEK million)                     | Group        |              |
|-----------------------------------|--------------|--------------|
|                                   | 2013         | 2012         |
| Due for payment within 1 - 5 yrs  | 29.0         | 2.8          |
| Due for payment within 6 - 10 yrs | 77.0         | 58.4         |
| Due for payment after 10 yrs      | 17.4         | 18.8         |
| No set due date                   | 75.7         | 89.7         |
| <b>Total</b>                      | <b>199.1</b> | <b>169.7</b> |

## Note 15 Market positions

| (SEK million)  | Group        |              |
|--|--------------|--------------|
|  | 2013         | 2012         |
| <b>Cost</b>  |              |              |
| Opening cost   | 821.8        | 842.9        |
| Investment for the year                              | 113.3        | 6.4          |
| Reclassifications                                    | 11.1         | -            |
| Translation differences                              | 19.0         | - 27.5       |
| <b>Closing accumulated cost</b>                      | <b>965.2</b> | <b>821.8</b> |
| <b>Depreciation/amortisation</b>                     |              |              |
| Opening depreciation/amortisation                    | 91.2         | 33.8         |
| Depreciation/amortisation for the year               | 67.1         | 59.0         |
| Translation differences                              | 2.6          | - 1.6        |
| <b>Closing accumulated depreciation/amortisation</b> | <b>160.9</b> | <b>91.2</b>  |
| <b>Closing carrying amount</b>                       | <b>804.3</b> | <b>730.6</b> |

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

## Note 16 Goodwill and trademarks

| Brands<br>(SEK million)                  | Group        |              |
|--|--------------|--------------|
|  | 2013         | 2012         |
| <b>Cost</b>                              |              |              |
| Opening cost                             | 557.6        | 568.3        |
| Investment for the year                  | 76.0         | 6.0          |
| Translation differences                  | 13.9         | - 16.7       |
| <b>Closing accumulated cost</b>          | <b>647.5</b> | <b>557.6</b> |
| <b>Carrying amount per business area</b> |              |              |
| NIBE Energy Systems                      | 553.5        | 543.8        |
| NIBE Element                             | 23.1         | 3.4          |
| NIBE Stoves                              | 70.9         | 10.4         |
| <b>Total</b>                             | <b>647.5</b> | <b>557.6</b> |

| Goodwill<br>(SEK million)                            | Group          |                |
|--|----------------|----------------|
|  | 2013           | 2012           |
| <b>Cost</b>  |                |                |
| Opening cost   | 4,198.7        | 4,153.0        |
| Cost in acquired companies                           | 0.8            | -              |
| Investment for the year                              | 295.7          | 172.9          |
| Sales and retirements                                | - 1.8          | -              |
| Reclassifications                                    | - 20.2         | -              |
| Translation differences                              | 60.9           | - 127.2        |
| <b>Closing accumulated cost</b>                      | <b>4,534.1</b> | <b>4,198.7</b> |
| <b>Depreciation/amortisation</b>                     |                |                |
| Opening depreciation/amortisation                    | 79.1           | 80.8           |
| Translation differences                              | 1.4            | - 1.7          |
| <b>Closing accumulated depreciation/amortisation</b> | <b>80.5</b>    | <b>79.1</b>    |
| <b>Closing carrying amount</b>                       | <b>4,453.6</b> | <b>4,119.6</b> |
| <b>Carrying amount per business area</b>             |                |                |
| NIBE Energy Systems                                  | 3,227.4        | 3,175.9        |
| NIBE Element   | 785.6          | 666.0          |
| NIBE Stoves  | 440.6          | 277.7          |
| <b>Total</b>   | <b>4,453.6</b> | <b>4,119.6</b> |

## 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 2013 (2012)

| Assumptions                                       | Cash-generating unit   |                 |                |
|---|------------------------|-----------------|----------------|
|   | NIBE<br>Energy Systems | NIBE<br>Element | NIBE<br>Stoves |
| Growth rate years 2-5, %                          | 5.0 (5.0)              | 5.0 (5.0)       | 5.0 (5.0)      |
| Growth rate year 6 and later, %                   | 2.0 (2.5)              | 2.0 (2.5)       | 2.0 (2.5)      |
| Working capital requirement for organic growth, % | 15.0 (15.0)            | 17.0 (17.0)     | 15.0 (18.0)    |
| Discount rate before tax, %                       | 7.4 (10.0)             | 8.8 (10.1)      | 8.1 (10.0)     |

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 discount rates have been adjusted to better reflect the cash-generating units' risk exposure and the prevailing interest rates situation in the markets in which the units operate.

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

| Leasehold rights, patents, development costs,<br>licenses and similar | Group        |              |
|---|--------------|--------------|
|   | 2013         | 2012         |
| (SEK million)   |              |              |
| <b>Cost</b>   |              |              |
| Opening cost  | 338.8        | 288.5        |
| Cost in acquired companies  | 11.3         | 0.1          |
| Investment for the year   | 107.1        | 61.3         |
| Sales and retirements   | - 8.5        | - 3.9        |
| Reclassifications   | 2.2          | - 1.5        |
| Translation differences   | 7.9          | - 5.7        |
| <b>Closing accumulated cost</b>                                       | <b>458.8</b> | <b>338.8</b> |
| <b>Depreciation/amortisation</b>                                      |              |              |
| Opening depreciation/amortisation                                     | 145.7        | 93.7         |
| Sales and retirements   | - 7.5        | - 3.3        |
| Depreciation/amortisation for the year                                | 65.8         | 57.5         |
| Reclassifications   | 0.1          | -            |
| Translation differences   | 3.7          | - 2.2        |
| <b>Closing accumulated depreciation/amortisation</b>                  | <b>207.8</b> | <b>145.7</b> |
| <b>Impairment</b>   |              |              |
| Impairment brought forward  | 2.7          | 2.0          |
| Impairment for the year   | -            | 0.8          |
| Translation differences   | 0.1          | - 0.1        |
| <b>Closing accumulated impairment</b>                                 | <b>2.8</b>   | <b>2.7</b>   |
| <b>Closing carrying amount</b>  | <b>248.2</b> | <b>190.4</b> |

| Amortisation and impairment of other intangible<br>assets is recognised within the following functions: | Group       |             |
|---|-------------|-------------|
| (SEK million)   | 2013        | 2012        |
| Cost of goods sold  | 51.3        | 45.0        |
| Selling expenses  | 3.7         | 0.7         |
| Administrative expenses   | 10.8        | 12.6        |
| <b>Total</b>  | <b>65.8</b> | <b>58.3</b> |

## Note 18 Buildings and land

|  | Group          |                |
|--|----------------|----------------|
|  | 2013           | 2012           |
| (SEK million)  |                |                |
| <b>Cost</b>  |                |                |
| Opening cost   | 1,509.8        | 1,429.2        |
| Cost in acquired companies                           | -              | 29.6           |
| Investment for the year                              | 56.9           | 59.4           |
| Sales and retirements                                | - 1.8          | -              |
| Reclassifications                                    | 24.0           | 7.6            |
| Translation differences                              | 16.1           | - 16.0         |
| <b>Closing accumulated cost</b>                      | <b>1,605.0</b> | <b>1,509.8</b> |
| <b>Depreciation/amortisation</b>                     |                |                |
| Opening depreciation/amortisation                    | 429.4          | 385.7          |
| Depreciation/amortisation for the year               | 52.0           | 47.9           |
| Sales and retirements                                | - 0.3          | -              |
| Reclassifications                                    | 0.8            | -              |
| Translation differences                              | 7.2            | - 4.2          |
| <b>Closing accumulated depreciation/amortisation</b> | <b>489.1</b>   | <b>429.4</b>   |
| <b>Closing carrying amount</b>                       | <b>1,115.9</b> | <b>1,080.4</b> |
| of which, land                                       | 190.2          | 182.7          |
| Closing carrying amount buildings and land in Sweden | 301.2          | 302.6          |

## Note 19 Machinery and equipment

| (SEK million)  | Group          |                | Parent     |            |
|--|----------------|----------------|------------|------------|
|  | 2013           | 2012           | 2013       | 2012       |
| <b>Cost</b>  |                |                |            |            |
| Opening cost   | 2,270.6        | 2,222.3        | 0.4        | 0.4        |
| Cost in acquired companies                               | 22.5           | 7.2            | -          | -          |
| Investment for the year                                  | 127.4          | 130.7          | -          | -          |
| Sales and retirements                                    | - 107.9        | - 101.0        | -          | -          |
| Reclassifications  | 25.0           | 33.2           | -          | -          |
| Translation differences                                  | 11.8           | - 21.8         | -          | -          |
| <b>Closing accumulated cost</b>                          | <b>2,349.4</b> | <b>2,270.6</b> | <b>0.4</b> | <b>0.4</b> |
| <b>Depreciation/amortisation</b>                         |                |                |            |            |
| Opening depreciation/<br>amortisation                    | 1,521.3        | 1,427.4        | 0.4        | 0.4        |
| Sales and retirements                                    | - 93.8         | - 97.2         | -          | -          |
| Reclassifications  | - 0.3          | 0.1            | -          | -          |
| Depreciation/amortisation<br>for the year                | 199.6          | 204.0          | -          | -          |
| Translation differences                                  | 8.6            | - 13.0         | -          | -          |
| <b>Closing accumulated<br/>depreciation/amortisation</b> | <b>1,635.4</b> | <b>1,521.3</b> | <b>0.4</b> | <b>0.4</b> |
| <b>Impairment</b>  |                |                |            |            |
| Impairment brought forward                               | 2.1            | 1.7            | -          | -          |
| Impairment for the year                                  | 0.6            | 0.5            | -          | -          |
| Translation differences                                  | -              | - 0.1          | -          | -          |
| <b>Closing accumulated<br/>impairment</b>                | <b>2.7</b>     | <b>2.1</b>     | <b>-</b>   | <b>-</b>   |
| <b>Closing carrying amount</b>                           | <b>711.3</b>   | <b>747.2</b>   | <b>-</b>   | <b>-</b>   |

## Note 20 Construction in progress

| (SEK million)                   | Group       |             |
|---------------------------------|-------------|-------------|
|                                 | 2013        | 2012        |
| <b>Cost</b>                     |             |             |
| Opening cost                    | 53.2        | 60.9        |
| Costs incurred during the year  | 50.3        | 33.2        |
| Re-allocations during the year  | - 42.1      | - 40.8      |
| Translation differences         | 0.5         | - 0.1       |
| <b>Closing accumulated cost</b> | <b>61.9</b> | <b>53.2</b> |

## Note 21 Shares in subsidiaries

|   | Proportion of equity | Number of shares | Carrying amount, SEK million |
|---|----------------------|------------------|------------------------------|
| 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                        |
| Eltwin A/S                              | 100.0%               | 500              | 147.5                        |
| Gjellebekstubbyen 9-11 AS               | 100.0%               | 2,039,441        | 13.5                         |
| 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           | 141.9                        |
| 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           | 41.7                         |
| Stovax Heating Group Ltd                | 60.0%                | 119,340          | 433.2                        |
| 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                         |
| <b>Total Parent</b>                     |                      |                  | <b>7,345.3</b>               |

| (SEK million)                         | 2013           | 2012           |
|---------------------------------------|----------------|----------------|
| <b>Cost</b>                           |                |                |
| Opening cost                          | 6,795.5        | 6,683.3        |
| Investment for the year               | 566.5          | 119.5          |
| Reduced considerations                | -              | - 7.3          |
| <b>Closing accumulated cost</b>       | <b>7,362.0</b> | <b>6,795.5</b> |
| <b>Impairment</b>                     |                |                |
| Impairment brought forward            | 16.7           | 16.7           |
| <b>Closing accumulated impairment</b> | <b>16.7</b>    | <b>16.7</b>    |
| <b>Closing carrying amount</b>        | <b>7,345.3</b> | <b>6,778.8</b> |

## Shares owned via subsidiaries

|   | Proportion of capital | Number of shares |
|---|-----------------------|------------------|
| in ait-france EURL  | 100.0%                | 100              |
| ait-deutschland GmbH  | 100.0%                |                  |
| ait-värmeteknik-sverige AB                                  | 100.0%                | 1,000            |
| Alpha-InnoTec Norge AS                                      | 100.0%                | 1,000            |
| ait 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           |
| Backer-Springfield Dongguan Co. Ltd                         | 100.0%                |                  |
| Danotherm Electric A/S                                      | 100.0%                | 1,000            |
| DZD Slovensko Spol s.r.o.                                   | 100.0%                |                  |
| Eitop Praha s.r.o.  | 100.0%                |                  |
| Eltwin Sp. z.o.o.   | 100.0%                | 100              |
| Gazco Ltd   | 100.0%                | 30,000           |
| 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            |
| 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               |
| Motron A/S  | 100.0%                | 1,000            |
| Naturenergi IWABO AB  | 100.0%                | 1,000            |
| NIBE Beteiligungsverwaltungs GmbH                           | 100.0%                |                  |
| NIBE-BIAWAR Sp. z o.o.                                      | 100.0%                | 83,962           |
| NIBE Energietechnik B.V.                                    | 100.0%                | 180              |
| NIBE Energy Systems Ltd                                     | 100.0%                | 100              |
| NIBE Energy Systems Oy                                      | 100.0%                | 15               |
| NIBE Foyers France S.A.S.                                   | 100.0%                | 370              |
| NIBE Kamini LLC   | 100.0%                |                  |
| NIBE Systemtechnik GmbH                                     | 100.0%                |                  |
| 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            |
| 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 & Energietechnik SE AB                                  | 100.0%                | 1,000            |
| Stovax Ltd  | 100.0%                | 190,347          |
| Stovax D1 Ltd   | 100.0%                | 1,000            |
| Stovax Group Ltd  | 100.0%                | 397,800          |
| 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 | Domicile                            |
|---|---------------------|-------------------------------------|
| ABK AS  | 959,651,094         | Oslo, Norway                        |
| ait-france EURL   | 501,594,220         | Strasbourg, France                  |
| Akvaterm Oy   | 1712852-9           | Kokkola, Finland                    |
| ait-deutschland GmbH  | HRB 2991            | Bayreuth, Germany                   |
| ait-värmeteknik-sverige AB                                  | 556936-5033         | Helsingborg                         |
| Alpha-InnoTec Norge AS                                      | 991,430,784         | Stavanger, Norge                    |
| ait Schweiz AG  | CH-100 3 017 337-2  | Altshofen, Schweiz                  |
| Alpha-InnoTec Sun GmbH                                      | HRB 81,197          | Saarbrücken, Germany                |
| Backer Alpe S. de R.L. de C.V.                              | BAL0805266BA        | Mexico City, Mexico                 |
| Backer BHV AB   | 556053-0569         | Hässleholm                          |
| Backer Calesco France SARL                                  | 91379344781         | Lyon, FRANCE                        |
| Backer EHP Inc  | 99-0367868          | Elgin, USA                          |
| Backer ELC AG   | CH-400 3 033 814-4  | Aarau, Switzerland                  |
| Backer Elektro CZ a.s.                                      | 60469617            | Hlinsko, Czech Republic             |
| Backer Facsa S.L.   | B-62.928.361        | Aiguafreda, Spain                   |
| Backer FER s.r.l.   | REA: 173478         | Sant'Agostino, (Ferrara) Italy      |
| Backer Heating Technologies Co. Ltd                         | 440301503227017     | Shenzhen, China                     |
| Backer Heating Technologies Inc                             | 36-4044600          | Chicago, USA                        |
| Backer OBR Sp. z o.o.                                       | 008358936           | Pyrzyce, Poland                     |
| Backer-Springfield Dongguan Co. Ltd                         | 441900400000302     | Dongguan City, China                |
| Bröderna Håkansson Värme AB                                 | 556108-0259         | Höör                                |
| CJSC Evan   | 1065260108517       | Nizhniy NOVGOROD, Russia            |
| Danothem Electric A/S                                       | 10 12 60 61         | Rødovre, Denmark                    |
| DZD Slovensko Spol s.r.o.                                   | 36372056            | Bratislava, Slovakia                |
| DZD Strojirna s.r.o.  | 45148465            | Benátky nad Jizerou, Czech Republic |
| Eltop Praha s.r.o.  | 44795751            | Miretice, Czech Republic            |
| Eltwin A/S  | 13 99 24 44         | Risskov, Denmark                    |
| Eltwin Sp. z o.o.   | 0000394767          | Stettin, Poland                     |
| Gazco Ltd   | 2228846             | Exeter, UK                          |
| Genvex A/S  | 21387649            | Haderslev, Denmark                  |
| Gjellebekkstubben 9-11 AS                                   | 911,769,603         | Oslo, Norway                        |
| Heatrod Elements Ltd  | 766,637             | London, UK                          |
| Høiax AS  | 936,030,327         | Fredrikstad, Norway                 |
| Jevi A/S  | 12 85 42 77         | Vejle, Denmark                      |
| Kaukora Oy  | 0138194-1           | Raisio, Finland                     |
| Kiloval Oy  | 0754792-2           | Lovisa, Finland                     |
| KKT chillers Inc  | 83-0486747          | Elk Grove, USA                      |
| KNV Energietechnik GmbH                                     | 78375 h             | Schörfling, Austria                 |
| KVM-Conheat A/S   | 14 46 85 87         | Vissenbjerg, Denmark                |
| Lotus Heating Systems A/S                                   | 26 11 04 75         | Langeskov, Denmark                  |
| Loval Oy  | 0640930-9           | Lovisa, Finland                     |
| Lund & Sørensen AB  | 556731-8562         | Mölnådal                            |
| 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                              |
| METRO THERM A/S   | 20 56 71 12         | Helsingør, Denmark                  |
| Meyer Vastus AB, Oy   | 0215219-8           | Monninkylä, Finland                 |
| Motron A/S  | 26 41 80 97         | Risskov, Denmark                    |
| Naturenergi IWABO AB  | 556663-0355         | Bollnäs                             |
| NIBE AB   | 556056-4485         | Markaryd                            |
| NIBE Beteiligungen-verwaltungs GmbH                         | 295717d             | Vienna, Austria                     |
| NIBE-BIAWAR Sp. z o.o.                                      | 050042407           | BIALYSTOK, Poland                   |
| NIBE Energietechnik B.V.                                    | 20111793            | Willemstad, The Netherlands         |
| NIBE Energy Systems Inc                                     | 99 03 68,191        | Wilmington, USA                     |
| NIBE Energy Systems Ltd                                     | 5764 775            | Sheffield, UK                       |

| Details of subsidiaries                 | Corporate ID number | Domicile                   |
|---|---------------------|----------------------------|
| NIBE Energy Systems Oy                  | 09314276            | Helsinki, Finland          |
| NIBE Foyers France S.A.S.               | 491,434,965         | Lyon, FRANCE               |
| NIBE Kamini LLC                         | 1105 0100 00303     | Dubna, Russia              |
| NIBE Systemtechnik GmbH                 | HRB 5879            | Celle, Germany             |
| Nordpeis AS                             | 957,329,330         | Lierskogen, Norway         |
| Norske Backer AS                        | 919,799,064         | Kongsvinger, Norway        |
| Northstar Poland Sp. z o.o.             | 570844191           | Trzcianka, Poland          |
| Novelan GmbH                            | HRB 3592            | Bayreuth, Germany          |
| RPN-Hall Oy                             | 1712854-5           | Kokkola, Finland           |
| SAN Electro Heat A/S                    | 42 16 59 13         | Graested, Denmark          |
| Schulthess Group AG                     | CH-020 7 000 720-2  | Zürich, Switzerland        |
| Schulthess Maschinen AG                 | CH-020 3 923 223-4  | Zürich, Switzerland        |
| Schulthess Maschinen GmbH               | FN 125340z          | Vienna, Austria            |
| Shel NIBE Manufacturing Co Ltd          | 866,531             | Hong Kong, China           |
| Sinus-Jevi Electric Heating B.V.        | 37106129            | Medemblik, The Netherlands |
| Sol & Energiteknik SE AB                | 556633-8140         | Jönköping                  |
| Springfield Wire de Mexico S.A. de C.V. | SWM710722KW3        | Nuevo Laredo, Mexico       |
| Stovax Ltd                              | 1572550             | Exeter, UK                 |
| Stovax D1 Ltd                           | 4826958             | Exeter, UK                 |
| Stovax Group Ltd                        | 7127090             | Exeter, UK                 |
| Stovax Heating Group Ltd                | 8299613             | Exeter, UK                 |
| Structurgruppen AB                      | 556627-5870         | Kungsbacka                 |
| TermaTech A/S                           | 27 24 52 77         | Hasselager, Denmark        |
| Vabro Holding ApS                       | 21 08 92 30         | Gram, Denmark              |
| Varde Ovne A/S                          | 21 55 49 79         | Gram, Denmark              |
| Vølund Varmeteknik A/S                  | 32 93 81 08         | Videbæk, Denmark           |
| Wiegand S.A. de C.V.                    | RFC WIE850624H79    | Nuevo Laredo, Mexico       |

## Note 22 Shares in associated companies

| Name            | Corporate ID number  | Domicile        | Number of shares                           |                                  |
|-----------------|----------------------|-----------------|--|----------------------------------|
| Naturwärme GmbH | DE 218460267         | Mühlau, Germany | 7,500                                      |                                  |
| (SEK million)   | Proportion of equity | Carrying amount | The Group's share of profit after tax 2013 | The Group's share of equity 2013 |
| Naturwärme GmbH | 30.0%                | 0.0             | 0.0  | 0.0                              |

## Note 23 Share Capital

|             | Quota value (SEK) | A shares (number) | B shares (number) | Shares total (number) |
|-------------|-------------------|-------------------|-------------------|-----------------------|
| At year-end | 0.625             | 13,060,256        | 97,193,382        | 110,253,638           |

The dividend for 2013 proposed but not yet approved is SEK 2.35 per share. This corresponds to a total pay-out of SEK 259.1 million. See also under the heading 'Appropriation of profits' on page 59.

Each class A share entitles the holder to 10 votes at the Annual General Meeting. All shares carry the same entitlement to dividends.

At the end of 2013 the company had no outstanding convertible loans or options that could risk diluting the share capital. This was also the case at the end of the preceding year.

## Note 24 Provisions for pensions

### ITP occupational pension plan secured via Alecta

The commitments for retirement pensions and family pensions for white-collar staff in Sweden are secured through an insurance policy with Alecta. In accordance with a statement from the Swedish Financial Reporting Board, UFR 3, this is a multi-employer defined-benefit plan. For financial year 2013, the company has not had access to the information required to recognise this plan as a defined-benefit plan. ITP occupational pension plan secured through an insurance policy with Alecta is, therefore, recognised as a defined-contribution plan.

The contributions for the year for pension insurance policies taken out with Alecta amounted to SEK 8.2 million (2012: SEK 9.0 million). Alecta's surplus can be distributed to the policy holders and/or the insured. At the 2013 year-end Alecta's surplus in the form of the collective funding ratio was 148% (2012: 129%). The collective funding ratio consists of the market value of Alecta's assets as a percentage of the insurance commitments calculated in accordance with Alecta's actuarial commitments, which is not in conformity with IAS 19.

### Defined-benefit pensions

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

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

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

| Actuarial assumptions 2012      | Switzerland | Sweden |
|---------------------------------|-------------|--------|
| Discount rate 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%       | -      |
| - real property etc.            | 2.50%       | -      |

A sensitivity analysis carried out in respect of the significant assumptions applied and the effect the changed assumptions would have on the Group's pension liability is shown in the table below.

| Sensitivity analysis                              | Effect on the pension liability |           |
|---|---------------------------------|-----------|
|   | of a rise                       | of a fall |
| Discount rate - 1.00 percentage point             | - 47.7                          | + 56.9    |
| Expected salary increases - 0.25 percentage point | + 3.3                           | - 3.4     |
| Expected inflation - 0.25 percentage point        | + 24.2                          | - 1.5     |

### 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.

| (SEK million)                                 | 2013         |                |              |
|---|--------------|----------------|--------------|
|   | Funded plans | Unfunded plans | Total        |
| <b>Reconciliation of pension obligations</b>  |              |                |              |
| Present value at start of year                | 773.2        | 63.8           | 837.0        |
| Present value in acquired companies           | -            | 3.6            | 3.6          |
| Premiums from employer                        | 16.2         | 1.0            | 17.2         |
| Interest on obligations                       | 14.7         | 2.0            | 16.7         |
| Premiums from employees                       | 18.0         | -              | 18.0         |
| Benefits paid                                 | - 69.2       | - 1.7          | - 70.9       |
| Reversed obligations                          | - 64.6       | -              | - 64.6       |
| Actuarial gains (-), losses (+) during period | - 38.0       | - 0.1          | - 38.1       |
| Translation differences                       | 13.9         | 0.6            | 14.5         |
| <b>Present value at end of year</b>           | <b>664.2</b> | <b>69.2</b>    | <b>733.4</b> |

### Reconciliation of plan assets

|   |              |          |              |
|---|--------------|----------|--------------|
| Fair value at start of year                   | 624.5        | -        | 624.5        |
| Expected return on plan assets                | 12.4         | -        | 12.4         |
| Actuarial gains (+), losses (-) during period | - 2.7        | -        | - 2.7        |
| Premiums from employer                        | 19.7         | -        | 19.7         |
| Premiums from employees                       | 11.9         | -        | 11.9         |
| Benefits paid                                 | - 63.2       | -        | - 63.2       |
| Reversed assets                               | - 64.6       | -        | - 64.6       |
| Translation differences                       | 11.0         | -        | 11.0         |
| <b>Fair value at end of year</b>              | <b>549.0</b> | <b>-</b> | <b>549.0</b> |

### Provisions for pensions

|                                    |              |             |              |
|------------------------------------|--------------|-------------|--------------|
| Pension obligations, present value | 664.2        | 69.2        | 733.4        |
| Plan assets, fair value            | - 549.0      | -           | - 549.0      |
| <b>Provisions for pensions</b>     | <b>115.2</b> | <b>69.2</b> | <b>184.4</b> |

### Pension costs recognised in profit for the year

|   |             |            |              |
|---|-------------|------------|--------------|
| Current charges                                   | 16.2        | 1.0        | 17.2         |
| Interest on obligations                           | 14.7        | 2.0        | 16.7         |
| Expected return on plan assets                    | - 12.4      | -          | - 12.4       |
| <b>Pension costs, defined benefit plans</b>       | <b>18.5</b> | <b>3.0</b> | <b>21.5</b>  |
| Pension costs, defined-contribution plans         |             |            | 93.5         |
| <b>Total pension costs in profit for the year</b> |             |            | <b>115.0</b> |

### Pension costs recognised outside profit or loss

|  |               |              |               |
|--|---------------|--------------|---------------|
| Actuarial gains (-), losses (+) in respect of: |               |              |               |
| - changed financial assumptions                | - 39.3        | -            | - 39.3        |
| - changed demographic assumptions              | -             | -            | -             |
| - adjustments based on experience              | 4.0           | - 0.1        | 3.9           |
| <b>Pension costs outside profit or loss</b>    | <b>- 35.3</b> | <b>- 0.1</b> | <b>- 35.4</b> |

### Reconciliation of provisions for pensions

|                                      |              |             |              |
|--------------------------------------|--------------|-------------|--------------|
| Opening balance                      | 148.7        | 63.8        | 212.5        |
| Provisions in acquired companies     | -            | 3.6         | 3.6          |
| Pension costs, defined benefit plans | 18.5         | 3.0         | 21.5         |
| Pension costs outside profit or loss | - 35.3       | - 0.1       | - 35.4       |
| Premiums from employer               | - 19.7       | -           | - 19.7       |
| Benefits paid                        | -            | - 1.7       | - 1.7        |
| Translation differences              | 3.0          | 0.6         | 3.6          |
| <b>Closing balance</b>               | <b>115.2</b> | <b>69.2</b> | <b>184.4</b> |

|  |      |     |      |
|--|------|-----|------|
| For 2014, expected pension costs for defined benefit plans are | 22.5 | 3.4 | 25.9 |
|--|------|-----|------|

### Composition of plan assets

|                             |              |
|-----------------------------|--------------|
| Shares                      | 11.5         |
| Interest-bearing securities | 459.2        |
| Real property etc.          | 78.3         |
| <b>Total plan assets</b>    | <b>549.0</b> |

### Parent

The parent's recognised pension liabilities amount to SEK 3.4 million (SEK 2.5 million) and are calculated in accordance with the Pension Obligations Vesting Act and not with IAS19.

| (SEK million)  | 2012         |                |              |
|--|--------------|----------------|--------------|
|  | Funded plans | Unfunded plans | Total        |
| <b>Reconciliation of pension obligations</b>           |              |                |              |
| Present value at start of year                         | 678.3        | 63.9           | 742.2        |
| Present value in acquired companies                    | 28.8         | -              | 28.8         |
| Premiums from employer                                 | 14.5         | 0.4            | 14.9         |
| Interest on obligations                                | 17.4         | 1.9            | 19.3         |
| Premiums from employees                                | 19.8         | -              | 19.8         |
| Benefits paid  | - 33.2       | - 1.6          | - 34.8       |
| Actuarial gains (-), losses (+) during period          | 69.8         | - 1.2          | 68.6         |
| Translation differences                                | - 22.2       | 0.4            | - 21.8       |
| <b>Present value at end of year</b>                    | <b>773.2</b> | <b>63.8</b>    | <b>837.0</b> |
| <b>Reconciliation of plan assets</b>                   |              |                |              |
| 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       |
| <b>Fair value at end of year</b>                       | <b>624.5</b> | <b>-</b>       | <b>624.5</b> |
| <b>Provisions for pensions</b>                         |              |                |              |
| Pension obligations, present value                     | 773.2        | 63.8           | 837.0        |
| Plan assets, fair value                                | - 624.5      | -              | - 624.5      |
| <b>Provisions for pensions</b>                         | <b>148.7</b> | <b>63.8</b>    | <b>212.5</b> |
| <b>Pension costs recognised in profit for the year</b> |              |                |              |
| Current charges  | - 3.1        | 0.4            | - 2.7        |
| Interest on obligations                                | 17.4         | 1.9            | 19.3         |
| Expected return on plan assets                         | - 17.9       | -              | - 17.9       |
| <b>Pension costs, defined benefit plans</b>            | <b>- 3.6</b> | <b>2.3</b>     | <b>- 1.3</b> |
| Pension costs, defined-contribution plans              |              |                | 106.9        |
| <b>Total pension costs in profit for the year</b>      |              |                | <b>105.6</b> |
| <b>Pension costs recognised outside profit or loss</b> |              |                |              |
| Actuarial gains (-), losses (+) in respect of:         |              |                |              |
| - changed financial assumptions                        | 50.9         | -              | 50.9         |
| - changed demographic assumptions                      | 15.4         | -              | 15.4         |
| - adjustments based on experience                      | - 1.0        | - 1.2          | - 2.2        |
| <b>Pension costs outside profit or loss</b>            | <b>65.3</b>  | <b>- 1.2</b>   | <b>64.1</b>  |
| <b>Reconciliation of provisions for pensions</b>       |              |                |              |
| Opening balance  | 91.2         | 42.6           | 133.8        |
| Effect of changes in accounting policies               | - 0.9        | 21.3           | 20.4         |
| Adjusted opening balance                               | 90.3         | 63.9           | 154.2        |
| Provisions in acquired companies                       | 0.4          | -              | 0.4          |
| Pension costs, defined benefit plans                   | - 3.6        | 2.3            | - 1.3        |
| Pension costs outside profit or loss                   | 65.3         | - 1.2          | 64.1         |
| Benefits paid  | -            | - 1.6          | - 1.6        |
| Translation difference                                 | - 3.7        | 0.4            | - 3.3        |
| <b>Closing balance</b>                                 | <b>148.7</b> | <b>63.8</b>    | <b>212.5</b> |
| <b>Composition of plan assets</b>                      |              |                |              |
| Shares   | 38.8         |                |              |
| Interest-bearing securities                            | 411.7        |                |              |
| Real property etc.                                     | 174.0        |                |              |
| <b>Total plan assets</b>                               | <b>624.5</b> |                |              |

## Note 25 Other provisions

| (SEK million)                    | Warranty risk reserve | Other        | Total Group  | Parent       |
|----------------------------------|-----------------------|--------------|--------------|--------------|
| Amount at start of year          | 162.4                 | 178.6        | 341.0        | 125.1        |
| Provisions in acquired companies | 12.2                  | -            | 12.2         | -            |
| Provisions during the year       | 42.4                  | 384.2        | 426.6        | 354.6        |
| Amount utilised during the year  | - 44.0                | - 14.8       | - 58.8       | -            |
| Reversed provisions              | - 20.3                | -            | - 20.3       | -            |
| Translation differences          | 1.1                   | - 6.3        | - 5.2        | - 7.5        |
| <b>Amount at year-end</b>        | <b>153.8</b>          | <b>541.7</b> | <b>695.5</b> | <b>472.2</b> |

Guarantees are normally provided for one or two 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 928.6 million (SEK 1,097.9 million). The Group's overdraft was reduced during the year by SEK 169.3 million. The facility granted for the parent was SEK 400.0 million (SEK 400.0 million). Agreements are in place on long-term refinancing.

## Note 27 Accrued expenses and deferred income

| (SEK million)                         | Group        |              | Parent      |            |
|---------------------------------------|--------------|--------------|-------------|------------|
|                                       | 2013         | 2012         | 2013        | 2012       |
| Accrued salaries                      | 196.9        | 194.2        | 2.6         | 2.5        |
| Accrued social security contributions | 66.1         | 60.6         | 1.7         | 1.8        |
| Other items                           | 260.3        | 191.9        | 6.1         | 3.9        |
| <b>Amount at year-end</b>             | <b>523.3</b> | <b>446.7</b> | <b>10.4</b> | <b>8.2</b> |

## Note 28 Pledged assets

| (SEK million)   | Group        |                | Parent     |                |
|---|--------------|----------------|------------|----------------|
|   | 2013         | 2012           | 2013       | 2012           |
| Floating charges  | 19.7         | 116.0          | -          | 4.0            |
| Property mortgages  | 58.3         | 303.1          | -          | -              |
| Receivables   | 54.9         | 46.1           | 2.8        | 2.0            |
| Shares in subsidiaries <sup>1)</sup>  | 9.6          | 6,568.8        | -          | 5,234.9        |
| <b>Total pledged assets</b>   | <b>142.5</b> | <b>7,034.0</b> | <b>2.8</b> | <b>5,240.9</b> |
| <sup>1)</sup> Liabilities to credit institutions for which shares have been pledged as security | -            | 3,247.2        | -          | 3,244.2        |

## Note 29 Contingent liabilities

| (SEK million)   | Group      |            | Parent       |                |
|---|------------|------------|--------------|----------------|
|   | 2013       | 2012       | 2013         | 2012           |
| Pension commitments not entered under liabilities or provisions | 0.8        | 0.9        | -            | -              |
| Contingent liabilities on behalf of other Group companies       | -          | -          | 595.6        | 1,041.9        |
| <b>Total contingent liabilities</b>                             | <b>0.8</b> | <b>0.9</b> | <b>595.6</b> | <b>1,041.9</b> |



## Note 30 Acquisition of businesses

At the end of January 2013 NIBE acquired a 60% stake in the British wood-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. The company was consolidated in business area NIBE Stoves as of 1 February. Agreement has also been reached on the acquisition of the remaining 40% of shares in the company in 2016.

Under an agreement in principle signed in June 2012, the Danish company, the Eltwin Group, which produces steering and control technology for the energy sector, was acquired in February. The Eltwin Group reports annual sales of some SEK 85 million and an operating margin of approximately 9%. It was consolidated into the NIBE Element business area with effect from 1 March 2013.

During the year direct acquisition costs of SEK 8.9 million (SEK 14.5 million) were recognised as administrative costs in profit or loss.

| (SEK million)  | Group        |              |
|--|--------------|--------------|
|  | 2013         | 2012         |
| Initial considerations                                 | 266.1        | 201.4        |
| Additional considerations                              | 336.3        | 30.9         |
| <b>Total consideration</b>                             | <b>602.4</b> | <b>232.3</b> |
| Fair value of net assets acquired                      | 333.7        | 81.9         |
| Goodwill   | 268.7        | 150.4        |
| <b>Consideration</b>                                   | <b>602.4</b> | <b>232.3</b> |
| Cash and cash equivalents in acquired companies        | - 72.6       | - 6.3        |
| Additional consideration not settled                   | -336.3       | -            |
| <b>Effect on the Group's cash and cash equivalents</b> | <b>193.5</b> | <b>226.0</b> |

Goodwill is attributable to the profitability of the operations acquired as well as to the synergy effects, particularly in material supply and distribution, that are anticipated within the Group. Tax-deductible goodwill arising from the purchase of the net assets is included at SEK 0.8 million (SEK 101.1 million).

| (SEK million)                 | Group        |                          |
|-------------------------------|--------------|--------------------------|
|                               | Fair value   | Acquired carrying amount |
| Market positions              | 123.0        | -                        |
| Brands                        | 74.6         | -                        |
| Other intangible assets       | 43.1         | 10.7                     |
| Property, plant and equipment | 26.3         | 20.2                     |
| Financial assets              | 2.5          | 2.5                      |
| Current receivables           | 44.0         | 44.0                     |
| Inventories                   | 98.9         | 98.9                     |
| Cash and cash equivalents     | 72.6         | 72.6                     |
| Provisions                    | - 91.0       | - 10.3                   |
| Liabilities                   | - 60.3       | - 74.7                   |
| <b>Net assets acquired</b>    | <b>333.7</b> | <b>163.9</b>             |

## Note 31 Events after the end of the reporting period

The operations of the French company, Technibel SAS, were acquired at the beginning of February 2014. The company has annual sales of around SEK 105 million. It is a specialised sales company for air conditioning products and heat pumps under the well-established brand, Technibel.



### Affirmation by the Board of Directors

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 2014

**Arvid Gierow**  
Chairman of the Board

**Georg Brunstam**  
Director

**Eva-Lotta Kraft**  
Director

**Hans Linnarson**  
Director

**Anders Pålsson**  
Director

**Gerteric Lindquist**  
President and CEO

The annual report and consolidated financial statements were approved for release by the Board of Directors on 27 March 2014. The consolidated income statement and balance sheet and the parent income statement and balance sheet will be put forward for adoption at the Annual General Meeting on 15 May 2014.

# Auditor's Report

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

## Report on the annual report and the consolidated financial statements

We have audited the annual report and consolidated financial statements of NIBE Industrier AB (publ) for financial year 2013. The annual report and consolidated financial statements of the company are included in the printed version of this document on pages 51-83.

## Responsibilities of the Board of Directors and the President/CEO for the annual report and the consolidated financial statements

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

## Auditor's responsibility

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

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

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

## Opinions

In our opinion, the annual report has been prepared in accordance with the Annual Accounts Act and presents fairly, in all material respects, the financial position of the parent as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2013 and of their financial performance and

cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act.

The statutory administration report is consistent with the other parts of the annual report and consolidated financial statements.

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

## Report on other statutory and regulatory requirements

In addition to our audit of the annual report and consolidated financial statements, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President/CEO of NIBE Industrier AB for financial year 2013.

## Responsibilities of the Board of Directors and the President/CEO

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 President/CEO are responsible for administration under the Companies Act.

## Auditor's responsibility

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

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


As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual report and consolidated financial statements, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President/CEO is liable to the company. We also examined whether any member of the Board of Directors or the President/CEO 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 profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President/CEO be discharged from liability for the financial year.

Markaryd, Sweden – 27 March 2014  
KPMG AB



Alf Svensson  
Authorised Public Accountant

# Corporate governance report

Corporate governance in NIBE Industrier AB (NIBE) is performed by the Annual General Meeting, the Board of Directors and the President/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).



Arvid Gierow  
Chairman  
of the Board

It is good practice for Swedish companies whose shares are traded on regulated markets to comply with the Code. NIBE complies with the Code, and this Corporate Governance Report has been drawn up in accordance with the Code. The current code is available on the website of the Swedish Corporate Governance Board, [www.bolagsstyrning.se](http://www.bolagsstyrning.se). In addition, NIBE also provides information via the company's website.

The Corporate Governance Report is not part of the formal annual report documents. The company's auditors review the corporate governance report and testify that the corporate governance report has been drawn up and that the statutory information it contains is consistent with other parts of the annual report and consolidated financial statements.

## 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. Since August 2011, NIBE shares have also had a secondary listing on the SIX Swiss Exchange in Switzerland. On 31 December 2013, NIBE had 18,267 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 CEO from liability.

The most recent AGM, held on 15 May 2013 in Markaryd, was attended by 386 shareholders, representing 54% of the shares and 76% of the total number of votes in the company. The Board of Directors, the President/CEO and the company's auditors attended the AGM. 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 2013 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 2014 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 Board of Directors comprises Arvid Gierow (Chairman of the Board), Georg Brunstam, Eva-Lotta Kraft, Hans Linnarson, Anders Pålsson and Gerteric Lindquist, who is also Chief Executive Officer. 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 NIBE's Board of Directors that all directors with the exception of the CEO are independent in relation to the company. Please see page 89 for a brief presentation of the directors of the company.

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

The Board of Directors oversees the work of the President/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 President/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.

## 2013

During 2013 the Board of Directors held ten meetings, of which eight were traditional round-table meetings and two were telephone conferences. All meetings were minuted.

Attendance at Board meetings was high, 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:

- Press releases, etc: 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 August, the Board holds strategic discussions over two working days.
- Audit review: In November, the company's auditor gives his view on the interim figures for the period January to September.
- Budget: At the end of the year, the Board discusses the Group's budget for the coming year.

In addition, the Board of Directors receives a written report every month on the company's financial key figures and position. The President/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.

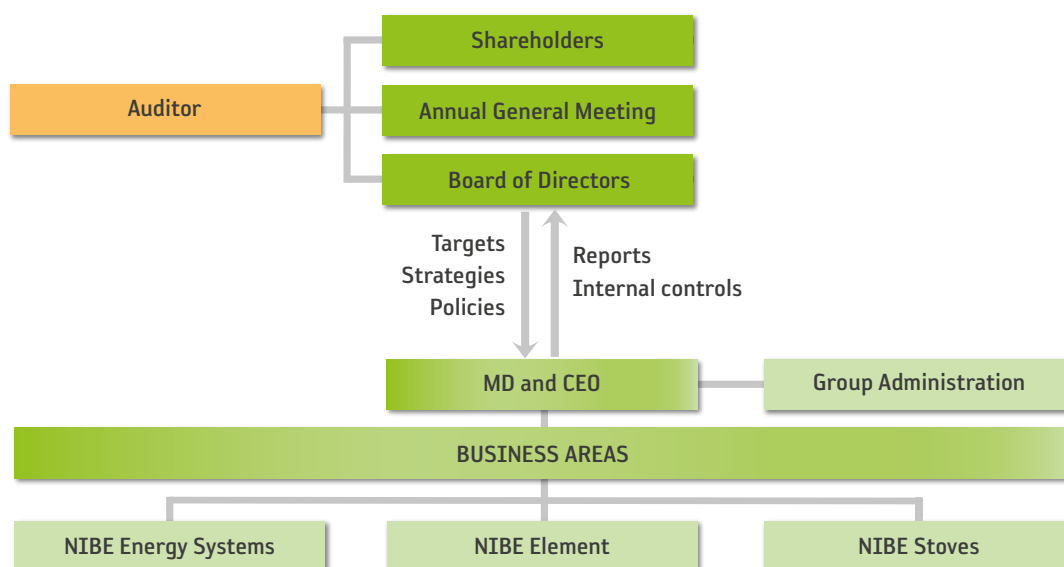
The registered public accounting firm, KPMG AB, was elected at the AGM for 2013 to serve until the end of the next AGM, with Alf Svensson as senior auditor. The senior auditor has continual access to the approved minutes of company Board meetings and the monthly reports that the Board receives.

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, KPMG AB assists in particular with due diligence reviews in conjunction with corporate acquisitions and with accounting consultations. Information on the remuneration of auditors is given in Note 5 to the annual report.

## Group management

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







*During the Capital Market Day at ait-deutschland in Kasendorf, investors and analysts also visited the production facilities.*

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 President/CEO. The work of the President/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 President/CEO is a matter decided by the Board, but the preparatory work for this decision is undertaken by the Chairman of the Board after discussions with the President/CEO. The remuneration of other senior personnel is determined by the President/CEO in consultation with the Chairman of the Board. Decisions in this regard are reported to the Board of Directors.

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 2013

The 2013 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 President/CEO and other key management personnel were detailed and approved.

Further information about the principles that apply can be found in Note 6 to the annual report.

Information on directors' fees and on salaries and other remuneration for the President/CEO and other senior executives is contained in Note 6 to the annual report.

### Severance pay

No severance pay or other benefits apply to the Chairman of the Board or to the directors, apart from the President/CEO. The period of notice for the President/CEO is six months in the event that the company gives notice. In addition to salary during the period of notice, the President/CEO is entitled to severance pay equal to twelve 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 President/CEO and other senior executives is 65. No special agreements have been reached that entitle senior executives to retire before the official retirement age while still retaining part of their salary in the interim.

Information on the pension benefits for the President/CEO and other senior executives can be found in Note 6 to the annual report.

### Incentive programme

An incentive programme applies to certain key members of staff/senior executives, according to which they are paid a variable bonus if set targets are met. The variable bonus is limited to three months' salary. It is also possible for a member of staff to receive a maximum of one additional month's salary on condition that the member of staff uses this additional payment plus an equal amount from his or her variable bonus for the purchase of NIBE shares through the stock exchange. A condition for entitlement to receive this additional remuneration is that the member of staff retains the shares acquired each year for at least three years. Under normal circumstances, the NIBE 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 President/CEO. Certain key individuals in the foreign companies acquired in recent years 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. All financial information is also available on the company's website, [www.nibe.com](http://www.nibe.com). Press releases and reports are posted there at the same time as they are made public.

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

During the autumn, a capital market day was also arranged at NIBE's German operation in Kasendorf, ait-deutschland, with both Swedish and foreign investors and analysts participating.

## Internal controls of financial reporting in 2013

Under the Swedish Companies Act and the Code, the Board of Directors is responsible for internal controls. This report on internal controls and risk management with regard to financial reporting complies with the requirements in Chapter 6, § 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 operation during the year if this is deemed necessary.

A project was initiated during 2013 with the aim of reviewing and further strengthening internal control procedures.

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 (internal audit) (item 7.4 in the Code).

## Auditor's report on the Corporate Governance Statement

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

It is the Board of Directors who is responsible for the corporate governance statement for the year 2013 on pages 85-88 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the corporate governance statement has been prepared and its statutory content is consistent with the annual report and the consolidated financial statements.

Markaryd, Sweden – 27 March 2014  
KPMG AB



Alf Svensson  
Authorised Public Accountant

# Board of Directors



**ARVID GIEROW** (born 1943)  
Chairman of the Board since 2003 and director since 1997.  
MBA.  
Director of MSAB.  
Shareholder in NIBE Industrier:  
86,400 B shares.  
Independent director.



**GERTERIC LINDQUIST** (born 1951)  
Director since 1989.  
CEO. President of NIBE Industrier AB and NIBE AB.  
Master of Engineering and MBA.  
Employed 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.



**GEORG BRUNSTAM** (born 1957)  
Director since 2003.  
M.Sc. in Engineering.  
Chief Executive Officer and director of HEXPOL AB. Director of DIAB Group AB and Beckers Industrial Coatings Holding AB.  
Shareholding in NIBE Industrier:  
400 B shares.  
Independent director.



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



**HANS LINNARSON** (Born 1952)  
Director since 2006.  
BSc Electronics Engineering.  
Director of Zinkteknik AB.  
Shareholding in NIBE Industrier: 0.  
Independent director.



**ANDERS PÅLSSON** (born 1958)  
Director since 2010.  
MBA.  
Director of Lamhults Design Group AB, Midway Holding AB and Trioplast AB.  
Shareholding in NIBE Industrier:  
5,000 B shares.  
Independent director.



# Group management



**GERIC LINDQUIST** (born 1951)  
CEO. President of NIBE Industrier AB and NIBE AB.  
Master of Engineering and MBA.  
Employed since 1988.  
Shareholding in NIBE Industrier:  
1,504,560 A shares and  
3,563,440 B shares B.



**HANS BACKMAN** (born 1966)  
CFO of NIBE Industrier AB.  
Graduate of the School of Economics and MBA.  
Employed since 2011.  
Shareholding in NIBE Industrier:  
1,100 B shares.



**CHRISTER FREDRIKSSON** (born 1955)  
Business Area Manager of NIBE Element and CEO of Backer BHV AB.  
M.Sc. in Engineering.  
Employed since 1992.  
Shareholding in NIBE Industrier:  
375,840 A shares and  
716,960 B shares.



**NIKLAS GUNNARSSON** (born 1965)  
Business Area Manager of NIBE Stoves.  
Engineer.  
Employed since 1987.  
Shareholding in NIBE Industrier:  
108,400 B shares.



**KJELL EKERMO** (born 1956)  
Business Area Manager of NIBE Energy Systems. M.Sc. in Engineering.  
Employed since 1998.  
Shareholding in NIBE Industrier:  
108,646 B shares.

## Auditor



**KPMG AB**  
Senior Auditor  
Alf Svensson (Born 1949)  
Authorised Public Accountant

# Group companies

## NORDIC REGION

### SWEDEN

|  |   |
|--|---|
| NIBE Industrier AB   | MARKARYD  |
| NIBE Element<br>NIBE AB<br>/NIBE Energy Systems<br>/NIBE Stoves  | SÖSDALA<br>MARKARYD<br>MARKARYD   |
| ait-värmeteknik-sverige AB<br>Backer BHV AB<br>Backer BHV AB/<br>Calesco Division<br>Lund & Sørensen AB<br>METRO THERM AB<br>Sol- & Energiteknik SE AB<br>Strukturgruppen AB | HELSINGBORG<br>SÖSDALA<br>KOLBÄCK<br>MÖLNDAL<br>KALMAR<br>HUSKVARNA<br>KUNGSBACKA |

### DENMARK

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

### FINLAND

|   |   |
|---|---|
| Akvaterm Oy<br>Kaukora Oy<br>Loyal Oy<br>NIBE Energy Systems Oy<br>Oy Meyer Vastus AB | KOKKOLA<br>RAISIO<br>LOVISA<br>VANTAA<br>MONNINKYLÄ |
|---|---|

### NORWAY

|  |   |
|--|---|
| ABK AS<br>Alpha-InnoTec Norway AS<br>Høiax AS<br>Nordpeis AS<br>Norske Backer AS | OSLO<br>STAVANGER<br>FREDRIKSTAD<br>LIERSKOGEN<br>KONGSVINGER |
|--|---|

## EUROPE excl. Nordic region

### FRANCE

|  |                                 |
|--|---------------------------------|
| ait-france EURL<br>backer Calesco France SARL<br>NIBE Foyers France S.A.S. | BISCHWILLER<br>LYON<br>REVENTIN |
|--|---------------------------------|

### ITALY

|   |                       |
|---|-----------------------|
| Backer FER s.r.l.<br>REBA Div. Industrial<br>Applications | S. AGOSTINO<br>MILANO |
|---|-----------------------|

### THE NETHERLANDS

|   |                         |
|---|-------------------------|
| NIBE Energietechnik B.V.<br>Sinus-Jevi Electric<br>Heating B.V. | WILLEMSTAD<br>MEDEMBLIK |
|---|-------------------------|

### POLAND

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

### SWITZERLAND

|  |   |
|--|---|
| ait Schweiz AG<br>Backer ELC AG<br>Merker AG<br>Schulthess Group AG<br>Schulthess Maschinen AG | ALTISHOFEN<br>AARAU<br>REGENSDORF<br>WOLFHAUSEN<br>WOLFHAUSEN |
|--|---|

### SPAIN

|                    |            |
|--------------------|------------|
| Backer Facsa, S.L. | AIGUAFREDA |
|--------------------|------------|

### GREAT BRITAIN

|  |  |
|--|--|
| Gazco Ltd<br>Heatrod Elements Ltd<br>NIBE Energy Systems Ltd<br>Stovax Ltd<br>Stovax Group Ltd<br>Stovax Heating Group Ltd | EXETER<br>MANCHESTER<br>CHESTERFIELD<br>EXETER<br>EXETER<br>EXETER |
|--|--|

### CZECH REPUBLIC

|   |                                       |
|---|---------------------------------------|
| Backer Elektro CZ a.s.<br>DZ Drazice strojírna s.r.o.<br>Eltop Praha s.r.o. | HLINSKO<br>B. NAD JIZEROU<br>MIRETICE |
|---|---------------------------------------|

### GERMANY

|   |  |
|---|--|
| ait-deutschland GmbH<br>Alpha-InnoTec Sun GmbH<br>NIBE Systemtechnik GmbH<br>Novelan GmbH | KASENDORF<br>THOLEY-THELEY<br>CELLE<br>KASENDORF |
|---|--|

### AUSTRIA

|  |                                   |
|--|-----------------------------------|
| KNV Energietechnik GmbH<br>Schulthess Maschinen GmbH | SCHÖRFLING<br>AM ATTERSEE<br>WIEN |
|--|-----------------------------------|

## Other outside Europe

### CHINA

|  |   |
|--|---|
| Backer Element<br>Backer HTI<br>Backer Wind Components<br>Lund & Sørensen Electric H.<br>Equipment Acc. Co. Lt<br>Shel NIBE Man. Co. Ltd<br>Backer-Springfield | BEIJING<br>SHENZHEN<br>TIANJIN<br>TIANJIN<br>SHENZHEN<br>SHENZHEN |
|--|---|

### MEXICO

|   |   |
|---|---|
| Backer Alpe, S. de R.L.de C.V<br>Springfield Wire<br>de Mexico S.A. de C.V<br>Wiegand S.A. de C.V | TLAHUAC<br>NUEVO LAREDO<br>NUEVO LAREDO |
|---|---|

### RUSSIA

|                              |                        |
|------------------------------|------------------------|
| CJSC Evan<br>NIBE Kamini LLC | NIZ. NOVGOROD<br>DUBNA |
|------------------------------|------------------------|

### USA

|   |  |
|---|--|
| Backer EHP, Inc.<br>Backer Heating Tech.s Inc<br>KKT chillers Inc.<br>NIBE Energy Systems Inc | MURFREESBORO, TN<br>ELGIN, IL<br>ELK GROVE, IL<br>MURFREESBORO, TN |
|---|--|

Contact information for all of these companies is available via the NIBE Group website [www.nibe.com](http://www.nibe.com)





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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