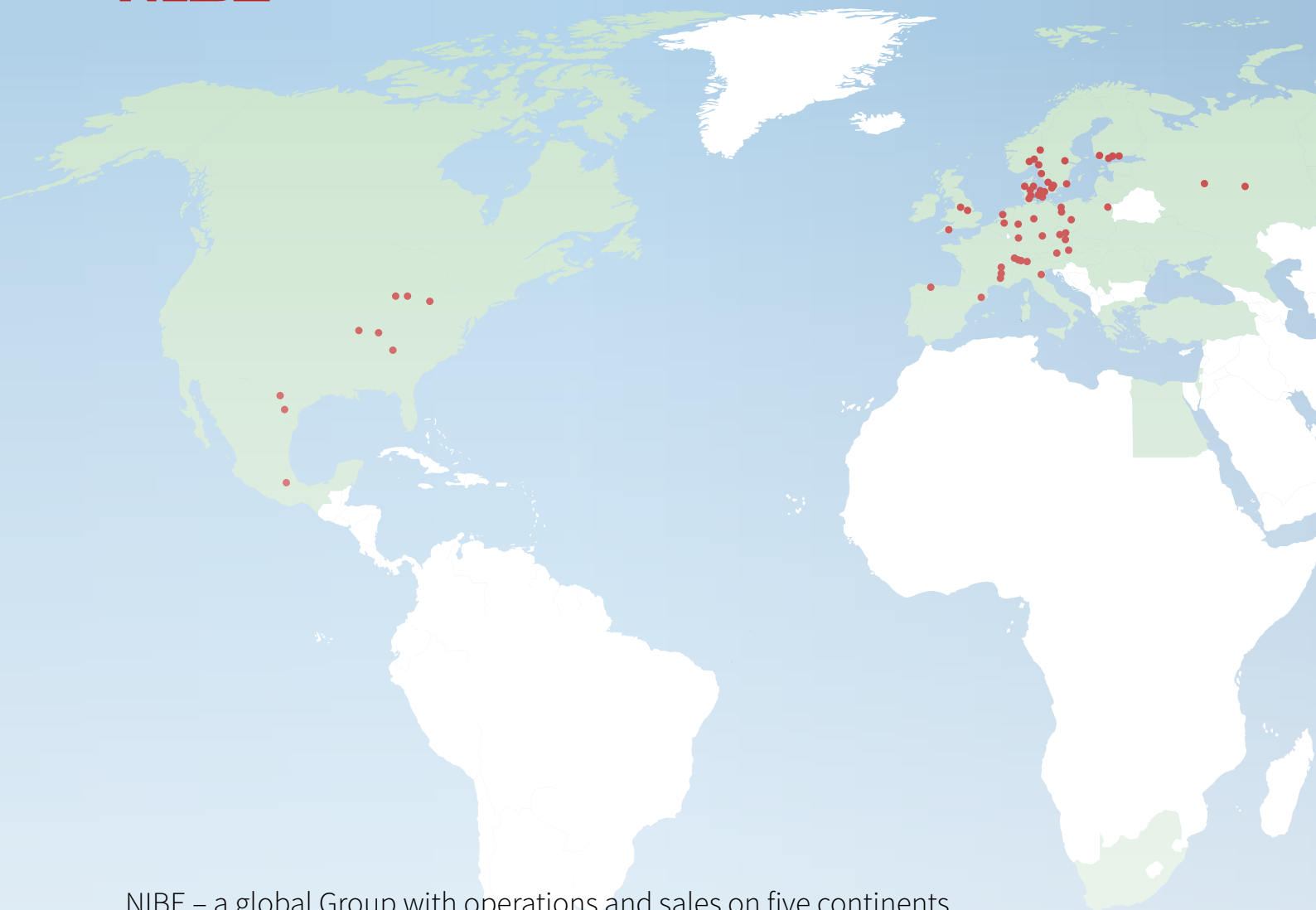


NIBE

– world-class sustainable energy solutions



Annual Report 2015



NIBE – a global Group with operations and sales on five continents

NIBE is a global Group with its roots in the province of Småland in southern Sweden, and 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 over SEK 13 billion.

NIBE has been listed under the name NIBE Industrier AB on the NASDAQ OMX Stockholm Exchange, Large Cap list, since 1997, with a secondary listing on the SIX Swiss Exchange. Operations are pursued through three different business areas with over 10,000 employees in Europe, North America, Asia and Australia. Each business area has its own operational management with responsibility for profits.

2015 in figures

MSEK 13,243

Net sales

MSEK 1,700

Operating profit

12.8%

Operating margin

MSEK 1,614

Profit after net financial items

12.2%

Profit margin

10,545

Average number of employees

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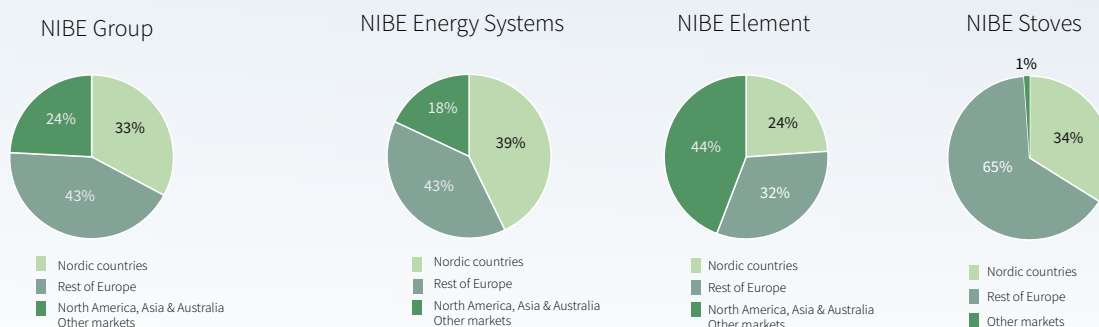
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- Group operations (four continents)
- Group sales (five continents)

Sales by geographical region



NIBE — world-class sustainable energy solutions



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NIBE in large properties, page 11



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2015

Financial ratios		2015	2014	Change
Net sales	MSEK	13,243	11,033	20 %
Growth	%	20.0	12.2	7.8 % points
Operating profit	MSEK	1,700	1,385	23 %
Profit after net financial items	MSEK	1,614	1,292	25 %
Investments	MSEK	531	3,098	-83 %
of which in existing plant & machinery	MSEK	384	308	25 %
Gross margin	%	16.5	16.2	0.3 % points
Operating margin	%	12.8	12.6	0.2 % points
Profit margin	%	12.2	11.7	0.5 % points
Capital employed	MSEK	14,710	14,411	2 %
Equity	MSEK	7,428	6,560	13 %
Return on capital employed	%	12.1	12.1	0.0 % points
Return on equity	%	18.0	16.6	1.4 % points
Return on total assets	%	9.6	9.6	0.0 % points
Asset turnover	times	0.72	0.71	2 %
Equity/assets ratio	%	39.9	36.2	3.7 % points
Proportion of risk-bearing capital	%	44.5	40.8	3.7 % points
Operating cash flow	MSEK	1,555	1,096	42 %
Interest coverage ratio	times	12.3	7.6	61 %
Net debt/EBITDA	times	2.5	3.3	-23 %
Interest-bearing liabilities/Equity	%	98.0	119.7	-21.7 % points
Average number of employees	no.	10,545	9,726	8 %

Please refer to page 61 for definitions.

Acquisitions in 2015

- ◆ Marathon Heater Inc, North America
- ◆ Remaining 30% in Akvaterm, Finland

Dividend

The Board of Directors proposes that the Annual General Meeting approve a dividend of SEK 3.35 per share for the 2015 financial year, corresponding to a total payout of SEK 369 million. If this proposal is accepted, it is anticipated that the dividend will be despatched from Euroclear Sweden AB on Thursday, 19 May 2016.

Annual General Meeting

Will be held at NIBE in Markaryd in Sweden on Thursday, 12 May 2016 at 17:00 (5 pm).

Calendar

12 May 2016

Interim Report 1, January – March 2016
Annual General Meeting

19 August 2016

Interim Report 2, January – June 2016

17 November 2016

Interim Report 3, January – September 2016

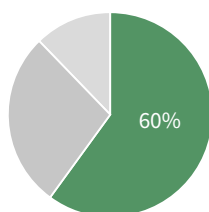
The Group consists of three business areas

NIBE Energy Systems

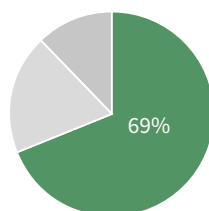
Energy-efficient products for indoor climate comfort and hot water

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

Percentage of Group



Net sales



Operating profit

Ratios 2015

Net sales	SEK 8,031 m
Growth	23.4%
Operating profit	SEK 1,209 m
Operating margin	15.1%
Average number of employees	3,417

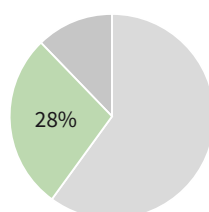
Find out more on page 30

NIBE Element

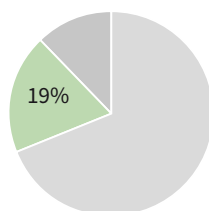
Industrial partner with customised solutions

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

Percentage of Group



Net sales



Operating profit

Ratios 2015

Net sales	SEK 3,758 m
Growth	17.7%
Operating profit	SEK 342 m
Operating margin	9.1%
Average number of employees	6,197

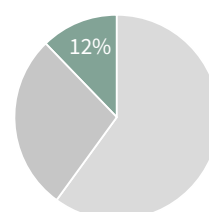
Find out more on page 38

NIBE Stoves

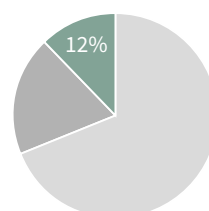
Energy-efficient stoves for various heating needs and design requirements

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

Percentage of Group



Net sales



Operating profit

Ratios 2015

Net sales	SEK 1,652 m
Growth	11.4%
Operating profit	SEK 206 m
Operating margin	12.5%
Average number of employees	922

Find out more on page 44

A strong 2015 – our sights are set on 20 billion by 2020



Gerteric Lindquist, Managing Director & CEO

Healthy growth

Overall, 2015 was marked by cautious demand, significant currency volatility and substantial falls in gas and oil prices. In addition to purely economic conditions, the weather was unusually mild during the year.

As usual, we have continued to look ahead through intensive product development and proactive market initiatives, but we have also been careful to maintain our margins.

Group sales growth for 2015 was 20.0% (12.2%), including organic growth of 10.5% (6.5%). For the year overall, the weaker Swedish krona was still the main reason for the organic growth, but the effect declined towards the end of the year. This is because the krona started to weaken in autumn 2014, which meant we had a relatively stable exchange rate against both the euro and the US dollar in the latter months of 2015.

All three of our business areas continued to advance their market positions, as well as maintaining and even improving their operating margins.

This is the result of consistent long-term work to generate the best market impact by ensuring that our products and our production, quality and marketing are always excellent to avoid any function being a weak link.

Stable operations

NIBE Energy Systems continued to enthusiastically market its sustainability concept for indoor climate comfort. This is based on one of the market's broadest and best-performing ranges of heat pumps, along with the belief that we all need to start taking a new approach and help cut carbon dioxide emissions.

Our domestic market is the Nordic region, where a sustainable approach is already relatively advanced. We now need

to become even better at marketing communication, providing information and supplying customer testimonials, adapting our products where necessary, and continuing to expand in the rest of Europe and in North America. As part of this marketing work and in preparation for additional acquisitions, the business area will change its name to Climate Solutions in the spring.

NIBE Element has continued to achieve its aim of becoming a global supplier of components and solutions for measuring, control and heating. The strategy is to supply our customers with the best quality products with the highest level of technology and to take the significant supplier and sustainability responsibility required for lasting positive business relationships. We are certain that this strategy will prove hard to beat over time.

NIBE Stoves' aim is to continue providing our customers with products that offer good value, stylish, on-trend design, and the best possible environmental performance and sustainability profile on particulate emissions and efficiency. We believe a stove should be both a beautiful aspect of interior design and a secondary eco-friendly heat source, and we therefore employ a great deal of resources to meet these key market requirements.

Strong earnings performance

Operating profit improved by 22.7% compared with the previous year and the operating margin rose from 12.6% to 12.8%. In addition to the considerable positive effect of the acquisitions carried out in 2014, the weak Swedish krona also boosted earnings, although to a lesser extent towards the end of the year.

Profit after net financial items improved by 24.9% in 2015 compared with the previous year, leading to an improvement in the profit margin from 11.7% to 12.2%.

“ What created the structure for NIBE’s growth and constitutes the framework for our continued work is a bold vision with the focus on sustainability, clear financial targets, indispensable business principles and perfectly clear values.

An off year in terms of acquisitions

In 2015, we acquired the operations of the North American heating element manufacturer Marathon Heater Inc. and the remaining 30% of shares in Finland-based Akvaterm. We also made two smaller bolt-on acquisitions in Switzerland and Poland.

No major acquisitions were made in 2015 but this should not be interpreted as anything other than an accidental occurrence. We have just as much ambition to acquire companies as before.

What a year such as 2015 clearly illustrates is that the healthy profits we have generated relatively quickly restore our financial acquisition capacity.

After the acquisitions of the US heat pump companies WaterFurnace and Enertech in autumn 2014, the ratio between net debt and earning capacity was 3.3. Five quarters later, the ratio is 2.5. This means that we now have really good acquisition capacity again.

Good investments in production facilities

The level of investment in our existing businesses in 2015 amounted to SEK 384 million, compared with SEK 308 million in the previous year, and the rate of depreciation was SEK 480 million.

This is a good illustration of the fact that our production facilities are continuously managed and maintained correctly.

This year’s investments are also estimated to be equal to or just below the level of depreciation according to plan.

The constant rationalisation measures, combined with the capacity available in the present production facilities, mean that direct expansion investments are not considered to be necessary in a short-term perspective.

SEK 20 billion in sales by 2020

A demanding target is much like a championship final against a highly proficient and superior team.

Both are initially approached with a certain degree of wait-and-see out of respect for the target or the opposing team and the sacrifices that will be needed to achieve the target or win the final.

But if the match goes well and you perhaps even take the lead, your enthusiasm grows, along with your self-confidence. You believe you can achieve anything, and all that matters is the target or victory.

This is roughly where we are now in relation to our target of SEK 20 billion in sales by 2020.

For more than a quarter of a century, we have constantly challenged ourselves by attempting to double sales every four years. In most cases, we have also succeeded.

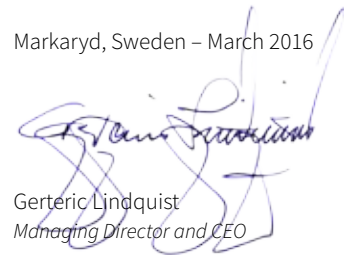
When, two years ago, we set a sales target of SEK 20 billion by 2020, it felt a little daunting even to state the amount. However, after having passed SEK 13 billion after just two years, we are truly in the match and now nothing matters but that target of SEK 20 billion by 2020. And, of course, we want to retain a good level of profitability.

In the context, it is worth remembering once again that what created the structure for NIBE’s growth and constitutes the framework for our continued work is a bold vision with the focus on sustainability, clear financial targets, indispensable business principles and perfectly clear values, all of which is described in more detail on pages 14-19.

Outlook for 2016

- Our corporate philosophy and our strong range of products, with their focus on sustainability and energy efficiency, are in tune with the times in which we are living.
- We are well-prepared to be proactive on acquisitions.
- Our internal efforts to raise efficiency, combined with our rigorous cost control measures, will guarantee persistently healthy margins.
- As with previous years, it is hard to predict how economic trends, currency concerns and the currently low energy prices will affect the Group, but we remain cautiously positive about the year overall.

Markaryd, Sweden – March 2016



Gerteric Lindquist
Managing Director and CEO

Our history

Long-term thinking and continuity

Clear shared values and long-term ownership are behind the continuity and stability in the Group.

1949



Based on Christian Backer's patent for tubular elements, Nils Bernerup establishes Backer Elektro-Värme AB in Sösdala, Sweden, to manufacture what came to be called the 'Backer element'.

1952



Nils Bernerup establishes NIBE-Verken AB in Markaryd through the acquisition of Ebe-Verken, with its 3 employees. The initial letters of his first name and surname form the company name, NIBE.

1956



Sven Christensson, who is appointed MD of Backer-Elektro Värme AB, is responsible, during his 25 years in charge, for the company developing into of the leading manufacturers of tubular elements in Europe.

1961



Rune Dahlberg is appointed MD of NIBE-Verken AB. With a strong focus on quality and rational production, he successfully runs the company up to his retirement in 1987.

1988



Gerteric Lindquist is appointed to succeed Rune Dahlberg. With his international experience and passion for business, he lays the foundation for international expansion with good profitability.

1989



The Bernerup family decides to dispose of the two companies Backer Elektro-Värme AB and NIBE-Verken AB. A number of employees and two external investors form NIBE Industrier AB and acquire the companies. Gerteric Lindquist is appointed MD and Group CEO.

Continued market-oriented expansion through acquisitions

Good profits and stock exchange listing create the conditions for an intensive era of acquisitions and development into a global Group.

1998-2010



Some 40 acquisitions are made between 1998 and 2010 within all three business areas, both in the Nordic region and the rest of Europe. In parallel with the acquisitions, six companies are established in Europe during this period.

2011-2013



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

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

2014-2015



Two strategically important acquisitions are made on the North American market, the listed company WaterFurnace, the US market leader in heat pumps, and the remaining 90% of its competitor Enertech. The Group also acquires the North American element business Marathon Heater. North America now accounts for nearly a quarter of Group sales.

Another two European acquisitions and seven minor bolt-on acquisitions are made.

Some benefits of the acquisitions

- ▶ new technologies
- ▶ new products
- ▶ new markets
- ▶ new production capacity

The acquisitions make us

- ▶ a major European heat pump operator
- ▶ a global element supplier
- ▶ the market leader for stoves in Europe

The acquisitions make us

- ▶ a major North American heat pump supplier

Organic growth forms the basis for expansion

The Group's growth is based on the development of innovative products.

1949



With a resistance wire in the centre of an empty conduit filled with magnesium oxide, the tubular element is created, a new, easily applicable heating component for households and industry.

1952



The manufacture of NIBE's water heaters starts in the same year as the Act requiring farmers to have hot water in milking parlours enters into force.

1965



NIBE wins contract to manufacture stoves under the trademark Handöl. The entire company is subsequently acquired.

1981



The very first heat pump from NIBE, Fighter Twin, is premiered at the heating and plumbing show, and manufacture of heat pumps begins in Markaryd.

1997



To allow for further expansion and to broaden ownership, NIBE Industrier AB holds a new share issue and the company is listed on the Stockholm stock exchange on 16 June 1997.

Focus on three core businesses and proactive product initiatives for the future

The wide range of the Group's products, marketed under a large number of brand names, forms the foundation of international expansion.

2015



Major development resources have been employed in the heat pumps product segment in terms of technology, performance, quality and design. The heat pumps of today are fully compatible with a modern home and are both energy-efficient and eco-friendly. Many heat pumps can also be controlled digitally, which makes it even easier to control heat and cold in the home or remotely.



In the global ambition to create sustainable development, there is a growing need to enhance energy efficiency in all areas. Through both our own product development and acquisitions of innovative companies, we are now able to offer a wide range of energy-efficient element products and system solutions based on a number of different technologies.



Our stoves have been developed into energy-efficient heat sources for various energy types and already meet the future requirements for eco-friendliness and efficiency in the Ecodesign Directive. As a stove is an interior design feature, we offer a wide range of models to suit all tastes and requirements.

Since being listed on the stock exchange, we have created

- ▶ a global Group with operations and sales on five continents
- ▶ a good platform for further expansion with profitability

The target now is to achieve SEK 20 billion in sales by

2020

NIBE in the home

Comfort, convenience and peace of mind

With its wide range of products, NIBE is always close at hand to bring comfort, convenience and peace of mind to our modern homes. Many of the convenient products used in our homes today have a component from NIBE or are a NIBE product. We work continuously to create sustainable energy solutions, helping reduce energy consumption for our customers and for society at large.



A pleasant indoor climate

A heat pump is an energy-efficient, comfortable solution for domestic heating that is kind to family finances while taking good care of the environment for current and future generations. 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.



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 water heater and tubular elements from NIBE. Many families also use their washing machine every day. Just like the tumble-dryer and heated towel rail, it includes several components made by NIBE.



Cosy up to a stove

There's nothing cosier than relaxing in front of a NIBE stove, which gently heats your home. A stove saves money and, as combustion is very efficient and wood is a renewable energy source, it helps save the planet too.



The kitchen – the heart of the home

Our modern kitchens today contain many appliances that are used frequently. Most of them, such as toasters, coffee makers, ovens and dishwashers, incorporate components produced by NIBE.

NIBE in large properties

We heat and cool

Large buildings require large investments in heating equipment and indoor climate comfort. NIBE offers various alternative products and concept solutions 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 climate comfort all year round in a single large property or several smaller ones with a shared source of heating.



Apartment blocks

In apartment blocks, each apartment may have shared or individual heating, but in both cases the building can have a shared control and monitoring centre with NIBE concept solutions. Heat pumps produce heat, hot water and cooling.



Large exhibition halls

NIBE's heat pumps are used for both heat and cooling in large exhibition halls and shopping centres. The entire indoor climate comfort system can be controlled remotely using NIBE's online solutions. Heat pumps save energy even when idle, and the units have active cooling modules that produce excellent air conditioning.



Public buildings

It is common for public buildings to be heated with oil, gas or coal. Heating with geothermal systems from NIBE that take heat from the ground is cleaner, quieter and more sustainable. The systems can also be used in training contexts with the aim of reducing environmental impact.



Renovation of old buildings

When renovating palaces and stately homes, which often consume large amounts of energy for heating, it is well worth investing in a heating system from NIBE, which offers state-of-the-art renewable energy technology.

NIBE in industry

We measure, control and heat

NIBE is a partner to many companies in a wide range of industries, developing and manufacturing components and systems for measurement, control and heating that offer various solutions for a host of specific products.



Comfort requirements in the automotive industry

The requirements for comfort in various types of vehicle are constantly becoming stricter. This has generated a great need for new applications based on element technology. One of the latest applications is heated windscreen wipers from NIBE. This will probably be a standard feature of vehicles in the future.



Resistors have many areas of application

Resistors are often an important balancing component of systems and products that use electricity. NIBE resistors are used to control and regulate industrial robots, lifts and electric motors across a broad spectrum of industries.



Equipment that saves lives

Developments are rapid in the medtech industry and new solutions save lives. NIBE is at the cutting edge of product development here, based on foil elements for various applications such as operating tables, sterilisation equipment, DNA analysis and respirators.



Major investments in rail-based transport

Several countries are currently implementing major projects to improve infrastructure, particularly that of rail-based transport. NIBE supplies many different applications in this area for both vehicles and infrastructure, including equipment for heating track and points that is controlled and regulated automatically.

NIBE enhances energy efficiency

We contribute to energy efficiency enhancement and sustainable development

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 of most product development activities is to make more efficient use of energy, not only in the products developed, but also throughout the production process itself.



Heat pump modules

Heat pumps have also begun to make their mark in industry. By utilising the Group's expertise in heat pump technology, NIBE can now offer heat pump modules for use in industrial processes and commercial products such as dishwashers for professional kitchens. Customers benefit from an improved indoor environment, while reducing energy consumption.



Hybrid vehicles

New hybrid vehicle models are constantly being launched, including both cars and vehicles for commercial use. NIBE plays an active part in helping to improve the energy efficiency of these hybrid vehicles and supplies elements for preheating batteries and resistors that can make use of the energy generated when braking.



Frequency control

Frequency-controlled compressors in heat pumps optimise energy use and reduce strain on the electricity grids. NIBE's production of frequency converters meets very strict requirements for cleanliness, accuracy and quality.



Wind turbines

Wind turbines are being constantly developed to improve reliability and energy efficiency. In many instances NIBE acts as a development partner to the wind power industry, supplying heating equipment and hardware to ensure a more consistent power supply to the grids.

Vision, mission, objectives and strategy

Vision

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

Mission

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.

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 value added
- ▶ 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
- ▶ Continue digitalisation in all product areas.

Sustainability

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
- ▶ Optimum product solutions tailored to each individual customer
- ▶ The best service and customer support
- ▶ High quality
- ▶ Competitive prices.

Employee commitment

is strengthened through:

- ▶ Training and developing individual employees and the organisation as a whole
- ▶ Further development of key employees
- ▶ A stake in the Group.

Our business principles

Our management philosophy builds on eight fundamental principles that together 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 essential to 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
- ▶ performance-based pay systems based on accurate Methods-Time Measurement (MTM) create good productivity, optimise working time and produce fair pay
- ▶ MTM data also provides a sound basis for efficient production planning, accurate costing 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

- ▶ our customers must be able to rely on the company, its products and its employees at all times
- ▶ 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 must help customers 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 employees 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

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

Sound business ethics

Our fundamental attitude is honesty, decency, zero tolerance of corruption, avoiding conflicts of interest, respecting competition law and striving to provide transparency.

Responsible purchasing

We work with suppliers that are prepared to comply with our Code of Conduct, quality criteria and business principles.

Product liability

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

Social commitment

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

Transparency

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

Our working methods



In theory, all companies have access to premises, capital, employees, materials and machinery. The companies differ in how they choose to apply these options in practice. The principles that govern how we work are efficient work flows, highly developed collaboration, high efficiency, good habits and standardisation. They are designed to produce good growth, profitability and competitiveness, plus satisfied customers and employees.

The Group's four financial targets

Target

Description

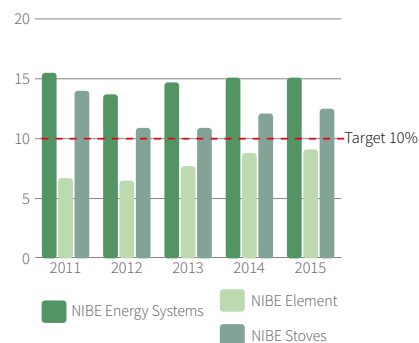
Target achievement

Operating margin

The operating profit must be at least 10% of sales over a full business cycle in each business area.

10%

The operating margin must be at least 10% to ensure operations have the right stability and flexibility. This is one of the cornerstones of NIBE to ensure long-term positive development and continuous growth. During the past five years, the average operating margin has been 14.8% for NIBE Energy Systems, 8.0% for NIBE Element and 12.1% for NIBE Stoves.

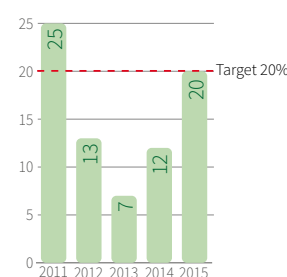


Growth

Average year-on-year growth must be 20%, half of which must be organic and half acquired.

20%

Half of the targeted average year-on-year growth must be organic. Growth stagnation is a threat to the maintenance of good, sustainable profitability. However, acquired growth balances this as it is usually less than 10% in good times and greater than 10% in difficult times. During the past five years, total average growth has been 15.3%.



Return

The average annual return on equity over a business cycle must be at least 20% after standard deductions for tax.

20%

Good return on equity contributes to a stable ownership structure and share price, and enhances our ability to attract further capital. During the past five years, the average return on equity has been 17.3%.

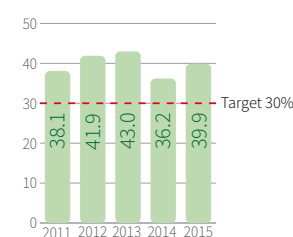


Equity/assets ratio

The equity/assets ratio must not fall below 30%.

30%

A good equity/assets ratio shows that the Group has a strong financial position. This is also a necessity in a Group with strong growth. During the past five years, the average equity/assets ratio has been 39.6%.



Acquisition strategy

Based on the knowledge that continuous growth is a prerequisite of good profitability, in the early 1990s we adopted a growth strategy to the effect that we would grow by 20% per annum on average, half of which organic and half via acquisitions. Back then, the Group generated annual sales of approximately SEK 300 million.

Growth through acquisitions

NIBE operates in a relatively mature market. This means that the total growth target of 20% cannot be achieved solely through organic growth. We have therefore decided that the average organic growth target of 10% must be combined with a target for growth through acquisitions that averages 10% a year, which we also believe involves a reasonable element of risk. Since the stock market listing, acquired growth has amounted to an average of 11% annually.

Acquisition criteria

We constantly analyse 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 a candidate for acquisition must have

- ▶ a strong financial, market and technological position
- ▶ competent management
- ▶ a real entrepreneurial spirit
- ▶ and that it must offer further growth potential within the framework of NIBE's strategies.

Good entrepreneurship holds the key to opening up future opportunities by 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 develop and invigorate the local communities in which they play such an important part.

Acquisition model

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

Our ambition is to create a decentralised organisation where new 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.



Sustainable development

We want to contribute to a better world

One of the biggest challenges involved in achieving a global sustainable community is to reduce emissions of greenhouse gases and slow down the rate of climate change. NIBE operates in an industry that can accelerate the transition to lower energy consumption and a higher proportion of renewable energy. Through our products, we want to contribute to a better, more climate-friendly world.

Products that are needed

If we are to do this successfully, without losing competitiveness and long-term profitability, we need to continuously evaluate our global context and adapt our strategy accordingly.

Factors we have identified as having an impact on us are population growth, urbanisation, higher living standards and longer life expectancy in large parts of the world. This will make it even more important to have climate-friendly solutions for heat-

ing, cooling, ventilation and energy use to prevent climate change from accelerating. Handled correctly, this may mean new business opportunities for us as our products are able to help meet these needs.

At the same time, we can see how climate change has a negative impact on political stability and social conditions. Shortages of certain raw materials and declining availability of natural resources increase the risk of market turbulence.

Example of NIBE's product types	Climate benefit	Customer benefit
Heat pumps	Renewable energy Reduces energy consumption by up to 80%	Clean and easy Lower costs
Solar products	Renewable energy	Lower costs Microgeneration of power can produce revenue
Heat exchangers	Optimisation and recovery of energy Reduces supplied energy demand	Clean and easy Lower costs for energy use
Components	Enhances energy efficiency in products Contributes to fossil-independent technology	Better products with lower energy consumption Lower costs for energy use
Wood-burning stoves	Heating with renewable energy	Heating and well-being

NIBE's role in society

Nibe has operations in 21 (21) countries in Europe, Asia, North America and Australia. In many places, we are a major employer and we take our role in local society seriously. We give each company great freedom to make its own decisions on local initiatives to best contribute to the development of the site within the framework of our values.

For a high-tech company like NIBE, the supply of qualified new employees is increasingly important. Consequently, we employ resources on establishing contacts with and working with schools and universities. We offer internships and opportunities to carry out development projects and conduct studies in our plants.

AIT in Germany - a good example

In Kasendorf in south-eastern Germany, there are currently more apprenticeships than applicants, which means that competition for young people is high. Consequently, AIT started the 'ait-young' project to attract more well-educated, talented young people to the company. In addition to vocational training, the young people grow personally, taking responsibility and learning social skills and methods as part of independent project groups with assignments linked to marketing apprenticeships to new applicants.

The concept has proved very successful and has resulted in higher-quality applicants, satisfied young people and greater media attention. AIT also won the 2015 Training Prize (Ausbildungspreis 2015) as the best company for apprentices in its region.

Care for our customers and end users

All of our customers have one thing in common. They want to be satisfied. Our products must be safe and reliable to use and they must function for a long period of time. Our care for people, our responsibility as a supplier and our pride in our products make customer satisfaction a very important matter. Nearly 70% of the companies in the Group conduct regular customer satisfaction surveys and other surveys focusing on individual customer opinions.

Responsibility in the supply chain

We have around 3,500 suppliers of direct materials. The total purchase value in 2015 was SEK 5.4 (4.6) billion. The highest volumes of materials purchased are from suppliers in Europe, North America and Asia. Metals and electronics account for the highest value.

Around 250 new suppliers were added in 2015. Of these, 226 were evaluated against quality requirements and 38 against social requirements and working conditions. Forty-nine were evaluated against environmental requirements and 41 against health and safety requirements.

A new system for carrying out supplier

evaluations including all areas (quality, environment, working conditions and ethical principles) was introduced in 2015, and the work to develop and introduce the new methods is expected to have been completed by the end of 2017.

Decentralised organisation

In 2015, half of the Group's purchasers of direct materials were trained in sustainability issues and the social requirements to be placed on suppliers.

Hand in Hand

The vision of the aid organisation Hand in Hand is a 'world without poverty and child labour'. The organisation's vision involves helping poor people help themselves. They do this by educating and training mostly women to be entrepreneurs and then helping them start businesses, often with microloans. Hand in Hand implements development programmes in entrepreneur training, combating child labour, health, IT skills, democracy and the environment.

NIBE Industrier has decided initially to sponsor a village project in India. The intention is for additional villages to receive financial assistance.

Management of sustainability work

Our operations are subject to the legislation of the countries in which we operate. Our attitude is that legislation must be complied with by a good safety margin and that we should be transparent in our dealings with public authorities.

To create common guidelines that can be applied equally by all our companies, partners and suppliers, wherever they are in the world, we have decided to apply the UN Global Compact.

Our most important values and standpoints are also summarised in three folders – Our Values, Our Business Principles and How We Work. The brochures are translated into 14 languages and are a mandatory part of the introduction of new employees.

The Board of Directors of NIBE Industrier AB bears the ultimate responsibility for ensuring that risks are managed and our sustainability work meets the requirements

made by public authorities, owners and other stakeholders for the company. The sustainability manager is responsible for the work at a strategic level and reports on sustainability issues to the Boards of Directors at Group and business area level.

The sustainability council, consisting of the CEO, business area managers, CFO, sustainability manager and sustainability controller, meets regularly to follow up on results, analyse risks and make decisions on the continued sustainability work.

The management of each company is responsible for local operational sustainability work and for compliance with Group guidelines. These managers report to the business area managers in each area.

The central sustainability department regularly visits the companies in the Group to monitor compliance with common policies and guidelines.



WE SUPPORT

Since 2014, NIBE has been a signatory of the UN Global Compact programme, which means that NIBE has undertaken to follow its 10-point programme.

Our Sustainability Report for 2015, published at www.nibe.com, contains a complete report of the data we consider to be relevant to our operations for the past five years.

Our sustainability focus areas

Our strategic sustainability focus areas aim to create a clear framework and direction for our sustainability work. Based on our business strategy and our values, combined with business environment factors and global objectives such as the Sustainable Development Goals*, we have analysed what are our most significant sustainability issues. We have weighed the result up against what our stakeholders expect of us and what creates long-term profitability and growth.

In the dialogue with our most important stakeholder groups, who are customers, employees, suppliers, owners, financial institutions, investors, public authorities and trade associations, we are able to

distinguish a number of priority areas such as profitability, financial stability, product safety, business ethics, health and safety and compliance with legislation.

We can also see growing interest in

areas such as sustainable transport, human rights, reduction in climate impact and reduction in environmental impact from our products.

Overall, this has resulted in six strategic sustainability focus areas

Development of sustainable products

In product development, we apply the principle of prudence and work to reduce environmental impact and climate impact throughout the life cycle. We must constantly challenge ourselves to find solutions that can contribute to a faster transition to a fossil-free society.

Responsible purchasing

Our suppliers are evaluated not only against requirements for quality and environmental performance but also under international principles relating to human rights, working conditions and anti-corruption. This requires a deeper, more time-consuming analysis, but we gain in terms of lower risk of interruptions in material flow and events that may harm our reputation.

Care for people

Our customers must feel secure in the knowledge that our products are safe and manufactured responsibly.

We must do our best to gradually reduce the incidence of occupational injuries and work that entails risks. In addition to maximum efficiency and flexibility, our workplaces must be characterised by diversity, gender equality, good working conditions and open dialogue.

An ethical approach to business

We work to ensure that all employees, business partners and members of management groups and boards of directors know and comply with our values.

We must regularly evaluate the business we do to ensure it is honest and respectful and is based on our values.

Care for the environment

All of our production companies must have environmental certification and make continuous improvements to reduce their negative impact on the air, water and soil. We also focus on reducing waste, using less material and better materials and phasing out harmful chemicals.

Managing natural resources

Our plants must use natural resources extremely carefully. This means being economical with water and input materials, and reusing or recycling more. Although we have already achieved a great deal, we want to improve still further throughout our value chain.

* For further information, visit: <https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals>

The Group's four sustainability targets

Target	Description	Target achievement																		
<p>Development of sustainable products <i>Greater positive environmental impact of our products</i></p> <p>The target is for 55% of our sales to consist of LCE**-classified products by the end of 2017.</p> <p>55%</p>	<p>During 2015, 10 of our total of 25 product groups were included in the FTSE LCE index.</p> <p>49% (43%) of our total sales consisted of FTSE LCE-classified products.</p>	<p>Percentage LCE-classified products (%)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Percentage LCE-classified products (%)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>43</td> </tr> <tr> <td>2012</td> <td>43</td> </tr> <tr> <td>2013</td> <td>43</td> </tr> <tr> <td>2014</td> <td>43</td> </tr> <tr> <td>2015</td> <td>49</td> </tr> </tbody> </table> <p>Intermediate target 55</p>	Year	Percentage LCE-classified products (%)	2011	43	2012	43	2013	43	2014	43	2015	49						
Year	Percentage LCE-classified products (%)																			
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2012	43																			
2013	43																			
2014	43																			
2015	49																			
<p>Care for people <i>Safe workplaces</i></p> <p>Our long-term goal is zero accidents, of course. The target for 2016 was achieved in 2015. We have therefore updated the target to an accident rate of less than 6 accidents per million hours worked by the end of 2018.</p> <p>0%</p>	<p>The result in 2015 was 8.5 (10.6) accidents per million hours worked. This is a decrease of 28 accidents on 2014.</p> <p>Our work includes increasing the proportion of companies that have management systems for health and safety, performing more risk analyses and preventive work with better incident reporting.</p>	<p>Number of accidents/million hours worked</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Number of accidents/million hours worked</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>13.5</td> </tr> <tr> <td>2012</td> <td>14</td> </tr> <tr> <td>2013</td> <td>10.6</td> </tr> <tr> <td>2014</td> <td>10.6</td> </tr> <tr> <td>2015</td> <td>8.5</td> </tr> </tbody> </table> <p>Intermediate target 6</p>	Year	Number of accidents/million hours worked	2011	13.5	2012	14	2013	10.6	2014	10.6	2015	8.5						
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<p>Managing natural resources <i>Management system</i></p> <p>All of our production companies must have certified management systems for ISO 9001 (quality) and 14001 (environment) before the end of 2016. Recently acquired companies have two years in which to become certified. Companies with fewer than ten people in the production department are exempt from the certification requirement.</p> <p>100%</p>	<p>Three certificates were issued in 2015: two for ISO 14001 and one for ISO 9001. This means that 23 certificates need to be issued in 2016 for 20 companies, out of a total of 41, if we are to reach our target. The assessment is that there is a good probability of the target being achieved.</p>	<p>Certified management</p> <p>Number of companies certified</p> <table border="1"> <thead> <tr> <th>Year</th> <th>ISO 9001</th> <th>ISO 14001</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>21</td> <td>10</td> </tr> <tr> <td>2012</td> <td>22</td> <td>10</td> </tr> <tr> <td>2013</td> <td>25</td> <td>12</td> </tr> <tr> <td>2014</td> <td>33</td> <td>18</td> </tr> <tr> <td>2015</td> <td>36</td> <td>20</td> </tr> </tbody> </table> <p>Intermediate target 41</p>	Year	ISO 9001	ISO 14001	2011	21	10	2012	22	10	2013	25	12	2014	33	18	2015	36	20
Year	ISO 9001	ISO 14001																		
2011	21	10																		
2012	22	10																		
2013	25	12																		
2014	33	18																		
2015	36	20																		
<p>Care for the environment <i>Improved energy efficiency</i></p> <p>We want to reduce energy use in our own plants by investing in more efficient new technology. The target is to reduce energy use by 30% in MWh per MSEK of sales by 2020 compared with 2013, which amounts to 10 MWh/MSEK.</p> <p>30%</p>	<p>Use per SEK of sales has decreased to 12 (14) MWh per MSEK. In 2015, energy surveys were conducted at four companies, and the objective for 2016 is to conduct energy surveys at a further five companies.</p> <p>We are working to include all of our plants in the programme for reduced energy use.</p>	<p>Power consumption (MWh/Mkr)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Power consumption (MWh/Mkr)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>16</td> </tr> <tr> <td>2012</td> <td>14</td> </tr> <tr> <td>2013</td> <td>14</td> </tr> <tr> <td>2014</td> <td>14</td> </tr> <tr> <td>2015</td> <td>12</td> </tr> </tbody> </table> <p>Intermediate target 10</p>	Year	Power consumption (MWh/Mkr)	2011	16	2012	14	2013	14	2014	14	2015	12						
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** FTSE LCE™ (Financial Times Stock Exchange Low Carbon Economy) is a quantitative model that is specially designed to form the basis for investors in assessing companies' performance in the transition to a low carbon economy. Companies have to disclose the proportion of their sales that is from classified product groups, and comparisons are made over time for each sector. The index is still in the development stage.

Environmental impact

Our impact on the environment must be constantly monitored and reduced. Below is a summary of the most important results in 2015.

Our products have a mostly positive environmental impact when they are used, considering that they result in lower energy consumption and lower carbon dioxide emissions than their alternatives. End-of-

life products must be dealt with correctly to ensure a maximum recycling rate.

Our greatest direct environmental impact is from the use of raw materials, emissions in the air, discharges into water and

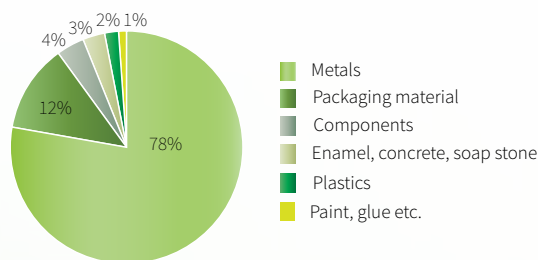
waste. Our greatest indirect impact is from transportation and our suppliers' environmental impact as a consequence of our orders.

Material use

Metals such as steel, iron, copper and brass, and magnesium oxide account for a total of 62,400 tonnes or 76% of our total input materials. We are working on measuring the proportion derived from recycled materials.

Wood and board are used as packaging materials. In 2015, we used 10,374 tonnes of packaging materials.

Overview of major materials % of total use



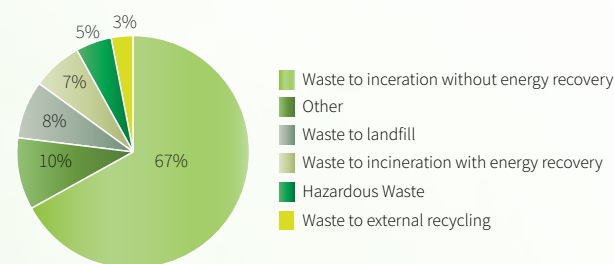
Waste

In 2015, we generated 16,800 (15,500) tonnes of waste. Of this, 67% (65%) was sent for external recycling, and 8% (10%) was sent for incineration with energy recovery. Overall, this amounts to 75% (75%) of the total volume of waste.

In the countries in which we do not have such developed systems for recycling and incineration with energy recovery, we are working to find methods of reducing the volume of waste sent for disposal.

'Other' consists mostly of mixed waste that is sorted at the waste management company.

Waste categories % of total use



Energy use and carbon dioxide emissions

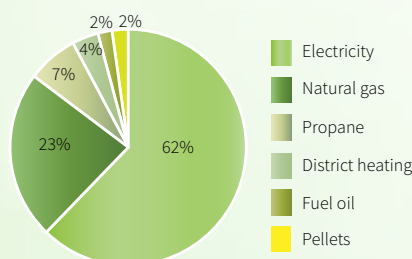
In 2015, total energy use, i.e. the total of direct and indirect energy in our production plants, amounted to 153 (151) GWh (excluding transportation). Direct energy use based on oil, gas and pellets amounted to 52 (54) GWh. Of this, 7 (6) GWh was from renewable energy sources. Indirect energy use as purchased renewable power and district heating amounted to 101 (97) GWh.

Overall, 68% (47%) of our total energy use is from renewable sources.

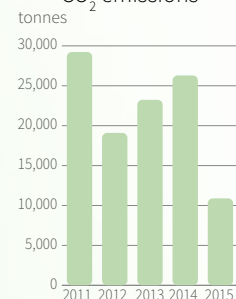
Four energy surveys were conducted in 2015 as part of our programme for a reduction in energy use. Another five are planned for 2016. The objective is to completely phase out oil firing from our plants by the end of 2017.

Our total carbon dioxide emissions amounted to 10,900 (26,300) tonnes, of which 98% (49%) are direct emissions. We are working to produce more complete reporting of the transportation caused by both our own production and our own travel.

Energy sources % of total energy consumption



CO₂ emissions



In 2015, operations emitted a total of 10,900 (26,300) tonnes of carbon dioxide. The large decrease is because we have only purchased guaranteed origin electricity from renewable sources.

Our employees

Our employees have a variety of experience and knowledge and represent different cultures, but they all share our common values of respect for human rights and good principles of business ethics. We are convinced that a responsible approach to business strengthens the brand, boosts our profitability and makes NIBE an attractive employer.

In 2015, we had an average of 10,545 (9,726) employees, of whom 89% (88%) worked for companies outside Sweden. Since 2011, the number of employees has increased by 53%, partly on account of organic growth and partly on account of acquisitions of new companies.

Expertise and careers

Our operations are knowledge-intensive and our products are under continuous development. This requires a stable influx of new expertise and good working conditions so that employees thrive and want to remain. It is important for the employees to be committed and continuously make use of the opportunity to develop their skills. In 2015, we completed the training in Our Values and Our Business Principles, and held training in business ethics and anti-corruption. A total of 212,000 (124,000) hours of training were implemented in 2015. This is equivalent to an average of 20 (13) hours per employee.

We expect employees to work and perform well. We also offer freedom with responsibility, value common sense and simplicity and try to avoid unnecessary bureaucracy.

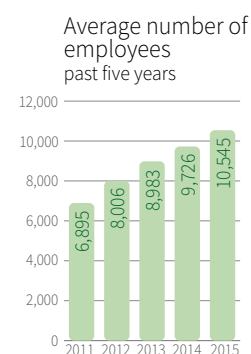
Positions that require particular expertise can often be filled by internal applicants as a result of well-planned skills development and career planning. We offer good development and career opportunities and many employees remain with us for many years. In 2015, the rate of staff turnover fell to 7.1% (7.8%).

Human rights and working conditions

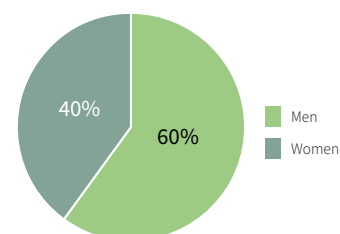
We constantly monitor our operations for child labour, forced labour or poor working conditions. We did not identify any cases or obvious risks in these areas in our own operations in 2015. A new diversity and gender equality policy will be introduced in 2016.

Our whistleblowing procedure worked well and in 2015 we received a report of suspected non-compliance with our values. The matter was investigated and closed. The investigation resulted in no action being required.

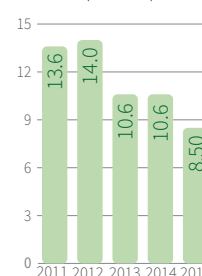
We are working to improve our safety culture in the Group. The accident rate fell to 8.5 (10.6) accidents per million hours worked. This means that we have already achieved the target for 2016 by a good margin. Consequently, we have defined a stricter target of maximum 6 accidents per million hours worked by the end of 2018. The most common causes of accidents are linked to machines, tools and manual handling. We will make special efforts to further enhance knowledge and reduce the risks within identified areas.



Gender



Accident frequency per million working hours (number)



Key figures		2015	2014	2013	2012	2011
Average age	years	40	40	40	40	39
Proportion of women	%	40	38	36	32	33
Staff turnover	%	7.1	7.8	7.4	7.0	5.9
Number of graduates		1,339	1,209	966	801	753
Total sickness absence	%	4.2	3.9	5.0	4.9	5.0

Ethics training produced positive results

A new e-learning course on ethics and anti-corruption was launched in 2015. The course provides firm, clear guidelines on how to act in relation to customers and suppliers. It contains exercises and examples that make it easier to identify risks and know how to handle difficult situations.

The course is available in 15 languages. A total of around 3,000 salaried employees in 21 countries will take it. Roughly 30% have already completed the course, and the results overall have been very successful.



The NIBE share

NIBE's class B share is listed on Large Cap, NASDAQ OMX Nordic under the name NIBE Industrier AB with ISIN code SE0000390296 in the Construction & Materials sector. NIBE was registered on the OTC list of the Stockholm Stock Exchange on 16 June 1997 following the issue of 1,170,000 new class B shares. The subscription price 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, in parallel with this, the NIBE share obtained a secondary listing on the SIX Swiss Exchange. In 2012 a further 214,201 new shares were issued.

Share capital

NIBE Industrier AB has a share capital of SEK 69 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. Each class A share carries ten votes at General Meetings and each class B share carries one vote. All shares have equal rights to dividend. At the end of 2015 there were no outstanding convertible loans or options that could risk diluting the share capital.

Secondary listing

Following the new share issue in 2011, NIBE's class B shares are now also listed on the SIX Swiss Exchange.

Share performance and turnover

In 2015, NIBE's share price rose by 41.6%, from SEK 200.90 to SEK 284.50. During the same period, the OMX Stockholm All-Share (OMXS) increased by 6.6%. This means that, at the end of 2015, the market capitalisation of NIBE, based on the latest price paid,

amounted to SEK 31,367 million. In 2015, a total of 36,087,193 NIBE shares were traded, which corresponds to a share turnover of 32.7% over the year.

Dividend policy

The aim is, over the long term, to pay a dividend equivalent to 25–30% of Group profit after tax. The Board proposes a dividend of SEK 3.35 per share for the 2015 financial year, which equates to 29.9% of Group profit after tax.

Shareholders

The number of shareholders has increased during the year. However, because of Swiss reporting regulations, it is, in principle, impossible to determine the current total number of shareholders for the Group's secondary listing on the SIX Swiss Exchange. Excluding these Swiss-registered owners, NIBE had 21,430 individual shareholders at the end of 2015, compared with 21,116 12 months previously. The ten largest shareholders held 55.6% of the votes and 41.3% of the capital.

Shareholder value

To increase turnover in NIBE shares and give both current and future owners the opportunity to evaluate the Group as fairly as possible, 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. International press conferences and analyst conferences are held by telephone in connection with the interim reports.

Silent periods

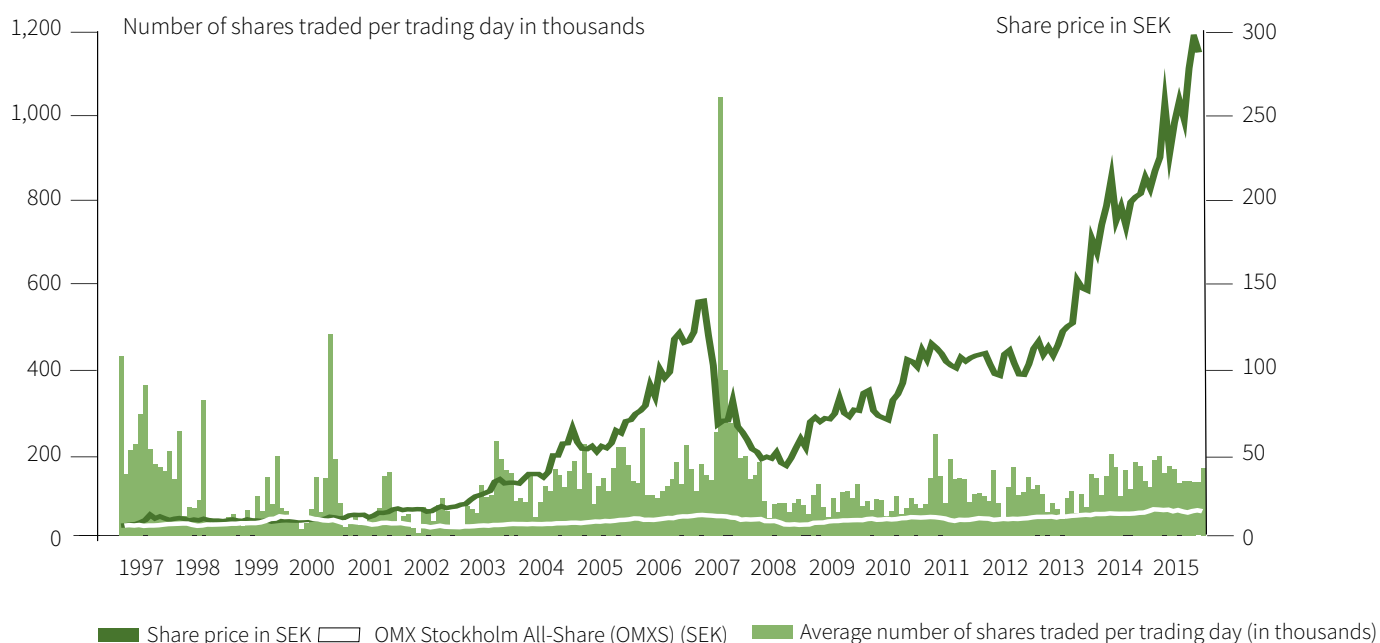
After the end of a period until an interim report is published, there is a period of silence in which the Group's representatives do not meet financial media, analysts or investors.

Analysts

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

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

Share performance, 1997-2015



Major shareholders

(source: Euroclear Sweden share register 30 Dec 2015)

Shareholders	Number of shares	Prop. of votes (%)
Current and former board members and senior executives ¹⁾	25,959,662	48.14
Melker Schörling	12,015,360	20.13
Alecta Pensionsförsäkring	7,000,000	3.07
State Street Bank Trust Client	3,534,000	1.55
Lannebo Småbolag	2,378,224	1.04
Fourth National Pension Insurance Fund (AP4)	1,964,678	0.86
CBNY Norges Bank	1,912,931	0.84
Didner & Gerge Aktiefond	1,887,628	0.83
Handelsbanken Fonder AB	1,710,013	0.75
SIX SIS AG W8IMY	1,493,787	0.66
AMF Pensionsförsäkring AB	1,230,000	0.54
SSB Client Omnibus AC	1,205,510	0.53
JPM Chase NA	1,177,082	0.52
Other holdings (21,395 shareholders)	46,784,763	20.54
Total	110,253,638	100.0

¹⁾ For current Board, see page 93.



Shareholder structure

(source: Euroclear Sweden share register 30 Dec 2015)

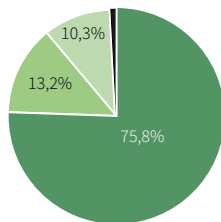
Prop. of shares	Number of owners	Number of owners (%)	Number of shares	Number of shares (%)
1 – 500	16,105	75.15	1,939,554	1.76
501 – 1,000	2,054	9.58	1,705,314	1.55
1,001 – 5,000	2,423	11.31	5,811,300	5.27
5,001 – 10,000	351	1.64	2,583,309	2.34
10,001 – 20,000	180	0.84	2,595,975	2.35
20,001 –	317	1.48	95,618,186	86.73
Total	21,430	100.0	110,253,638	100.0

Shareholder categories

(source: Euroclear Sweden share register 30 Dec 2015)

Share of voting rights, %

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

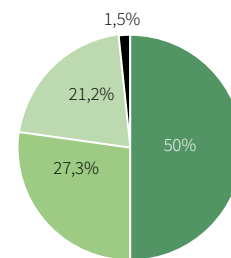


Proportion of capital

(source: Euroclear Sweden share register 30 Dec 2015)

Share of capital, %

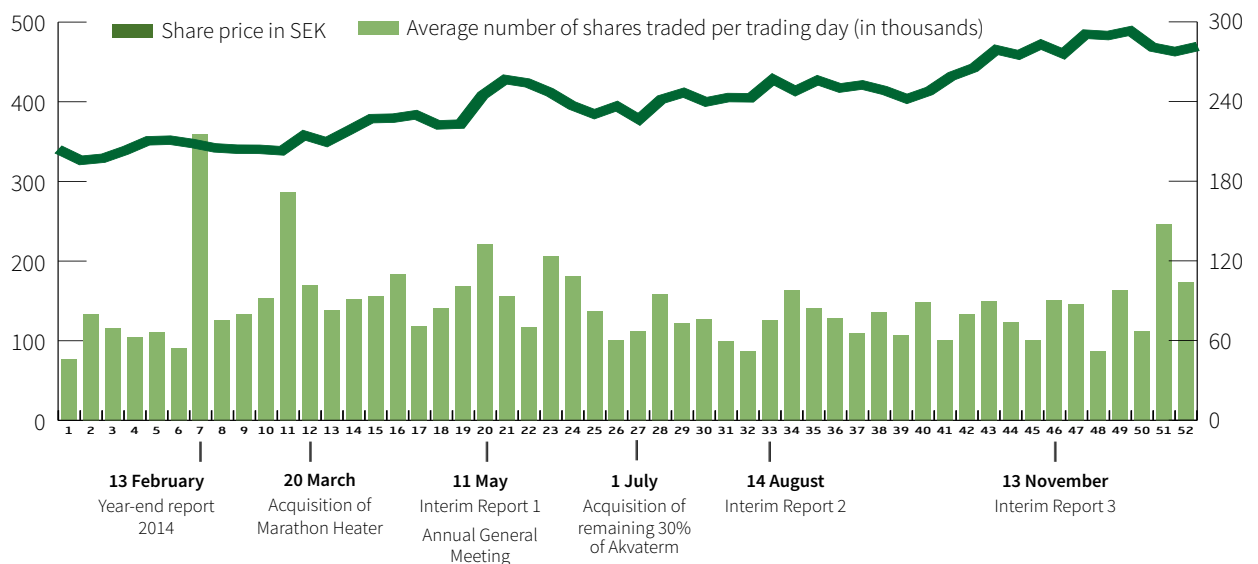
- Swedish individuals
- Swedish institutions
- Foreign institutions
- Foreign individuals



The share during 2015

Number of shares traded per trading day in thousands

Share price in SEK



Share performance

Changes in share capital

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

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

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

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

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

⁵⁾ Private placement to the former owners of the Schulthess Group at a subscription price of SEK 108.25 per share.

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

Data per share

		2015	2014	2013	2012	2011
Number of shares	no.	110,253,638	110,253,638	110,253,638	110,253,638	110,039,437
Year-end share price	SEK	284.5	200.90	145.00	93.75	101.75
EPS (after tax)	SEK	11.22	8.90	7.78	6.93	6.87
Equity per share	SEK	67.37	59.50	50.57	44.06	40.64
Proposed dividend	SEK	3.35	2.70	2.35	2.00	2.00
Price/equity		4.22	3.38	2.87	2.13	2.50
Dividend yield	%	1.18	1.34	1.62	2.13	1.97
Total yield	%	43.28	40.41	57.17	– 5.90	0.97
Operating cash flow/share	SEK	14.11	9.94	6.92	6.97	7.82
Payout ratio	%	29.9	30.3	30.2	28.9	31.9
PE ratio (after tax)		25.4	22.6	18.6	13.5	14.8
Market capitalisation	MSEK	31,367	22,150	15,987	10,336	11,197
EBIT multiple	times	21.7	20.2	16.1	13.4	15.2
EV/sales	times	2.78	2.54	1.93	1.51	1.85
Share turnover	%	32.7	31.7	18.4	23.7	30.7

Definitions

EPS (after full tax)

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

Equity per share

Equity divided by total number of shares in issue.

Price/equity

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

Dividend yield

Dividend as percentage of year-end share price.

Total yield

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

Operating cash flow/share

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

Payout ratio

Dividend as a percentage of earnings per share.

PE ratio (after tax)

Year-end share price divided by earnings per share.

Market capitalisation

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

EBIT multiple

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

EV/sales

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

Share turnover

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

Business Areas

NIBE Energy Systems page 30

NIBE Element page 38

NIBE Stoves page 44



NIBE Energy Systems business area

Towards a more energy-efficient world

“ *The need to reduce climate impact offers us an opportunity to contribute modern, green products and solutions that both enhance energy efficiency and increase the proportion of renewable energy used by end consumers.* ”

Kjell Ekermo, business area manager, NIBE Energy Systems

Summary of 2015

Our internationalisation and market positioning as a leading provider of energy-efficient indoor climate comfort have resulted in continued good growth. Despite large fluctuations in demand and significant product development and marketing work, we have also managed to keep profitability high.

The focus remains on product development, particularly system solutions for climate management and energy efficiency enhancement with maximum performance and quality, and we can see that our efforts are producing results.

In 2015, probably the most modern high-tech development laboratory for heat pumps in Europe was opened in Kasendorf, Germany. Several of our companies have also received technology and quality awards for their products.

Stronger international presence

During the year, we have had a stronger international presence by attending many trade fairs. One of the biggest was the US industry fair ASHRAE in Chicago, which we attended with five of our companies from the USA, Europe and Australia.

The other was the ISH fair in Frankfurt, Europe's most important industry fair, which gave us our greatest ever international exposure, marketing ten different brands with the overriding message 'Energy for Life'.

Europe is the backbone

The European heat pump market has continued to be slow and to vary, but our wide range of products has compensated for some major market downturns.

The market in Sweden has gradually improved, and our market shares have been further enhanced during the year.

The German market recovered towards the end of the year after a weak start but no noticeable effects of the enhanced market stimulation programme (Marktanzreizprogramm) are expected until during 2016.

Our operations in the UK developed well in a market that remained slow.

The Finnish market declined most for the business area in 2015, reflecting the Finnish economy.

The European market for water heaters and district heating products is stable, while the market for conventional domestic boilers and products designed for pellet firing remains weak.

North America is increasingly important

The North American acquisitions, WaterFurnace and Enertech Global, which were implemented in 2014, have strengthened our international position and made a powerful contribution to our growth. North America is now our second largest market.

International opportunities for growth

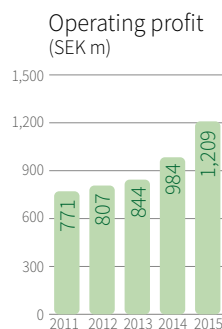
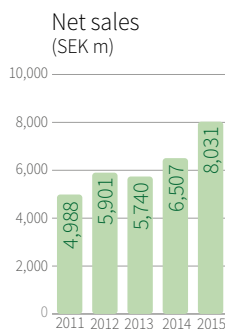
We will continue to market our sustainability concept for indoor climate comfort. Our Nordic domestic market will be used to an even greater extent as a reference in our market communication to allow us to expand further in Europe and North America.

In Sweden and a few other European countries, construction of single-family houses continues to grow, contributing to an increase in supplies of heat pumps to house builders.

We also participate actively, via various channels, in the important energy policy debate on the need to use financial and policy instruments to continue to support the transition to new, fossil-free technology for heating in both North America and Europe.

Climate Solutions

In order to facilitate further internationalisation, expansion and broadening of our customer offering, the name of the business area will be changed to Climate Solutions in spring 2016. The change of name also chimes well with global ambitions to increase energy efficiency and reduce climate impact. Our range of products will be an important building block in this work.



During 2015, the Energy Systems business area increased its net sales by 23.4% compared with 2014. The increase is primarily attributable to acquisitions, increased market share and a favourable foreign exchange situation.

The operating profit for the business area increased by 22.9% compared with 2014. The increase is mainly due to increased sales, good cost control and a favourable foreign exchange situation.

2015 in figures

Net sales	SEK 8,031 m
Growth	23.4%
Operating profit	SEK 1,209 m
Operating margin	15.1%
Average number of employees	3,417

Mission

We supply the market with world-class sustainable energy solutions through products for indoor climate comfort and heating domestic hot water designed for both single-family houses and larger properties. The product range comprises both individual heating products and solutions for heating, cooling and heat recovery.

Strategy

Our strategy is to consolidate our market-leading position in Europe and North America. The number of domestic markets will gradually be increased by acquisitions, the establishment of subsidiaries, or the use of other well-established sales channels.

Targets

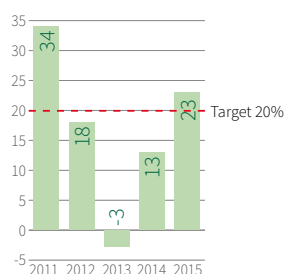
Growth target

We will achieve growth of at least 20% per annum, of which half is organic.

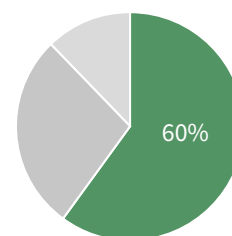
In 2015, total growth was 23.4% (13.4%), of which 9.5% (5.2%) was organic. This is an improvement in organic growth of 4.3 percentage points compared with 2014.

Growth has been 16.6% on average in the past five years.

Target achievement, %



Net sales



Percentage of Group

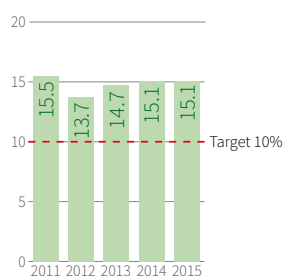
Operating margin target

The operating profit will be at least 10% of sales over a business cycle.

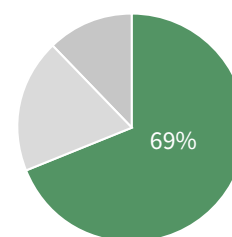
The operating profit in 2015 was 15.1% (15.1%) of sales. This means that the operating margin was on the same level as in 2014.

The operating margin has been 14.8% on average in the past five years.

Target achievement, %



Operating profit



Percentage of Group

Our products and solutions

NIBE Energy Systems has

8 Product groups

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

24 Brands and trade-marks



Products for the future

The question of global climate change has never been in greater focus than now. Our own business development naturally depends on how well the world in general succeeds in coping with this enormous issue.

We are convinced that our products will play an increasingly important role in the future sustainable society, in which the focus will be on eco-friendliness, high quality, energy efficiency and alternatives to fossil energy sources.

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

A large number of our products can be used in system solutions with both existing and new systems. 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.

Exporting sustainable energy solutions

Sweden is a pioneer when it comes to switching to new, climate-neutral technology and reducing emissions of greenhouse gases.

In our marketing, we make use of our Swedish platform as a good reference in our international expansion.

New solutions through acquisitions

The range is also being gradually expanded through new corporate acquisitions. The acquisitions of AIT, Genvex and Akvaterm have given us access to a number of property solutions in heating, cooling, ventilation and heat accumulation for large properties. Our most recent acquisitions in North America have expanded our range with heat pumps for airborne distribution of both heating and cooling. This technology completely dominates the North American market.

In several cases, the entities acquired also give us access to additional sales channels and more markets in which our products can be launched.



The North American company Enertech Global was awarded three Dealer Design Award prizes. The prizes are only awarded to manufacturers with designs that achieve extraordinary excellence in development, efficiency enhancement or simplification of installation. Enertech Global received the gold, silver and bronze prizes.

Launches in 2015

In 2015, we consolidated our position as the leading global provider of sustainable energy solutions by launching new products in most of our business areas.

Several locally developed products have been introduced to the market within the following product areas:

- ▶ heat pumps and a large number of accessories
- ▶ water heaters, adapted for new ECO directives
- ▶ accumulators
- ▶ ventilation products
- ▶ district heating units
- ▶ electric and other domestic boilers
- ▶ cooling equipment products

We received the US Dealer Design Award for two of our new products:

- ▶ Enertech Global for its geothermal heat pumps in the property sector.
- ▶ WaterFurnace for its online control of heat pumps.

New product area – air/air heat pumps

In both Sweden and other countries, there is a large market for energy efficiency enhancement of single-family houses since many are still heated with direct-acting electricity. We now offer these houses a reliable heat pump option that can also handle Nordic conditions.

Our new NIBE Aria air/air heat pump is able to heat floor areas of up to 180 m², even in colder climates such as those in the Nordic countries.

If a wood-burning stove is also installed, an integrated function helps spread the heat from the stove around the home. The heat pump is idle until the fire has gone out.

The heating can be controlled remotely via a smartphone, ensuring a comfortable temperature at all times.

From solar heating to solar power

A big change has taken place in European solar energy in recent years. The first generation of solar panels were included in systems that were called solar heating or thermal solar energy. They heated water in

a large accumulator tank that then supplied the house with both heating and hot water. As heat pumps have become more popular and as we need most heat during the winter, when the sun shines least, solar heating has declined dramatically.

Solar energy now mainly produces solar power from solar cells. Solar power also involves solar panels on the roof. However, instead of heating water, this type of solar panel produces direct current that can be used directly in the house thanks to a frequency converter.

Solar power from solar cells always produces a significant energy gain for the household, whichever form of heating is already used. The very best solution is solar cells in combination with a heat pump.

Any surplus electricity is transferred to the grid to be used by other consumers, making the end customer a microgenerator of electricity as well.

Customers can therefore help the environment with locally produced, emission-free renewable energy, and the price of electricity is dramatically reduced. A really good green investment.



The NIBE Aria air/air heat pump has been developed for the Nordic climate. It is able to heat floor areas of up to 180 m², even in our slightly colder climate. The NIBE Aria app allows users to control the heating remotely so the temperature is comfortable when they come home.

WaterFurnace was awarded a Silver Dealer Award for its unique control platform, which is called Symphony. Symphony is a cloud solution that allows users to control their heat pumps from their smartphone, tablet or PC over WiFi.

Market trends

Global ambitions

The international debate on the environment, energy use, global warming and greenhouse gas emissions was intensified in 2015 in connection with the Paris climate conference. The conference resulted in a global agreement to limit global warming so that it does not exceed two degrees Celsius. To achieve this, greenhouse gas emissions need to be reduced by 70% by 2050 compared with the level in 2010.

The world's ambition to reduce greenhouse gas emissions means business opportunities for us as our products and solutions increase end consumers' use of environmentally sound products that use renewable energy.

Clearer focus on climate management

Buildings account for roughly 40% of total energy consumption in the world and emit a third of all greenhouse gases¹. So, by helping reduce the climate impact of buildings, we can make a big difference.

Our range covers large areas of the HVAC² industry, primarily energy-efficient products for a comfortable indoor climate through heating, cooling, ventilation and heating of domestic water.

It is necessary to switch to new technology

A change in technology is required to reduce greenhouse gas emissions from buildings. Systems based on fossil energy sources such as oil, coal and natural gas should, as far as possible, be phased out in favour of systems based on renewable energy that also require less input energy for the same output power.

Conventional gas boilers continue to dominate the heating market in Europe as the current energy price and investment cost to the end consumer usually determine the choice of product.

The North American market is dominated by airborne systems for distribution of heat and cold. However, the trend for waterborne systems is positive. Oil and gas are predominant as energy sources but there is a clear ambition to increase use of renewable energy.

With the uncertainty associated with the price of electricity, gas and oil, the heating industry has come to focus on energy efficiency enhancement and eco-friendliness instead of investing fully in products based on renewable energy. This is true both in Sweden and in a number of other Europe-

an markets, and it is delaying the change in technology.

However, awareness of the need for and benefit of efficient new energy solutions is growing fast and we look forward to clearer energy policy ambition in relation to renewable energy. This would both lead to reduced emissions of greenhouse gases and represent a greater business opportunity for our industry.

Policy instruments and stricter requirements

Temporary product-related grants are sometimes introduced to accelerate energy efficiency enhancement in properties. There is a risk that the grant amounts encourage short-term decisions when choosing heating options, with the result that the features of a solution are not considered in a longer sustainability perspective. This may actually be detrimental to a healthy market and also create unnecessary irregularity in demand.

Public 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 under way, but much remains to be



NIBE attracted a great deal of attention at ISH in Frankfurt, the biggest HVAC fair in Europe. With the message 'Energy for life', NIBE welcomed visitors to its biggest ever stand. The new inverter-controlled F125S and F115S geothermal heat pumps and the NIBE Uplink cloud service attracted the most attention.

1) <http://www.unep.org/sbci/AboutSBICI/Background.asp>

Buildings use about 40% of global energy, 25% of global water, 40% of global resources, and they emit approximately 1/3 of GHG emissions.

2) HVAC stands for 'heating, ventilation and air conditioning'

done. Local standards mean that, in most cases, verification and product approval by local test institutes are required. This is resource-intensive, makes the necessary changes difficult and delays them.

Requirements to make buildings energy-efficient have boosted interest in modern heating solutions for larger properties as well. While this creates great potential for the industry, it also means that design and system knowhow need to be enhanced.

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.

One of the key energy policy issues in North America in 2016 will be the need to extend and, preferably, increase existing financial support for the transition to renewable energy, in which heat pumps are a priority area.

In some areas of North America, the rate of growth of geothermal heat pumps is also inhibited by restrictions on drilling in rock, among other things.

Huge market potential

We estimate that the sales potential for our products is large on both the European and North American markets.

It is estimated that every year, an average of some five million heating units 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.

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 products.

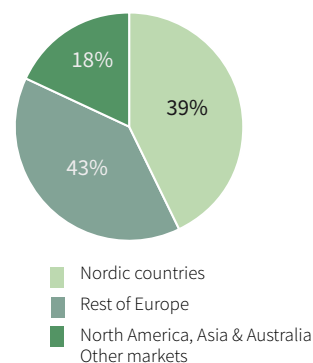
Heat pumps continue to represent a relatively small part of the heating market in North America, where the use of fossil energy sources still dominates. The market potential is therefore huge.

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

We are growing our business all the time, but competition is intensifying, in particular from a significant number of companies in the air-conditioning industry, often in non-European countries.

Several large international Groups in the HVAC industry are also focusing on energy efficiency enhancement and more environmentally sound products.

Sales by geographical region



AIT in Kasendorf, Germany, has enjoyed great success with the Alterra product range. The products stand out by being noticeably quiet and having outstanding performance and design.

Market situation

We are the market leader in the USA, Canada, the Nordic region, Germany, Switzerland, Austria, the Netherlands, Poland and the Czech Republic in the heat pumps market segment. We have a good market presence with heat pumps on a number of other European markets such as France and the UK.

The five largest European heat pump markets (France, Germany, Sweden, Switzerland and the UK) have enjoyed relatively stable growth, with the Swedish market growing most during the year. Market growth in Eastern Europe has also been stable.

We have seen an improvement in the level of construction, and production of single-family houses is now growing in Sweden, Germany and the UK, all markets that are important to us.

After a very strong start to the year, the North American market weakened slightly during the latter part of the year. Overall, our market share increased during the year in our main area of heat pumps for single-family houses. We estimate that 2016 has the potential to be a stable year for business in North America.

The market for water heaters is relatively insensitive to cyclical fluctuations and is therefore stable. The market for district heating products, which is chiefly concentrated in Denmark, Sweden, the UK, Germany and the Netherlands, grew slightly.

Increased requirements for efficient energy use stimulated the international mar-

ket for equipment designed for heating, ventilation and cooling in commercial and industrial properties as well. This applies to both new installations and replacement with more modern technology, and to new concept solutions.

We see great potential in this segment, both in Sweden and globally. As a result, we continuously develop our product range and organisation to boost our market share.

Distribution

To keep pace with our international expansion, a comprehensive distribution system has been built up on each market. Our 14 production units supply both their local markets and their export markets.

The customers on the export markets are sister companies within the business area or local importers/agents. The products are principally distributed either to wholesalers or directly to installers. The local installer is usually the end consumer's closest contact and the person who ultimately sells and installs the product.

There may be different distribution systems on the same geographical market. This is because we are represented by several operators, and on account of our history, product portfolio and brands. Other partners that also participate in the sales process include architects, project planners, consultants and energy advisors.

OPPORTUNITIES

- + Great market potential in Europe and North America
- + Strong brands
- + Broad range of products
- + Two of Europe's most modern heat pump factories and the leading heat pump producer in North America
- + Two of Europe's and one of North America's most advanced R&D centres for heat pumps
- + Energy and environmental policy
- + 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
- New technologies outside our current areas of expertise
- New distribution channels
- Reductions in new builds
- Low gas and oil prices mean continued use of fossil energy sources
- Artificially high electricity prices on several markets



KKT Chillers in Chicago, USA, focuses mainly on selling refrigeration systems for the North American market. The refrigeration system product segment is an area in which we want to expand. KKT Chillers' significant growth made it one of the most successful companies in the business area in 2015.

Sustainable product development and production

Focus on product development

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

The priority product development initiatives in the business area are therefore continuing, with the focus on resource-efficient solutions for indoor climate such as heating, cooling, ventilation and energy recovery. We are also continuing to increase our product development resources.

In 2015, an example of this was the official opening of the Group's most advanced modern development laboratory at our German company AIT in Kasendorf. With our high-tech development laboratory at NIBE in Markaryd, we have created the optimum basis for continuing to be at the very cutting edge of product development.

The North American acquisitions add geographical breadth to our development resources and new expertise in the area of heat pumps for airborne distribution of heating and cooling. These development resources also give us greater flexibility for market adaptation.

To meet the international market's requirements, we continually recruit highly trained engineers with specialist expertise within our priority business areas.

The international exchange and collaboration between the product development departments of our various companies are increasing, and this is having a noticeably positive effect on the development of new products.

There is transatlantic collaboration on product development between our European and North American entities to

combine European state-of-the-art technology in heat pumps with the North American tradition of distributing both hot and cold air via duct systems.

The development process can be divided into four key stages:

- ▶ Identification of market needs
- ▶ Project implementation
- ▶ Market introduction
- ▶ Follow-up

Our products must be resource-efficient and help reduce climate impact. Consequently, we develop our products according to certain main criteria:

- ▶ Better energy efficiency
- ▶ Utilise renewable energy
- ▶ Greater opportunity for control (communication/remote control)
- ▶ Convertible (heating in winter/cooling in summer)
- ▶ Recyclable
- ▶ Environmentally adapted
- ▶ Better design
- ▶ Better overall cost efficiency

Production plants

Production takes place in 14 modern plants in 11 countries in Europe, North America and Australia. The efficiency of the plants is subject to a constant process of enhancement through robotisation and mechanisation.

Our production units in Markaryd, Sweden, Kasendorf, Germany, and Fort Wayne, USA, are the three biggest plants in the business area.

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.

We invest continuously in all production plants to improve the opportunities for cost-efficient production for both domestic markets and segments in our other priority markets that are subject to fierce price competition.

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.

Our objective is for all our production units with more than 10 employees to have certified management systems for the environment and quality by the end of 2016. This means that another five companies require environmental certification and one company requires quality certification in 2016. We anticipate that this will be feasible.

To create the same structured, systematic working methods for improving health and safety and reducing the risk of accidents, we have begun to introduce management systems for health and safety as well.



In July 2015, the business area's high-tech development laboratory at AIT in Germany was opened. The development laboratory is one of the most modern of its kind in Europe, offering extensive development and test opportunities, including for the sound and performance of products.



NIBE Element business area

Products that save energy

“ Our organic growth is driven by our new products, which focus heavily on energy efficiency enhancement and are intended for the international market, contributing to global sustainable development.

Christer Fredriksson, business area manager, NIBE Element

Summary of 2015

With growth of 18%, in 2015 we further consolidated our position as one of the world-leading suppliers of components and solutions for measurement, control and heating.

The structural measures we implemented improved profitability, although this was counteracted in part by the decline in demand in the oil and gas industry during the year.

Organic growth with the focus on sustainability

Organic growth is driven by increased investment in product development and launches of new products for the international market, with a strong focus on energy efficiency enhancement and sustainable development.

We can now reap the results of our work to develop new, innovative and sustainable solutions for the transport sector. Several countries are implementing major projects to improve infrastructure, particularly for rail transportation, a sector in which we have successfully supplied products for both the vehicles themselves and the infrastructure.

Acquisitions offer new opportunities

During the year, we made a number of small acquisitions that usefully complement our existing product range and enhance our market position.

In the spring, we boosted our position on the industrial market in North America by acquiring the Texas-based element company Marathon Heater Inc. The company's products include special elements for the American plastics industry and the growing 3D printer market.

Following the acquisition of the operations of the Swiss industrial company Lükon, which are being coordinated with our existing operations in Switzerland, we have increased our capacity utilisation and our market shares on the Swiss market.

In the autumn, we acquired the element operations of the Polish company Termorad, one of the leading industry companies in Poland. This acquisition enables us to strengthen our position on the growing Polish industrial market with products for rail-based infrastructure and commercial defrosting.

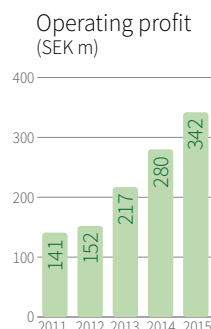
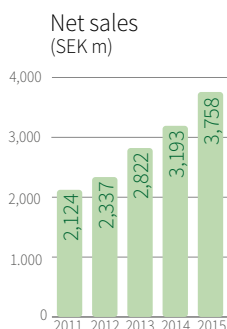
Excellent foundation for continued expansion

We are seeing good growth in the control segment. We are extending our production plant in Poland to better meet our industrial customers' requirements for increased energy performance in their products. Our specially developed drivers or inverters for controlling electrical motors to improve energy efficiency have enjoyed particularly good growth.

Demand on the international element market gradually improved over the year despite some variations.

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

The slightly improved demand situation, combined with continued internal optimisation of operations, creates an excellent foundation for continued organic expansion with improved profitability.



In 2015, the Element business area increased its net sales by 17.7% compared with 2014. The increase is primarily attributable to consistent marketing, an improved market position and a favourable foreign exchange situation.

The operating profit for the business area increased by 22.1% compared with 2014. The increase is mainly due to increased sales, good cost control and a favourable foreign exchange situation.

2015 in figures

Net sales	SEK 3,758 m
Growth	17.7%
Operating profit	SEK 342 m
Operating margin	9.1%
Average number of employees	6,197

Mission

We supply the market with world-class sustainable energy solutions by supplying both producers and users with components and solutions for measurement, control and heating.

Strategy

The Element business area will be one of the leading suppliers in the world and its local presence and full range will be marketed on a growing number of domestic markets by means of suitable acquisitions.

Medium-sized series are marketed by country or industry, while unique special products and large bulk products are marketed globally.

Targets

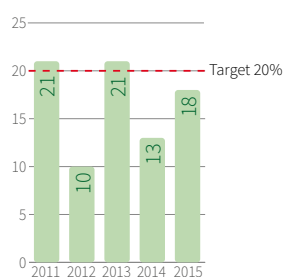
Growth target

We will achieve growth of at least 20% per annum, of which half is organic.

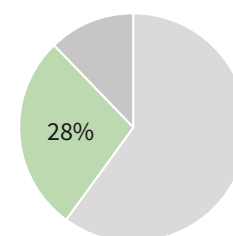
In 2015, total growth was 17.7% (13.2%), of which 13.3% (11.2%) was organic. This is an improvement in organic growth of 2.1 percentage points compared with 2014.

Growth has been 16.4% on average over the past five years.

Target achievement, %



Net sales



Percentage of Group

Operating margin target

The operating profit will be at least 10% of sales over a business cycle.

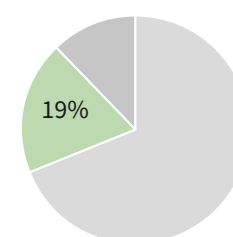
The operating profit in 2015 was 9.1% (8.8%) of sales. This means that the operating margin improved by 0.3 percentage points compared with 2014.

The operating margin has been 8.0% on average in the past five years.

Target achievement, %



Operating profit



Percentage of Group

Our products and solutions

NIBE Element has

12 Product groups

- ◆ Tubular elements
- ◆ Aluminium elements
- ◆ Foil elements
- ◆ Thick film elements
- ◆ PTC elements
- ◆ High-power elements
- ◆ Open spirals and tapes
- ◆ Heating cables
- ◆ Ceramic elements
- ◆ Vacuum brazing
- ◆ Heat pump technology
- ◆ Control equipment

22 Brands and trade-marks



We supply complete solutions

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

We have steadily expanded our product range to include more technologies to meet customer requirements for energy optimisation and heating in various applications.

We can supply complete solutions by offering both fully assembled system products and optional measurement and control for various products. This enhances customer benefit and gives us greater business opportunities.

We collaborate extensively with our customers, and are able to offer tests and simulation as part of their product development processes.

During the year, for example, we conducted extensive tests with customers to increase the service life of elements for water heaters, which is important from a sustainability perspective.

Products for energy efficiency

Resistors are often components in systems for increased energy efficiency. During the year, we expanded our range of resistors to allow us to offer more complete solutions.

Electric motors are big energy consumers. With Eltwin, we can offer control functions that dramatically reduce energy con-

sumption in products and systems driven by electric motors. Following the acquisition of IC-Electronics, the range has been expanded with soft starters, which improve the service life and functionality of electric motors.

Our components are used in industries including these:

- ▶ Domestic appliances
- ▶ Commercial products, professional kitchens
- ▶ HVAC, indoor climate
- ▶ Energy sector
- ▶ Transport, automotive industry
- ▶ Advanced technology, medicine, aviation
- ▶ Industry, projects

Specialist technologies

In our units, we also have access to certain specialist technologies, which can be used outside traditional element and resistor applications. For example, vacuum-brazing technology, which is traditionally used for tubular elements, can also be successfully applied in the production of plate heat exchangers, primarily for heat pumps.

Foil techniques are used in new technology focused on green solutions such as exhaust emission control for vehicles and electric cars.



Industry/Projects – We offer a wide standard range for industry and we also take overall responsibility for large projects.

Partner industries



HVAC – We are dramatically increasing sales of control equipment to the HVAC industry.



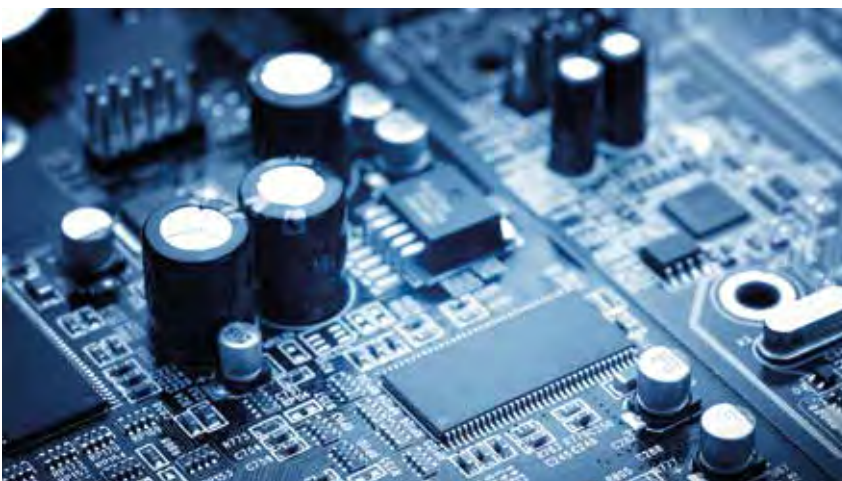
Transport – During the year, we had several large customer projects for products for railway investments in Europe.



Energy – Resistors are used to enhance the efficiency of energy production and distribution.



Domestic appliances – We work intensively with our customers to create innovative new solutions for the domestic appliances industry.



Advanced technology – Medical technology is a growing market for our products.



Commercial products – New products were developed with our customers for professional kitchens and commercial coffee machines.

Market trends

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

Competition on several levels

The competition situation varies according to the structure of the market. Mass-market products, such as various consumer products for the domestic appliances industry, are exposed to global competition. In the past 20 years, this has resulted in manufacturing of mass-produced products moving to countries with lower cost levels, mainly in Asia. The medium-scale series for commercial users, for example elements for professional kitchens, are subject to regional competition, while the vast majority of industrial products, for example spare parts, are primarily exposed to local competition.

Varying customer conditions

Our commercial customers in, for example, the professional kitchens and refrigeration industries, are increasingly part of large groups of companies with coordinated purchasing, but they also have regional suppliers. Consequently, it is important to work them both centrally and locally.

For industrial products, our aim is to gradually increase our local presence so we can deliver small runs and specialist products adapted to local needs with short lead times and local technical support.

Where, perhaps for cost reasons, we have chosen not to set up our own manufacturing operations, we have 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 large market segments, such as comfort, domestic appliances, wind power and transport, we now have global marketing managers.

Heightened interest in energy efficiency enhancement

Over the past few years our operations have been increasingly affected by developments within the areas of energy and the environment. Our customers are very interested in making their products more energy-efficient and adapted to sustainability requirements. These changes mean new opportunities for us.

Market areas that are affected positively include wind power, heat pumps, rail transport and hybrid and electric vehicles.

Although there is a relatively big replacement market for domestic heating with direct-acting electricity, we anticipate a negative trend there as electric radiators are increasingly being replaced with heat pumps.

Market situation

The European market has continued to develop positively, including in southern Europe. The North American and Asian markets have also developed positively.

In the domestic appliances market, demand has been stable in Europe, while we have seen growth in North America.

In the industrial sector, products linked to gas and oil, on the other hand, have suffered a steep decline on account of the dramatic reduction in oil prices.

We have launched several products in the energy sector, a number of which are linked to renewable electricity from solar and wind energy. The products help customers reduce costs and contribute to increased availability in systems. This has further reinforced our market position.

Our unique technical solutions for controlling electric motors are growing well as they contribute to further enhancing efficiency in, for example, heat pumps.

New products based on heat pump technology have been introduced onto the market to achieve lower energy consumption in, for example, dishwashers and tumble dryers.

The transport sector continues to develop positively. A number of innovative new products have been launched, several of which relate to improving environmental performance.

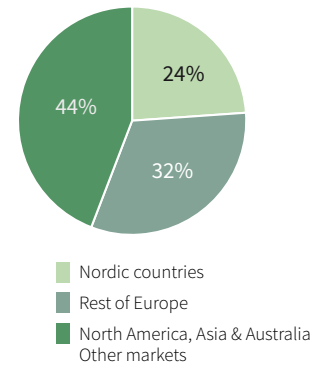
Distribution

The element market can be divided into two main customer groups:

- ▶ OEM (Original Equipment Manufacturer), where our product is used as a component in the customer's own product.
- ▶ Industry, where the product is used primarily in the customer's own manufacturing process.

As one of the world-leading operators, we are represented globally and can distribute our products to both these customer groups in a cost-efficient, environmentally sound way, with good service and geographical proximity.

Sales by geographical region



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
- ⊕ Increased growth through delivery of solutions, including measurement and control

RISKS

- ⊖ New technologies
- ⊖ Price trends of raw materials
- ⊖ Cost trends in our production countries
- ⊖ Disproportionate product liability in the event of quality defects
- ⊖ Changes in exchange rates
- ⊖ Payment problems among certain large customers
- ⊖ Political risks on certain markets

Sustainable product development and production

Sustainable product solutions

A large part of our product development involves creating globally competitive, high-quality, high-performance products which must be manufactured with maximum efficiency and minimum environmental impact so that they also contribute to sustainable development.

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 in which we work closely with our customers to ensure that the products satisfy standards and requirements.

Our development process can be divided into four stages:

Product development focuses on developing

- ▶ Brand new products
- ▶ New functions for existing products
- ▶ Improved features for existing products

Product adaptation takes place mainly with customers to develop

- ▶ Unique solutions for customers' special needs
- ▶ Adapted solutions in which we take greater system responsibility

Process development is carried out to optimise products in terms of

- ▶ Choice of materials
- ▶ Quality
- ▶ Technical performance

Production-related development improves manufacturing in terms of

- ▶ Production methods
- ▶ Efficiency
- ▶ Machinery
- ▶ Reduced environmental impact

Production plants

Production is carried out at some thirty plants in Europe, North America and Asia. Having production plants in different parts of the world and different currency regions gives us great flexibility, allowing us to relocate production based on cost and currency trends.

Local production constitutes an important and major element of our competitive strength for deliveries of small and medium-sized series with short lead times.

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

Production moving back

There is a clear trend towards moving production back to Europe and North America from Asia. We can also see increased relocation of production to Eastern Europe as the dollar has strengthened, meaning that production costs have been evened out. Many customers are also keen to avoid lengthy transportation for logistical and environmental reasons.

More efficient production

Measures to enhance productivity and quality are implemented constantly to boost competitiveness. This takes place both via investment programmes in, for example, robotisation, and via constant small improvements.

During the year, we implemented action programmes at a number of our units to improve productivity. The programmes include time and motion studies, production-related improvements and performance-based pay systems.

Increased capacity

In 2015, we worked to extend our production plant in Poland to create increased, coordinated production capacity for control products. The investment provides us with a firm base for future cost-efficient expansion. We plan to start using the new unit in spring 2016.

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

We are working to introduce certified quality and environmental management systems for all our production units with more than 10 employees. This means that a further 3 companies need to be certified under ISO 9001 and 11 companies under ISO 14001. This will be done in 2016.

We also work continuously to reduce the risk of accidents and have begun introducing health and safety management systems.



Electric and hybrid vehicles represent an interesting new product area. We are able to supply battery heaters for electric and hybrid vehicles, electronic control of electric motors and thick film elements for urea heaters for emission reduction.



NIBE Stoves business area

Strong market position

“Higher sales despite the caution in the European stove market shows that we have further strengthened our position as the biggest supplier in Europe. This has been combined with increased profitability, and we continuously invest in the future.

Niklas Gunnarsson, business area manager, NIBE Stoves

Summary of 2015

The European stove market continues to be generally apprehensive, but the market situation in the Scandinavian countries has improved slightly.

With a considerable increase in organic sales, we have strengthened our market position, and our operating margin, excluding items affecting comparability, has made a clear improvement.

This is the result of a large number of product launches and consistent marketing, combined with good cost control and favourable currency conditions.

Renewable energy with good combustion

Most of the products in our range use renewable fuel. They are therefore climate-neutral, which means that we contribute to a more sustainable society.

At the same time, there is a debate on the impact of burning wood on the environment and health, primarily in relation to particulate emissions. Efficiency is high with the modern combustion technology on which our products are based, and emissions of particulates are considerably lower than in older products.

Many products with poorer combustion technology remain in use. We therefore welcome the new requirements in the Ecodesign Directive, which will be introduced by 2022.

It is not only our industry that gains from clear rules for future product development. Our environment gains too, of course.

EU Member States presumably want to use various instruments to accelerate the change in technology to products that comply with the new thresholds to achieve the intended environmental benefits more quickly. We see an opportunity here to meet market demand with our products as they already meet the new requirements.

Product launches

A large number of new products were launched over the year at trade fairs and exhibitions and during other marketing activities. For example, we presented the upgrade of our Contura 500 stove series, which is one of Europe's best-selling products and something of a trendsetter throughout the sector.

Our new products were all received positively, giving us a good basis for increased sales in the years to come.

Increased in-store exposure

In addition to being heat sources, our products are also interior design elements in the home, with the result that they need the right in-store exposure.

During the year, we and our retailers began a long-term initiative to revitalise how our products are displayed in stores.

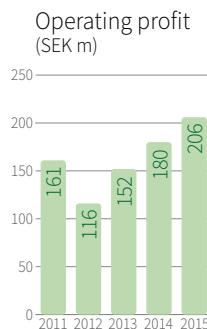
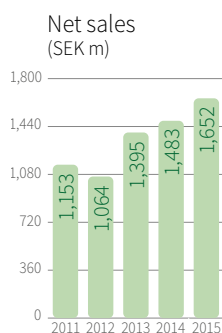
A solid basis for 2016

The acquisition of the UK company Stovax Heating Group Ltd was completed at the beginning of 2016. The company has had excellent profitability growth and is a strategically advantageous addition for us as it broadens our range and enhances our geographical distribution.

The overall market situation in Europe remains uncertain and we expect the market for stove products to be unchanged or even to decline slightly over the next few years.

However, a stronger economy, combined with increased construction of new single-family houses in Sweden, mean that we are seeing growing demand on our domestic market.

Overall, we have a solid basis for 2016 and conditions are good for continued good profitability growth.



In 2015, the Stoves business area increased its net sales by 11.4% compared with 2014. The increase is primarily attributable to many new product launches, consistent marketing and a favourable foreign exchange situation.

The operating profit for the business area increased by 14.4% compared with 2014. The increase is mainly due to increased sales, good cost control and a favourable foreign exchange situation.



2015 in figures

Net sales	SEK 1,652 m
Growth	11.4%
Operating profit	SEK 206 m
Operating margin	12.5%
Average number of employees	922

Mission

We supply the market with world-class sustainable energy solutions by offering attractively designed, value-for-money stove products and chimney systems, developed and manufactured with minimum environmental impact.

Strategy

NIBE Stoves' strategy is to supply a wide and complete range of stove products in order to confirm and consolidate its position as the market leader.

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.

Targets

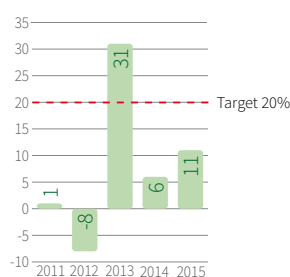
Growth target

We will achieve growth of at least 20% per annum, of which half is organic.

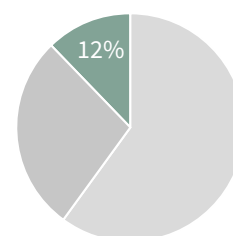
In 2015, total growth was 11.4% (6.3%), of which 11.4% (3.4%) was organic. This is an improvement in organic growth of 8.0 percentage points compared with 2014.

Growth has been 7.6% on average in the past five years.

Target achievement, %



Net sales



Percentage of Group

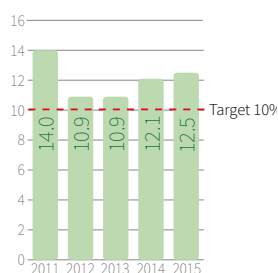
Operating margin target

The operating profit will be at least 10% of sales over a business cycle.

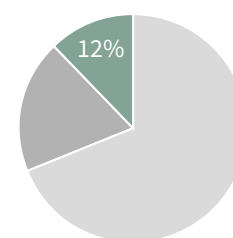
The operating profit in 2015 was 12.5% (12.1%) of sales. This means that the operating margin improved by 0.4 percentage points compared with 2014.

The operating margin has been 12.1% on average in the past five years.

Target achievement, %



Operating profit



Percentage of Group

Our products and solutions

NIBE Stoves has

6 Product groups

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

9 Brands and trademarks



Successful product portfolio

Our product portfolio, with its nine strong brands in six product groups, makes us an all-round supplier and a strong business partner in our industry.

We also have the biggest range in the biggest product segment on the European market, free-standing stoves and inserts with surrounds, designed for both wood and gas.

With new and improved products, our aim is to consolidate our established position in each product group and capture additional market shares.

Wood, gas and pellets

The three major energy sources for stoves are wood, gas and pellets.

Firing with wood is traditional and dominates the market in Europe overall. Wood-burning stove products are available on all markets and have the highest volume.

There is a strong tradition of using gas in the UK, Ireland and the Netherlands because there are extensive gas supply networks, with the result that gas-fired stove products are popular.

The Italian market is dominated by firing with pellets, and demand for pellet products has also increased in France in recent years. The products are an excellent

additional heat source during the cooler months of the year.

Electric stoves are used where it is not possible to install a flue gas duct. They are primarily decorative but can also be fitted so that they emit heat.

Reduced environmental impact

Wood is a renewable energy source, and firing with wood or pellets in a stove product is climate-neutral.

Emissions of harmful particulates from burning wood are reduced by good combustion technology. Our products have state-of-the-art technology, producing optimum combustion.

We design and manufacture our products on the basis of the Ecodesign, REACH and RoHs Directives and other directives.

Our products usually perform better than the existing public authority requirements and our ambition is always to anticipate future more stringent requirements.

Chimney systems

We supply chimney systems on several of our main markets. As the regulations for flue gas ducts usually vary from country to country, we develop different chimney systems so that we can adapt to the requirements in each country and offer end customers a complete solution.



A large number of new products under several brands were launched at the large international ISH fair in Frankfurt. Contura's stand reflects the new in-store concept.

Launches in 2015

We launched a large number of new models under all brands

To remain an attractive supplier and maintain our competitiveness, it is important to continuously launch innovative new products in designs that match the latest interior design trends.

The launches in 2015 began at the international ISH trade fair in Frankfurt and continued for the first six months of the year across all our markets in Europe. The products were very well received in the market and the new models were also distributed in the second half of the year.

Relaunch of the Contura 500 series

The biggest product launch of the year was an upgrade of our popular free-standing Contura 500 stove series, one of the

best-selling models in Europe. The model series was launched in 2003. With its simple, curved design, side windows and characteristic retracted handles, it has become something of a trendsetter throughout the industry.

Gazco's new electric products

Electric stoves, which are installed where there is no flue gas duct, have been part of Gazco's range for several years. A brand new series of models was launched in 2015 with a much improved flame image and new visual effects.



Relaunch of the Contura 500 series

The new Contura 500 incorporates careful changes. The simple, timeless basic design has been combined with new details and functions.



Gazco has electric products

For end customers who are unable to install a traditional stove product, we have a large selection of electric products under the Gazco brand. They are attractive products that make any home cosy. Without invasive installation work, they can be placed in a flat and will produce beautiful flames and heat the room.



Easy to position near the wall

Nordpeis Lisboa is a narrow stove that takes up very little floor area and has an integrated firewall. As a result, the masonry stove can be placed directly against a flammable wall without any protection behind it or a large safety distance.

Market trends

Influencing factors

Demand for stove products is determined primarily by the economy, which affects disposable household income.

Rising prices for energy sources such as oil, gas and electricity are another factor that drives demand as it may then become more cost-efficient to install an additional heat source.

Construction of new single-family houses also exerts a positive influence on demand. However, regional restrictions on the use of wood-burning products and some energy policy decisions have a negative influence.

The weather also exerts some influence on demand, particularly during the autumn and winter.

Globalisation and interior decoration

Historically speaking, different countries or regions have wanted very different things in terms of product appearance and features, and the major domestic manufacturers in each country designed their own products accordingly.

With increased globalisation and growing interest in interior design, consumers have begun to prefer new types of products. We are seeing a general trend towards greater demand for products with a more modern appearance, clean lines and a timeless design.

Channels and exposure

Our products reach our end customers

via a well established network of distributors, who showcase the products in home settings and offer a high level of customer service.

DIY stores are another important channel. They focus primarily on simpler products at a lower price.

How well we succeed in standing out among the wide range of products in the market depends greatly on how we expose and distribute our products.

Market consolidation

Since the European stove market is very fragmented, with a large number of small and medium-sized operators, the industry is still in need of consolidation. We see opportunities to continue to participate actively in this process and strengthen our market position.

In North America, this consolidation process has been ongoing for some time, with the result that the market has fewer very large operators and generally better profitability. An acquisition in North America would also be a natural step for the Stoves business area to take, to achieve even better geographical distribution.

Market situation

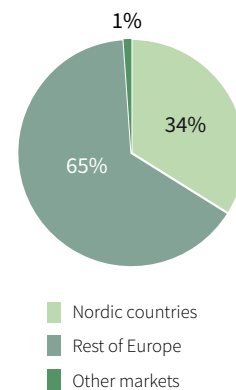
The market declined slightly overall in 2015. We retained a strong position in our main markets and achieved a market-leading position in Scandinavia and the UK by means of organic growth and a number of acquisitions.

In Europe, we experienced a generally weak economic situation, low construction of new single-family houses and warm weather during the peak season. The consequence was unchanged low demand in Germany and France.

Our single biggest market, the UK, has continued stable demand. Low prices for gas support the interest in our products in this segment.

On the Scandinavian market and in particular in Sweden, demand increased as the construction of single-family houses took off again.

Sales by geographical region



OPPORTUNITIES

- ⊕ Sales potential in new product segments
- ⊕ Huge market potential
- ⊕ Strong product development
- ⊕ Strong brands
- ⊕ Broad range of products
- ⊕ Great 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 the use of wood-burning products
- ⊖ Low-price range
- ⊖ General weak economic climate



Gas-fired product groups

The UK, Ireland and the Netherlands have a long tradition of using gas as an energy source, and the systems for gas distribution are very well established. Gazco has a wide range of products in this segment.

Sustainable product development and production

Product development for strong brands

Our various brands have completely independent product development departments that are governed by our shared guidelines on the environment and sustainability. This helps retain each brand's distinctive character and gives our customers great freedom of choice. This allows us to retain the flexibility we desire, while responding to regional product requirements and trends.

Our product development can be divided into three areas:

- ▶ **Design** is essential to overall perception and may often be what determines whether a customer chooses one product over another. A stove has to match the style of a home and be pleasing to the eye in terms of appearance and proportions. It should also be possible to see the fire through large glazed areas from as many angles as possible.
- ▶ **Combustion technology** is a very important area as all combustion entails some level of emissions with an impact on our environment and health. Efficient combustion is an important part of our responsible approach to producing sustainable products, and we constantly employ a high level of development resources on finding the best possible technology.
- ▶ **Function** is important as stove products need to be more than just beautiful. They need to heat homes. They have to be reliable, safe, easy to install and easy to use. This is why we have both the

components and the complete product thoroughly tested before a new product is released onto the market.

Acquisitions expand our product portfolio

Acquisitions have allowed us to expand our product portfolio with some strong new product categories. For example, the UK group Stovax has given us access to a large range of both gas-fired and electric products. In the same way, the Danish company TermaTech has brought a complete range of accessories for stove products.

New EU rules

We employ extensive resources to develop our products' combustion technology to minimise their environmental impact. Consequently, we are very pleased to see that the EU has now agreed on common thresholds for efficiency and emissions for wood-burning fires.

By 2022, all products sold in the EU will have to comply with the new requirements in the Ecodesign Directive, and energy labelling will be introduced. With a few exceptions, our products already meet the future requirements, which gives us a good market position.

It is positive for the entire industry to finally have clear rules for product development based on high requirements and uniform test methods. This will result in even better products and, as a consequence of this, even lower environmental impact.

Our production units

The Stoves business area has its own production plants in Sweden, the UK and Poland.

Most of our metal products are made in Sweden. The Swedish production plant is largely robotised and flow-optimised, making it one of the most efficient in our industry. We have come a long way in terms of both high quality and productivity, and we are able to keep environmental impact and energy consumption at low levels.

Stovax produces its wood-burning products at carefully selected subcontractors, while its gas-fired products are manufactured in its own plant in the UK.

Concrete surrounds, fireplace materials and heat-retaining products are cast in our plant in Poland. This is also where various stone materials are processed. This unit mainly supplies our own brands with components, but it is also an OEM supplier to other manufacturers in the industry.

As part of our efforts to create structured working methods and a clear system, the plants are certified to both ISO 9001 (quality) and ISO 14001 (environment). At present only the UK company Gazco lacks environmental certification, but this work is in progress and is expected to be completed in 2016.

We also work continuously and systematically to create a safe place to work and to reduce the risk of accidents.

Northstar has introduced both ISO 9001 and ISO 14001

“The most valuable contribution is that we see our entire workflow and where our subprocesses are interlinked.”

What have been the positive effects of working to the ISO standards?

Following the requirements in the standard has, of course, given us a good structure for our work, but the most valuable contribution is that we see our entire workflow and where our subprocesses are interlinked. We work more efficiently and more as a team to achieve the same goals.

How did you organise the work?

We started in March 2013 with the aim of being certified in June 2014. We decided from the start to create

an integrated management system for both quality (ISO 9001) and the environment (ISO 14001). We decided that all members of the management group would be in the project group. This would allow the management to own the system and it would be easier to distribute new working methods throughout the organisation.

Can you give other candidates for certification any tips?

It is important not to be discouraged by setbacks. You have to continue to focus on what you want to achieve. You should definitely not build a system that describes a sort of desired



Barbara Mocarska, Quality Manager / IMS Management Representative started working at Northstar in Poland in 2010.

state. You should base it on how you actually work and then gradually improve it to meet the requirements in the standard. Taking part

in change work like this gives you a deeper knowledge of the business and is an excellent opportunity for personal development.

Administration report

Annual Accounts 2015

Important events during the financial year

The operations of the North American company Marathon Heater Inc., which produces advanced custom heating elements for the high-tech industry, were acquired in early April. The company has sales of approximately SEK 78 million and employs around 130 people. The company's operations were consolidated under the NIBE Element business area as of April 2015. The acquisition value is still provisional.

In early July, NIBE acquired the remaining 30% of the shares in Akvaterm Oy (Finland), a manufacturer of accumulator tanks. This company is consolidated under the NIBE Energy Systems business area.

During the year, two smaller acquisitions were also made comprising total annual sales of around SEK 35 million.

In late May, bonds totalling SEK 1,500 million were issued with a term of five years. Half of these bonds were issued at a variable interest rate and half at a fixed interest rate. However, the fixed interest rate has been converted into a variable interest rate via an interest rate swap with the same term. As a result, the entire bond loan is subject to a variable interest rate in practice. In early December, a further SEK 400 million in bonds was issued with a term of 3.5 years at a variable interest rate. The bonds, which are a part of an MTN programme with a loan limit totalling SEK three billion, are listed on the NASDAQ Stockholm. See also Note 29.

Important events after the end of the financial year

At the end of February 2016, an agreement was made to acquire the North American element company Heatron Inc. The company primarily manufactures foil elements and high-power elements for the high-tech industry on the North American market. The company, which has 240 employees and annual sales of approximately SEK 250 million, will be consolidated under the NIBE Element business area as of March 2016.

In mid-March, NIBE acquired the remaining 40% of the shares in the UK company Stovax Heating Group Ltd. With its wide range of products for wood, gas and electricity, the company has a market-leading position in the UK stove market.

Remuneration

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

The Annual General Meeting also determines the guidelines for the remuneration of the managing director and other senior executives, in accordance with which the Board subsequently determines the remuneration of the managing director. The remuneration of

other senior executives is determined by the managing director in consultation with the Chairman of the Board. Decisions in this regard are reported to the Board of Directors. For further details of remuneration for the year, please see Note 6.

The Board proposes that remuneration for 2016 should be determined according to the same principles as those adopted in 2015.

Our staff

It is our ambition to ensure that NIBE is perceived as an attractive employer offering numerous opportunities for development. The company has a strong set of corporate values that the great majority of people perceive as positive. These values are apparent in all our communication, both to existing employees and when recruiting. One key aspect of our corporate values is the concept of freedom with accountability, which means that the subsidiaries in the NIBE Group and the employees in the companies are not managed in detail, but are expected nevertheless to conform to clear ethical and commercial guidelines. This is formalised in three brochures (Our Values, Our Business Principles and How We Work), which have been translated into 14 languages and distributed to all employees.

Environmental issues

NIBE has production plants in Sweden, Norway, Denmark, Finland, Germany, the UK, Switzerland, Poland, the Czech Republic, Italy, Spain, the Netherlands, Austria, Russia, the USA, China, Malaysia 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 into the air, discharges into 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 energy 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 half of the Group's plants are certified in accordance with ISO 14001, and external environmental audits were conducted during the year at these units. The introduction of certified environmental management systems at the remaining existing production plants in the Group is expected to be completed in 2016. The Group currently reports its sustainability performance in accordance with Global Reporting Initiative (GRI) guidelines.

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In Sweden our plants require a permit or a notification to operate under the Swedish Environmental Code. None of these plants plans to renew its permit or report any changes to its operations in 2016. Plants in other countries require an environmental licence or must show compliance with similar requirements in accordance with relevant national legislation. All plants that are obliged to do so hold a valid permit, and we expect no major changes with regard to this situation in the near future.

In most instances each unit submits regular reports to the relevant supervisory authorities, who also conduct inspections. No breaches of the Environmental Code were registered by the Group in Sweden in 2015. No breaches of conditions were reported in 2015. One spillage of sulphuric acid occurred in a plant in Poland. No one was injured and the spillage was dealt with without any impact on the environment. Soil contamination exists at three plants in Denmark and the Czech Republic. The plants in Markaryd, Sweden, have been classified by the authorities as presenting a 'moderate risk' of soil contamination. It is not possible, however, to estimate the extent of any future costs associated with these risks. In several cases, it has been confirmed that the NIBE Group cannot be held responsible.

For a more detailed account of the work NIBE does on sustainable development, please see pages 20-25 of this Annual Report.

Research and development

The NIBE Group carries out market-leading research and development work within each of its business areas. We believe that this is a crucial factor behind our 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.

Future trends

Our corporate philosophy and our strong range of products, with their focus on sustainability and energy efficiency, are in tune with the times in which we are living.

We are well prepared to be proactive on acquisitions.

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

As with previous years, it is hard to predict how economic trends, currency concerns and the currently low energy prices will affect the Group, but we remain cautiously positive about the year overall.

Ownership

NIBE's share capital is divided into 13,060,256 class A shares and 97,193,382 class B shares. Each 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.

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

Proposal for appropriation of profits

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

Profit brought forward	SEK 1,702 million
Share premium reserve	SEK 1,753 million
Fair value reserve	SEK - 507 million
Net profit for the year	SEK 862 million
Total	SEK 3,810 million

The Board of Directors proposes issuing a dividend to shareholders of SEK 3.35 per share, equivalent to a total pay-out of SEK 369 million. A total of SEK 3,441 million will be carried over in the accounts: SEK 507 million of this in the fair value reserve, SEK 1,753 million in the share premium reserve and SEK 2,195 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 and the Group's consolidation needs, liquidity and financial position as a whole. This shall be seen against the background of the information provided in the Annual Report. Before proposing this dividend, the Board has paid due consideration to the investments planned.

Corporate governance report

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

Five-year review

Income statement					
(in millions of SEK)	2015	2014	2013	2012	2011
Net sales	13,243	11,033	9,834	9,192	8,140
Cost of goods sold	- 8,461	- 7,106	- 6,462	- 6,032	- 5,342
Gross profit	4,782	3,927	3,372	3,160	2,798
Selling expenses	- 2,371	- 1,977	- 1,739	- 1,709	- 1,429
Administrative expenses	- 838	- 707	- 580	- 543	- 527
Other operating income	127	142	126	131	149
Operating profit	1,700	1,385	1,179	1,039	991
Net financial items	- 86	- 93	- 62	- 34	- 50
Profit after net financial items	1,614	1,292	1,117	1,005	941
Tax	- 377	- 310	- 259	- 242	- 250
Net profit	1,237	982	858	763	691
<i>Net profit for the year attributable to non-controlling interest</i>	-	-	-	-	-
<i>Includes depreciation according to plan as follows</i>	480	402	385	368	275

Balance sheet					
(in millions of SEK)	2015	2014	2013	2012	2011
Intangible assets	10,209	9,731	6,154	5,598	5,642
Property, plant and equipment	2,117	2,078	1,889	1,881	1,898
Financial assets	467	367	155	152	141
Total non-current assets	12,793	12,176	8,198	7,631	7,681
Inventories	2,115	2,109	1,760	1,685	1,679
Current receivables	1,901	1,844	1,415	1,339	1,378
Investments in securities, etc.	347	154	3	-	-
Cash and equivalents	1,448	1,827	1,591	934	1,007
Total current assets	5,811	5,934	4,769	3,958	4,064
Total assets	18,604	18,110	12,967	11,589	11,745
Equity	7,428	6,560	5,575	4,858	4,472
Non-current liabilities and provisions					
- non-interest-bearing	1,605	1,849	1,267	894	937
- interest-bearing	7,118	7,558	4,391	4,013	4,341
Current liabilities and provisions					
- non-interest-bearing	2,289	1,849	1,533	1,320	1,465
- interest-bearing	164	294	201	504	530
Total equity and liabilities	18,604	18,110	12,967	11,589	11,745

Statement of cash flows					
(in millions of SEK)	2015	2014	2013	2012	2011
Cash flow before change in working capital	1,717	1,327	1,255	1,038	856
Change in working capital	222	77	- 183	- 53	238
Cash flow from operating activities	1,939	1,404	1,072	985	1,094
Investments in existing operations	- 384	- 308	- 309	- 217	- 307
Operating cash flow	1,555	1,096	763	768	787
Acquisition of businesses	- 171	- 2,648	- 166	- 226	- 3,482
Cash flow after investments	1,384	- 1,552	597	542	- 2,695
Financing	- 1,302	2,095	271	- 366	3,465
Shareholders' dividends	- 298	- 259	- 220	- 221	- 164
Cash flow for the year	- 216	284	648	- 45	606
Cash and equivalents at the beginning of the year	1,981	1,594	934	1,007	410
Exchange difference in cash and equivalents	30	103	12	- 28	- 9
Cash and equivalents at year-end	1,795	1,981	1,594	934	1,007

Income statement over the past five years

Growth

The sales target is annual growth of 20%, preferably with half of this total generated organically and half through acquisitions. Over the past five years, sales rose from SEK 6,512 million to SEK 13,243 million. This was achieved by means of a proactive acquisition strategy. Over twenty acquisitions of companies and lines of business were implemented.

Average growth during the five-year period was 15.3%. Organic growth accounted for a rise in Group sales of 3.1% and acquired growth for 12.2% over the past five years.

Operating margin

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

During the five-year period, NIBE Energy Systems' average operating margin was 14.8%. NIBE Element's operating margin was an average of 8.0% during the period, while NIBE Stoves' average operating margin was 12.1%.

The Group's operating margin over the five-year period averaged 12.2% and return on equity averaged 17.3%.

Balance sheet over the past five years

Over the past five years total assets rose from SEK 5,149 million to SEK 18,604 million.

Intangible assets

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

Property, plant and equipment

Property, plant and equipment consists solely of land, buildings and machinery. The value of property, plant and equipment increased by SEK 841 million over the most recent five-year period. Of this increase, approximately 38% was added through acquisitions, and the remaining 62% through investments in existing businesses. These investments have been implemented largely in the Group's facilities in Markaryd, Sweden, where most of the production facilities for NIBE Energy Systems and NIBE Stoves are located, as well as in the Group's production plants in Poland and the Czech Republic.

Current assets

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

Interest-bearing liabilities

Current and non-current interest-bearing liabilities and provisions consist of loans from banks and other financial institutions, bond loans and pension provisions, and increased from SEK 1,133 million to SEK 7,282 million over the past five years. This increase is attributable to new borrowing, primarily to finance the Group's major acquisitions in 2011 and 2014.

The Group's target is for the equity/assets ratio not to fall below 30%. Over the past five years this ratio averaged 39.6%.

Non-interest-bearing liabilities

Non-current, non-interest-bearing liabilities and provisions consist mainly of deferred tax, warranty provisions and provisions for additional considerations. These grew from SEK 397 million to SEK 1,605 million over the past five years, chiefly as a consequence of warranty provisions and deferred tax attributable to intangible assets that have arisen on the acquisition of other companies.

Current non-interest-bearing liabilities and provisions grew by SEK 1,153 million over the past five years, from SEK 1,136 million to SEK 2,289 million, approximately 68% of which represents accrued expenses and customary trade payables, which are both directly related to the expansion of the business.

Cash flow over the past five years

Cash flow before change in working capital

Over the most recent five-year period, cash flow before change in working capital showed a positive trend.

Working capital

Working capital, measured as current assets minus current liabilities, decreased from 16.6% to 13.0% of sales over the five-year period. The average over the period was around 17.0%.

Investments in existing operations

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

Operating cash flow

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

Acquisition of businesses

During the period, NIBE Industrier AB pursued an aggressive acquisition strategy. Twenty-one companies and lines of business were taken over during the past five years: six of these are now within the NIBE Energy Systems business area, fourteen in NIBE Element and one in NIBE Stoves. In 2011, the Group made its largest ever acquisition, taking over the Swiss listed company, Schulthess Group AG. During 2012 and 2013, the pace of acquisitions was slower, though it increased again in 2014 with the acquisition of the listed Water-Furnace Renewable Energy Inc. in North America. During the past year, the pace of acquisitions was relatively slow. The objective is to continue to pursue an aggressive acquisition strategy in the future.

Financing

Forty percent of the cost of the acquisition of 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 – were financed exclusively by the company's own internally generated cash flows and by traditional bank loans. During 2015, bank financing was partially replaced by bond loans.

Shareholders' dividends

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

Consolidated income statement

(in millions of SEK)		2015	2014
Net sales	Note 3	13,243	11,033
Cost of goods sold		- 8,461	- 7,106
Gross profit		4,782	3,927
Selling expenses		- 2,371	- 1,977
Administrative expenses	Note 5	- 838	- 707
Other operating income	Note 10	127	142
Operating profit	Notes 3-10	1,700	1,385
Profit from financial items			
Profit from participations in associates	Note 23	4	2
Financial income	Note 12	53	99
Financial expenses	Note 13	- 143	- 194
Profit after net financial items		1,614	1,292
Tax	Note 15	- 377	- 310
Net profit		1,237	982
Profit for the year attributable to			
Parent shareholders		1,237	982
Non-controlling interest		-	-
Net profit		1,237	982
<i>Includes depreciation according to plan as follows</i>		480	402
<i>Average number of shares</i>		110,253,638	110,253,638
<i>Net profit per share before and after dilution in SEK</i>		11.22	8.90
<i>Proposed dividend per share in SEK</i>		3.35	2.70

Statement of comprehensive income

Net profit		1,237	982
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains and losses in retirement benefit plans	Note 26	- 8	- 122
Tax attributable to other comprehensive income	Note 15	2	26
		- 6	- 96
Items that may be reclassified to profit or loss			
Cash flow hedges		- 2	- 13
Hedging of net investment		- 373	- 464
Exchange differences		229	727
Tax attributable to other comprehensive income	Note 15	81	108
		- 65	358
Total other comprehensive income		- 71	262
Total comprehensive income		1,166	1,244
Total recognised income attributable to			
Parent shareholders		1,166	1,244
Non-controlling interest		-	-
Total comprehensive income		1,166	1,244

Comments on the income statement

Net sales

The target for the Group is annual growth of 20%, preferably with half of this total generated organically and half through acquisitions.

Group net sales increased during the year by SEK 2,210 million (20.0%) to SEK 13,243 million (SEK 11,033 million).

Group net sales outside Sweden amounted to SEK 11,181 million (SEK 9,262 million), an increase of SEK 1,919 million (20.7%). This means that net sales abroad, which were strengthened by the fact that the majority of currencies strengthened in relation to the Swedish krona during the year, accounted for 84.4% (83.9%) of total net sales. Group net sales on the Swedish market increased by 16.4% to SEK 2,062 million (SEK 1,771 million).

As acquired sales growth during the year totalled SEK 1,043 million (9.5%), this means that organic sales increased by SEK 1,167 million or 10.5%. The growth is due largely to the Swedish krona having weakened.

Operating profit

The target for the Group is for the operating profit for each business area to be at least 10% of sales over a business cycle.

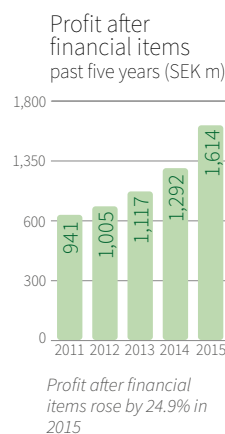
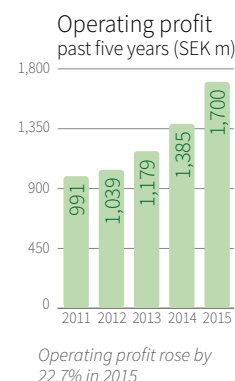
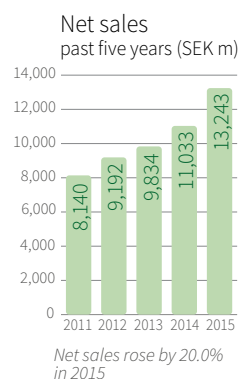
Group operating profit totalled SEK 1,700 million, an increase of 22.7% on the figure of SEK 1,385 million reported for the preceding year. The operating margin was 12.8% compared with 12.6% in 2014. Operating profit for the year has been charged with acquisition expenses of SEK 10 million, compared with SEK 29 million last year, which were recognised as administrative expenses in the consolidated income statement.

Profit after net financial items

Profit after financial items rose by 24.9% to SEK 1,614 million (SEK 1,292 million) to yield a profit margin of SEK 12.2% (11.7%). Financial items generated net expense of SEK 86 million for the year, against a net expense of SEK 93 million in 2014. The Group's interest-bearing liabilities at year-end amounted to SEK 7,282 million, against SEK 7,852 million at the beginning of the year. The average interest rate during the year was 1.4% (1.4%). Net financial items include exchange gains and exchange losses.

Tax

The tax expense for the year was SEK 377 million (SEK 310 million), which gives an effective tax rate of 23.4% (24.0%). The decrease is primarily due to decisions to reduce income taxes in some of the European countries in which we have significant operations.



Performance per business area during the year

Quarterly data

Consolidated income statement (in millions of SEK)	2015				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	2,950	3,165	3,396	3,732	2,361	2,477	2,839	3,356
Operating expenses	- 2,687	- 2,799	- 2,892	- 3,165	- 2,165	- 2,204	- 2,423	- 2,856
Operating profit	263	366	504	567	196	273	416	500
Net financial items	- 35	- 22	- 18	- 11	- 16	- 21	- 24	- 32
Profit after net financial items	228	344	486	556	180	252	392	468
Tax	- 58	- 75	- 112	- 132	- 42	- 59	- 88	- 121
Net profit	170	269	374	424	138	193	304	347

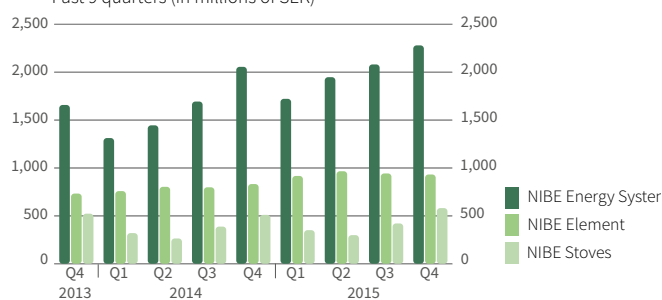
Net sales – by business area

NIBE Energy Systems	1,722	1,948	2,081	2,280	1,313	1,445	1,693	2,056
NIBE Element	917	966	943	932	759	803	799	832
NIBE Stoves	351	299	421	581	320	264	388	511
Elimination of Group transactions	- 40	- 48	- 49	- 61	- 31	- 35	- 41	- 43
Group total	2,950	3,165	3,396	3,732	2,361	2,477	2,839	3,356

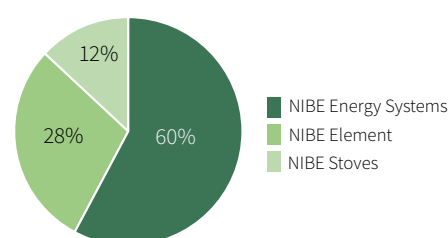
Operating profit – by business area

NIBE Energy Systems	172	286	365	386	127	212	299	346
NIBE Element	80	88	95	79	63	72	78	67
NIBE Stoves	20	10	59	117	15	3	64	98
Elimination of Group transactions	- 9	- 18	- 15	- 15	- 9	- 14	- 25	- 11
Group total	263	366	504	567	196	273	416	500

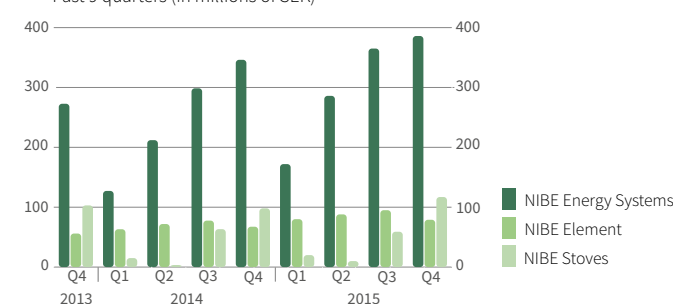
Sales by business area
Past 9 quarters (in millions of SEK)



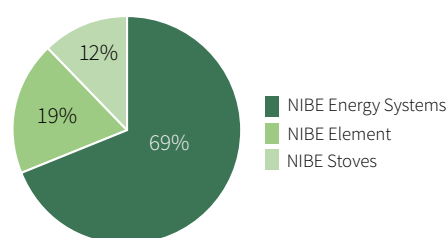
Business area contributions to sales



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



Business area contributions to sales

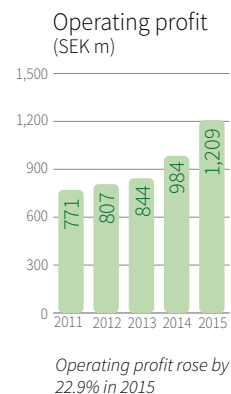
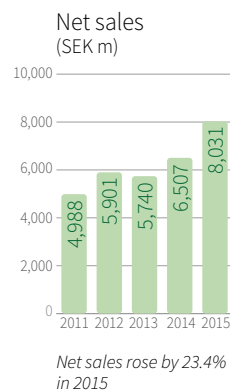


NIBE Energy Systems

Net sales for the year amounted to SEK 8,031 million, compared with SEK 6,507 million for 2014. The increase in sales was SEK 1,524 million (23.4%), with acquired sales accounting for SEK 903 million (13.9%), which means that organic growth was SEK 621 million (9.5%). During the past five years, sales increased from SEK 3,725 million to SEK 8,031 million.

Operating profit increased from SEK 984 million to SEK 1,209 million, which represents growth in profits of 22.9% and an operating margin of 15.1% (15.1%) for the year. Over the past five years, the operating margin averaged 14.8%.

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

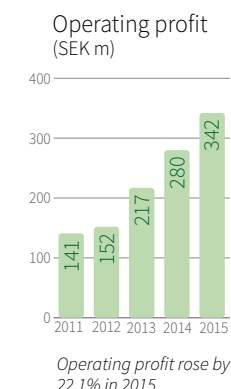
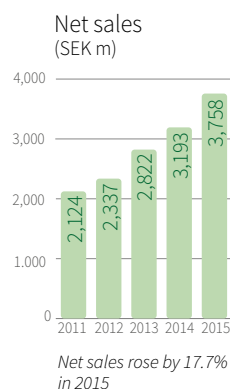


NIBE Element

Net sales for the year amounted to SEK 3,758 million, compared with SEK 3,193 million for 2014. The increase in sales was SEK 565 million (17.7%), with acquired sales accounting for SEK 141 million (4.4%), which means that organic growth was SEK 424 million (13.3%). During the past five years, sales increased from SEK 1,760 million to SEK 3,758 million.

Operating profit increased from SEK 280 million to SEK 342 million, which represents growth in profits of 22.1% and an operating margin of 9.1% (8.8%) for the year. Over the past five years, the operating margin averaged 8.0%.

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

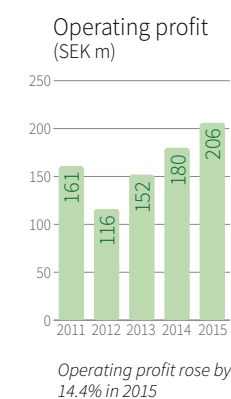
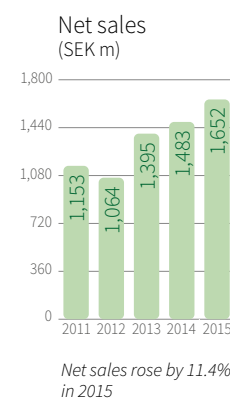


NIBE Stoves

Net sales for the year amounted to SEK 1,652 million, compared with SEK 1,483 million for 2014. Since the comparison is not affected by any acquisitions, organic growth was SEK 169 million, or 11.4%. During the past five years, sales increased from SEK 1,144 million to SEK 1,652 million.

Operating profit increased from SEK 180 million to SEK 206 million, which represents growth in profits of 14.4% and an operating margin of 12.5% (12.1%) for the year. Operating profit for 2014 included non-recurring items that had a positive effect of SEK 14 million on profit. Excluding the non-recurring items, the operating margin for the previous year would have been 11.1%. Over the past five years, the operating margin averaged 12.1%.

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



Consolidated balance sheet

Assets

(in millions of SEK)	31 Dec 2015	31 Dec 2014
NON-CURRENT ASSETS		
Intangible assets		
Market positions <i>Note 16</i>	1,112	1,153
Brands and trademarks <i>Note 17</i>	1,237	1,177
Goodwill <i>Note 17</i>	7,539	7,095
Other intangible assets <i>Note 18</i>	321	306
Total intangible assets	10,209	9,731
Property, plant and equipment		
Land and buildings <i>Note 19</i>	1,191	1,218
Machinery and equipment <i>Note 20</i>	825	784
Construction in progress <i>Note 21</i>	101	76
Total property, plant, and equipment	2,117	2,078
Financial assets		
Shares in associates <i>Note 23</i>	10	30
Investments held as non-current assets	6	4
Deferred tax assets <i>Note 15</i>	428	312
Other long-term receivables <i>Note 24</i>	23	21
Total financial assets	467	367
TOTAL NON-CURRENT ASSETS	12,793	12,176
CURRENT ASSETS		
Inventories		
Raw materials and consumables	952	876
Work in progress	136	130
Finished products and goods for resale	1,027	1,103
Total inventories	2,115	2,109
Current receivables		
Accounts receivable	1,627	1,567
Current tax assets	77	96
Other receivables	90	84
Prepaid expenses and accrued income	107	97
Total current receivables	1,901	1,844
Investments in securities, etc.	347	154
Cash and equivalents	1,448	1,827
TOTAL CURRENT ASSETS	5,811	5,934
TOTAL ASSETS	18,604	18,110

Equity and liabilities

(in millions of SEK)	31 Dec 2015	31 Dec 2014
EQUITY		
Share capital <i>Note 25</i>	69	69
Contributed capital	1,820	1,820
Other reserves	- 157	- 86
Profit brought forward	5,696	4,757
Equity attributable to parent	7,428	6,560
TOTAL EQUITY	7,428	6,560
NON-CURRENT LIABILITIES AND PROVISIONS		
Provisions for pensions <i>Note 26</i>	361	339
Provisions for taxes <i>Note 15</i>	849	830
Guarantee risk reserve <i>Note 27</i>	448	398
Other provisions, non-interest-bearing <i>Note 27</i>	254	602
Bank overdraft facilities <i>Note 28</i>	117	162
Liabilities to credit institutions <i>Note 7</i>	4,758	7,073
Bond loans <i>Note 29</i>	1,902	-
Other liabilities, interest-bearing	-	1
Other liabilities, non-interest-bearing	34	2
TOTAL NON-CURRENT LIABILITIES AND PROVISIONS	8,723	9,407
CURRENT LIABILITIES AND PROVISIONS		
Liabilities to credit institutions	164	294
Accounts payable	835	767
Advance payments from customers	18	23
Liabilities to associates	-	1
Current tax liability	91	63
Other liabilities <i>Note 30</i>	613	316
Accrued expenses and deferred income <i>Note 31</i>	732	679
TOTAL CURRENT LIABILITIES AND PROVISIONS	2,453	2,143
TOTAL EQUITY AND LIABILITIES	18,604	18,110
Pledged assets <i>Note 32</i>	122	245
Contingent liabilities <i>Note 33</i>	2	2

Changes in equity

(in millions of SEK)	Share capital	Contributed capital	Other reserves 1)	Profits brought forward	Equity attributable to parent	Total equity
Equity 31 Dec 2013	69	1,820	- 348	4,034	5,575	5,575
Net profit for the year				982	982	982
Other comprehensive income for the year			262		262	262
Comprehensive income for the year			262	982	1,244	1,244
Dividend				- 259	- 259	- 259
Equity 31 Dec 2014	69	1,820	- 86	4,757	6,560	6,560
Net profit for the year				1,237	1,237	1,237
Other comprehensive income for the year			- 71		- 71	- 71
Comprehensive income for the year			- 71	1,237	1,166	1,166
Dividend				- 298	- 298	- 298
Equity 31 Dec 2015	69	1,820	- 157	5,696	7,428	7,428

1) Other reserves

(in millions of SEK)	Cash flow hedges	Hedging of net investments	Actuarial gains and losses	Exchange differences	Total other reserves
Other reserves 31 Dec 2013	- 3	148	- 38	- 455	- 348
Change during the year	- 13	- 464	- 122	727	128
Tax	6	102	26	-	134
Other reserves 31 Dec 2014	- 10	- 214	- 134	272	- 86
Change during the year	- 2	- 373	- 8	229	- 154
Tax	- 1	82	2	-	83
Other reserves carried forward, 31 Dec 2015	- 13	- 505	- 140	501	- 157

Comments on the balance sheet

Total assets

Consolidated total assets rose by SEK 494 million (2.7%) during the year from SEK 18,110 million in the preceding year to SEK 18,604 million. The principal reasons for the increase are the addition of assets and liabilities through the acquisitions made during the year, and exchange rate effects resulting from the weakening of the Swedish krona during the year in relation to the majority of currencies in which the Group has assets and liabilities.

Working capital

Consolidated working capital excluding cash and bank balances decreased by SEK 376 million (17.9%) during the year from SEK 2,103 million in the preceding year to SEK 1,727 million. This is primarily due to an increase in current liabilities.

In relation to net sales, working capital has decreased from 19.1% to 13.0%. The decrease is partly due to the fact that the figure for last year was misleading as a result of the large acquisitions implemented in the second half of the year.

Equity ratio and returns

The Group's equity ratio at the end of the year was 39.9% (36.2%). Equity totalled SEK 7,428 million (SEK 6,560 million).

The Group's return target is a return on equity of at least 20% in the long term. The return on equity in 2015 was 18.0% (16.6%). The return on capital employed was 12.1% (12.1%).

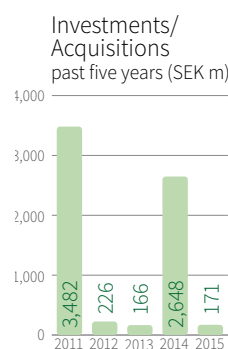
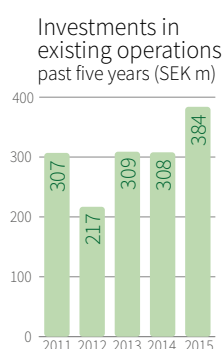
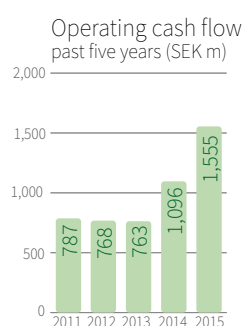
Interest-bearing liabilities

The Group's interest-bearing liabilities at year-end amounted to SEK 7,282 million (SEK 7,852 million). The decrease of SEK 570 million is due to amortisation of the Group's liabilities to credit institutions during the year.

Consolidated statement of cash flows

(in millions of SEK)	2015	2014
OPERATING ACTIVITIES		
Operating profit	1,700	1,385
+ depreciation/amortisation & impairment charged to this profit	480	406
+ capital losses / - capital gains	- 2	- 17
Total	2,178	1,774
Interest received and similar items	57	101
Interest paid and similar items	- 141	- 196
Tax paid	- 377	- 352
Cash flow before change in working capital	1,717	1,327
Change in working capital		
Change in inventories	- 9	- 130
Change in current receivables	- 45	56
Change in current liabilities	276	151
Cash flow from operating activities	1,939	1,404
INVESTING ACTIVITIES		
Investment in machinery and equipment	- 193	- 171
Investment in buildings and land	- 24	- 45
Investment in construction in progress	- 88	- 52
Investment in other intangible assets	- 83	- 69
Sale of land and buildings	-	34
Sale of machinery and equipment	8	4
Change in non-current receivables and other securities	- 4	- 9
Investments in existing operations	- 384	- 308
OPERATING CASH FLOW	1,555	1,096
Acquisition of companies 1)	- 171	- 2,648
Cash flow from investing activities	- 555	- 2,956
CASH FLOW AFTER INVESTMENTS	1,384	- 1,552
FINANCING ACTIVITIES		
Amortisation of non-current loans	- 3,044	- 213
Other changes in non-current liabilities and provisions	1,742	2,308
Shareholders' dividend	- 298	- 259
Cash flow from financing activities	- 1,600	1,836
Cash flow for the year	- 216	284
Cash and equivalents at the beginning of the year	1,981	1,594
Exchange difference in cash and equivalents	30	103
Cash and equivalents at year-end	1,795	1,981

1) For further information about the acquisition of companies, please see Note 34.



Comments on the statement of cash flows

Cash flow from operating activities

Consolidated cash flow after changes in working capital amounted to SEK 1,939 million (SEK 1,404 million).

Investments

Investment in Group acquisitions of subsidiary companies/lines of business totalled SEK 171 million (SEK 2,648 million). Other investment totalled SEK 384 million (SEK 308 million), allocated as follows:

(in millions of SEK)	2015	2014
Machinery and equipment	185	167
Properties	24	11
Construction in progress	88	52
Other non-current assets	87	78
Total	384	308

Consequently, cash flow after investing activities was SEK 1,384 million (SEK -1,552 million). Operating cash flow - i.e. after investments, but excluding acquisitions of subsidiary companies/lines of business - was SEK 1,555 million (SEK 1,096 million).

The Group's interest-bearing credits

(in millions of SEK)	2015	2014
Floating rate bank loans	4,922	7,367
Floating rate bond loans	1,150	-
Fixed rate bond loans	752	-
Utilised portion of overdraft facilities with floating interest rate	117	162
Provisions for pensions	341	323
Total interest-bearing liabilities	7,282	7,852
Unutilised overdraft facilities	400	754
Other unutilised credits	2,812	152
Total credit available	10,494	8,758

The Group's total interest-bearing liabilities at year-end amounted to SEK 7,282 million (SEK 7,852 million). The average interest expense for the total of interest-bearing liabilities was 1.4% (1.4%). The Group's net liabilities, which consist of interest-bearing liabilities less cash and equivalents and short-term investments, totalled SEK 5,487 million (SEK 5,871 million).

Key figures

		2015	2014	2013	2012	2011
Net sales	(in millions of SEK)	13,243	11,033	9,834	9,192	8,140
Growth	%	+ 20.0	+ 12.2	+ 7.0	+ 12.9	+ 25.0
Operating profit	(in millions of SEK)	1,700	1,385	1,179	1,039	991
Profit after net financial items	(in millions of SEK)	1,614	1,292	1,117	1,005	941
Net investments in non-current assets	(in millions of SEK)	531	3,098	912	478	3,815
Gross margin	%	16.5	16.2	15.9	15.3	15.6
Operating margin	%	12.8	12.6	12.0	11.3	12.2
Profit margin	%	12.2	11.7	11.4	10.9	11.6
Capital employed	(in millions of SEK)	14,710	14,411	10,167	9,376	9,338
Equity	(in millions of SEK)	7,428	6,560	5,575	4,858	4,472
Return on capital employed	%	12.1	12.1	12.4	11.8	16.0
Return on equity	%	18.0	16.6	16.7	15.9	20.0
Return on total assets	%	9.6	9.6	9.9	9.5	12.3
Capital turnover	times	0.72	0.71	0.80	0.79	0.96
Equity/assets ratio	%	39.9	36.2	43.0	41.9	38.1
Proportion of risk-bearing capital	%	44.5	40.8	47.2	46.5	43.0
Operating cash flow	(in millions of SEK)	1,555	1,096	763	768	787
Net debt/EBITDA	times	2.5	3.3	1.9	2.5	3.0
Interest coverage ratio	times	12.3	7.6	12.4	11.0	10.7
Interest-bearing liabilities/Equity	%	98.0	119.7	82.3	93.0	108.9
Average number of employees	no.	10,545	9,726	8,983	8,006	6,895

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 less non-interest-bearing liabilities and deferred tax.

Equity

Taxed equity plus untaxed reserves less 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 less tax at standard rate 22.0% (26.3% during 2011 - 2012) as a percentage of average equity.

Return on total assets

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

Capital turnover rate

Net sales divided by the average balance sheet total.

Equity/assets ratio

Equity as a percentage of balance sheet total.

Proportion of risk-bearing capital

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

Operating cash flow

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

Net debt/EBITDA

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

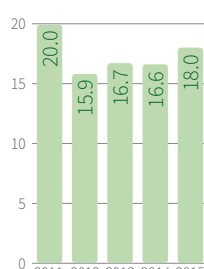
Interest coverage ratio

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

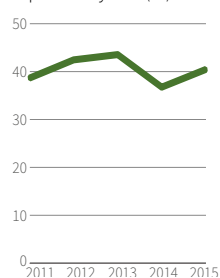
Interest-bearing liabilities/Equity

Interest-bearing liabilities as a percentage of equity.

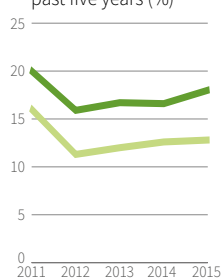
Return on equity past five years (%)



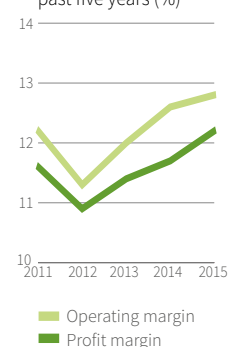
Equity/assets ratio past five years (%)



Returns past five years (%)



Margins past five years (%)



Parent

Income statement

(in millions of SEK)		2015	2014
Net sales	Note 3	8	7
Administrative expenses	Note 5	- 70	- 51
Operating profit	Notes 3-10	- 62	- 44
Profit from financial investments			
Profit from participations in Group companies	Note 11	843	946
Profit from participations in associates	Note 23	2	1
Financial income	Note 12	93	172
Financial expenses	Note 13	- 127	- 238
Profit after net financial items		749	837
Appropriations	Note 14	119	106
Tax	Note 15	- 6	-
Net profit		862	943
Net profit attributable to Parent shareholders		862	943
Statement of comprehensive income			
Net profit		862	943
Items that may be reclassified to profit or loss			
Cash flow hedges		- 9	1
Hedging of net investment		- 369	- 462
Tax attributable to other comprehensive income	Note 15	83	101
Total other comprehensive income		- 295	- 360
Total comprehensive income		567	583
Parent shareholders		567	583
Total comprehensive income		567	583

Statement of cash flows

(in millions of SEK)	2015	2014
OPERATING ACTIVITIES		
Operating profit	- 62	- 44
Interest received and similar items	95	172
Interest paid and similar items	- 125	- 260
Tax paid	- 1	- 1
Cash flow before change in working capital	- 93	- 133
Change in working capital		
Change in current receivables	- 66	- 150
Change in current liabilities	45	109
Cash flow from operating activities	- 114	- 174
INVESTING ACTIVITIES		
Change in non-current receivables and other securities	- 139	- 207
Cash flow from investing activities	- 139	- 207
OPERATING CASH FLOW		
Investments in operations	- 33	- 886
Sale of businesses	-	34
Cash flow from investing activities	- 172	- 1,059
CASH FLOW AFTER INVESTMENTS	- 286	- 1,233
FINANCING ACTIVITIES		
Profit from participations in Group companies	972	925
Amortisation of non-current loans	- 2,844	- 165
Other changes in non-current liabilities and provisions	1,911	963
Shareholders' dividend	- 298	- 259
Cash flow from financing activities	- 259	1,464
Cash flow for the year	- 545	231
Cash and equivalents at the beginning of the year	811	580
Cash and equivalents at year-end	266	811

Comments on Parent

Operations

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

Operating profit

The parent's sales refer in their entirety to sales to Group companies, and amounted to SEK 8 million (SEK 7 million) for the year. Administrative expenses consist primarily of personnel costs and purchased services such as auditing and expenses linked to the stock exchange listing.

Net financial items

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

Balance sheet

The parent's balance sheet total decreased from SEK 10,491 million to SEK 10,290 million during the year. The principal reason is amortisation of the company's credits during the year. Interest-bearing liabilities at year-end amounted to SEK 5,755 million (SEK 6,216 million), and the average interest rate on these liabilities amounted to 1.4% during the year. At the beginning of the year, the majority of the parent's credits were in currencies other than the Swedish krona, as set out in Note 7. A significant proportion of these were replaced during the year by loans in Swedish krona, primarily bond loans.

Balance sheet

Assets

(in millions of SEK)		31 Dec 2015	31 Dec 2014
NON-CURRENT ASSETS			
Financial assets			
Shares in subsidiaries	Note 22	8,410	8,354
Shares in associates	Note 23	7	7
Receivables from Group companies		1,185	1,051
Investments held as non-current assets		4	4
Deferred tax assets	Note 15	144	61
Other non-current receivables	Note 24	5	-
TOTAL NON-CURRENT ASSETS		9,755	9,477
CURRENT ASSETS			
Current receivables			
Receivables from Group companies		248	185
Other receivables		7	5
Prepaid expenses and accrued income		14	13
Total current receivables		269	203
Cash and equivalents		266	811
TOTAL CURRENT ASSETS		535	1,014
TOTAL ASSETS		10,290	10,491

Changes in equity

(in millions of SEK)	Share capital	Statutory reserve	Fair value reserve	Share premium reserve	Profit brought forward	Total equity
Equity 31 Dec 2013	69	75	148	1,753	1,316	3,361
Comprehensive income for the year			- 360		943	583
Dividend					- 259	- 259
Equity 31 Dec 2014	69	75	- 212	1,753	2,000	3,685
Comprehensive income for the year			- 295		862	567
Dividend					- 298	- 298
Equity 31 Dec 2015	69	75	- 507	1,753	2,564	3,954

Balance sheet

Equity and liabilities

(in millions of SEK)		31 Dec 2015	31 Dec 2014
EQUITY			
Restricted equity			
Share capital	Note 25	69	69
Statutory reserve		75	75
Total restricted equity		144	144
Non-restricted equity			
Fair value reserve		- 507	- 212
Share premium reserve		1,753	1,753
Profit brought forward		2,564	2,000
Total non-restricted equity		3,810	3,541
TOTAL EQUITY		3,954	3,685
UNTAXED RESERVES			
Tax allocation reserve		1	1
NON-CURRENT LIABILITIES AND PROVISIONS			
Provisions for pensions	Note 26	6	5
Other provisions, non-interest-bearing	Note 27	198	452
Liabilities to credit institutions	Note 7	2,752	5,074
Liabilities to Group companies		1,003	922
Bond loans	Note 29	1,902	-
TOTAL NON-CURRENT LIABILITIES AND PROVISIONS		5,861	6,453
CURRENT LIABILITIES AND PROVISIONS			
Liabilities to credit institutions		98	220
Accounts payable		3	3
Liabilities to Group companies		2	52
Current tax liability		4	-
Other liabilities	Note 30	346	66
Accrued expenses and deferred income	Note 31	21	11
TOTAL CURRENT LIABILITIES AND PROVISIONS		474	352
TOTAL EQUITY AND LIABILITIES		10,290	10,491
Pledged assets	Note 32	5	4
Contingent liabilities	Note 33	690	2,311

Risk management

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

Dependence on customers

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

Dependence on suppliers

Most of the components in the products marketed by the Group's three business areas are manufactured by a number of suppliers in Europe and elsewhere in the world. When selecting suppliers, a thorough review is made of the supplier's ability to meet the Group's requirements.

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

Price risks

Many of the materials used to manufacture the Group's products are priced in US dollars and quoted on the London Metal Exchange. To avoid overdependence on specific currencies and markets, purchasing procedures have been largely globalised. In 2015, purchases of raw materials such as nickel, copper and aluminium were partially hedged through forward contracts.

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

Risks relating to disputes over patents and litigation

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

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

Other risks

It is our considered opinion that the Group has adequate cover for traditional insurance risks such as fire, theft, liability, etc. via the global insurance policies taken out. 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. Risks are minimised by control procedures for internal processes and manufacturing as well as for the use of components manufactured by other suppliers. The majority of Group companies are certified in accordance with ISO 9001. Insurance policies have been taken out as additional risk cover for similar events.

Financial risks

Credit risks, currency risks, financing risks and interest-rate risks 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 beyond the Group's control. The table below sets out several changes and illustrates their effect on consolidated results. The impact of the changes is calculated on the basis of the figures in the balance sheet and income statement for 2015.

	Basis for calculation	Change	Impact
Net sales (margin constant)	13,243 (in millions of SEK)	+/- 1.0 %	54 (in millions of SEK)
Operating margin (volume constant)	13,243 (in millions of SEK)	+/- 1.0 %	132 (in millions of SEK)
Material costs	5,474 (in millions of SEK)	+/- 1.0 %	55 (in millions of SEK)
Personnel costs	3,220 (in millions of SEK)	+/- 1.0 %	32 (in millions of SEK)
Interest-bearing liabilities (interest constant)	7,282 (in millions of SEK)	+/- 10.0 %	10 (in millions of SEK)
Interest rate % (interest-bearing liability constant)	1.4 %	+/- 1.0 percentage point	73 (in millions of SEK)

Risk	Risk description	Counteracting factors	Opportunities
Market risks	Major macroeconomic fluctuations. New laws relating to energy. Changes to energy taxes. Substantial geographical spread. Changes to subsidies.	Huge global market. Frequent monitoring by market and product group facilitates rapid action. Flexible manufacturing allows rapid changes to ranges. Ranges with hybrid products which can be adapted to various energy sources.	Higher sales volumes as a result of increased global presence. Contributing to a sustainable society through our high-tech, sustainable products. Continued long-term and stable relationships with the industry.
Product development risks	More stringent standards from national or global legislation affecting energy, emissions and substances. Changes to subsidies.	Continuous product development and launching products adapted to suit the market and legislation. Investments in modern test equipment for in-house measurements. Developing products from a life-cycle perspective taking account of the product's total impact.	Increased collaboration within the Group to monitor stakeholders' requirements. Strive for market leadership through innovation, technology and sustainability to create an attractive offer which satisfies the requirements and desired objectives of all stakeholders.
Manufacturing risks	The Group is hit by production stoppages as a result of external circumstances over which the Group has no influence. Sharp changes in raw material prices.	The production plants are constantly risk-assessed and action plans are drawn up and implemented. Manufacturing units invest continuously in new equipment and, in parallel, carry out comprehensive running maintenance on existing equipment. Sound procedures in the production process in relation to quality, safety and the environment.	High degree of continuous improvement benefits the production process and safety. Changes in raw material prices often coincide with greater demand, and this can be offset through higher sales. Switch production to another similar operation within the Group, as required.
The supplier chain	The Group's suppliers and business partners must comply with the same high standards of quality, working conditions, the environment and social responsibility, among others. Any shortcomings may have a negative impact on the Group's reputation. The use of a large number of suppliers may increase the risk of non-sustainable products. Problems at the distribution stage.	NIBE has clear business principles and values which all business partners must accept. Suppliers are monitored continuously, and any problems must be tackled immediately. Common approach to evaluating suppliers.	Continue to be a good partner, so that high quality and sustainability are promoted. Strengthen supplier relationships by regular monitoring and dialogue. Coordination of work with suppliers in the Group enables us to continue to be an important customer.
Distribution risks	Problems at the distribution stage, which includes retailers and wholesalers, may have a negative impact on customers. Increased carbon dioxide emissions through increased volume.	The distribution channels are checked regularly. Procedures are in place for following up and taking any required action. Coordination of transportation.	Continuous reinforcement of customer relationships. More efficient and more environmentally-friendly transportation.
Price risks	The end customer chooses the low price range. Changes in exchange rates which have a negative impact on the Group.	Continuous provision of information on the advantages of our products for the environment, sustainability and customer satisfaction counteract any interest in the low price range. A global presence counteracts the impact of exchange rate fluctuations.	Make customers even more aware of all the advantages of high quality NIBE products. Continued geographical spread/ expansion.
Acquisition risks	The integration process and the synergy effects take longer than expected. Unforeseen events and discoveries in the acquired companies. Impairment needs.	The Group has well-proven procedures for examining and analysing potential acquisitions. Integration and synergy are achieved through very close cooperation with the acquired companies. In general, acquired companies will continue to be run as independent companies with their own management and identity.	Continued expansion through acquisitions which increase geographical spread, breadth and selection. Acquisitions provide coordination gains and contribute to sector structuring.
Other risks	Risks relating to finances, IT and sustainability.	A new Risk Management system was developed in 2014 and was launched in 2015. It will be further refined in 2016. Implementation of an anti-corruption e-learning system began in 2015. This system will be rolled out in 2016. A whistleblowing system was introduced in 2014.	Continuous follow-up and development of the Group's Risk Management system.

Note 1

GENERAL INFORMATION ABOUT THE BUSINESS

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

The Group has more than 10,500 employees and conducts business activities in 21 countries in Europe, North America, Australia and Asia. The legal structure of the Group comprises a number of subsidiaries, which run their 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 23 March 2016.

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 to the standards and interpretations which came into force in 2015 have had no significant effect on the Group's financial statements.

A number of new standards and changes to interpretations of existing standards which will come into force in the next financial year have not been applied in preparing the Group's financial reports for the 2015 financial year. None of these is expected to have any significant impact on the Group's financial reports.

IFRS 9 – Financial Instruments

The categories for financial assets in IAS 39 are replaced by two categories in which valuation is at fair value or amortised cost. The majority of the rules for classification and valuation of financial liabilities coincide with the previous rules in IAS 39. IFRS 9 will enter into force on 1 January 2018, assuming that it is adopted by the EU. The standard is expected to be adopted by the EU during the second half of 2016.

IFRS 15 Revenue from Contracts with Customers

The standard contains new principles for recognition of revenue and also includes stricter requirements for disclosures. IFRS 15 will enter into force on 1 January 2018, assuming that it is adopted by the EU. The EU is expected to adopt the standard during the second half of 2016.

IFRS 16 Leases

For lessees, IFRS 16 means that the current division into operating and financial leasing disappears and is replaced with a model in which assets and liabilities for all leases must be recognised in the balance sheet. Leases with a low value and leases with a term of no more than 12 months are excluded from the requirement for recognition in the balance sheet. Depreciation/amortisation must be recognised in the income statement separately from interest expenses attributable to the lease liability. It is not yet known when this will be adopted by the EU. The standard will enter into force on 1 January 2019, assuming that it is adopted by the EU.

IAS 7 Statement of Cash Flows

The change involves certain disclosures relating to changes in liabilities that are attributable to financing activities under IAS 7. The change must be applied as from 1 January 2017, assuming that it is adopted by the EU. The EU is expected to adopt the standard during the fourth quarter of 2016.

None of the other IFRS or IFRIC interpretations that have not yet entered into force are expected to have any significant impact on the Group.

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 are expected to be recovered or paid for more than 12 months after the closing date. Current assets and current liabilities including any relevant provisions and allocations are items that are expected to be recovered or paid for within 12 months after the closing date. Any deviations from this principle are explained in the notes to the relevant items.

Consolidated financial statements

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

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

Items included in the financial statements for the different units in the NIBE Group are valued in the currency of the primary economic environment in which the company operates (functional currency). In the consolidated financial statements, the

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

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

In the preparation of the consolidated balance sheet, untaxed reserves have been divided into a portion recognised as a deferred tax liability under the heading 'Non-current liabilities and provisions', and a residual portion which is recognised under profit 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 country. The necessary provisions have been made for internal profits.

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

Associates and joint ventures

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

Group contributions are recognised in accordance with the alternative rule in RFR2. Under the alternative rule, a group contribution that a parent receives from a subsidiary is recognised as an appropriation in the parent. A group contribution made by the parent is recognised as an appropriation. A shareholders' contribution made to a subsidiary is recognised as an increase in shares in the subsidiary. The value is then reviewed to establish whether or not impairment is required.

Statement of cash flows

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

Revenue recognition

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

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

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

Segment reporting

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

Transactions with related parties

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

Other operating income

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

Accounting of income tax

Income tax accounting has been carried out using IAS 12.

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

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

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

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

Currency hedging

The NIBE Group applies IAS 39, Financial Instruments, in the hedge accounting of currency forward contracts. The application of this standard means, among other things, that derivatives in the form of forward contracts are recognised at fair value in the balance sheet, both initially and after subsequent remeasurement. To fulfil the requirements for hedge accounting, there is a clear link between the derivative and the hedged items. In addition, calculations of effectiveness and all hedging conditions are documented in accordance with the requirements set out in 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. Ineffective portions are expensed immediately. For further information on currency derivatives, please see the section on 'Transaction risks' in Note 7 'Financial instruments and financial risk management'.

Price hedging

The NIBE Group applies IAS 39, Financial Instruments, in the hedge accounting of raw materials forward contracts. The application of this recommendation involves, among other things, recognising derivatives in the form of forward contracts 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, please see Note 7 'Financial instruments and financial risk management' under the section on 'Hedge accounting'.

Hedging of net investment

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

Interest rate risk hedging

In order to hedge the risk of change in the fair value of a bond issued with a fixed interest rate, the NIBE Group has made an interest swap via which the Group receives fixed-rate interest and pays variable-rate interest. The Group applies hedge accounting to the swap. The swap has thus been identified as a hedging instrument in a fair value hedge. The swap is recognised at fair value in the balance sheet. At the same time, the hedged item (the bond) is revalued at fair value in relation to the hedged risk. Changes in value of both the interest swap and the hedged item are recognised in net financial items. For further information on interest rate hedging, please see Note 7 'Financial instruments and financial risk management'.

Leasing

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

Goodwill and trademarks

Goodwill and Group surpluses in trademarks have arisen in connection with the acquisition of business operations. Trademarks are measured at fair value on the acquisition date. The period of use of the trademarks cannot be estimated with certainty, since it is dependent on a number of unknown factors such as technical developments and market trends. NIBE applies IFRS 38, 'Intangible Assets', which means that goodwill and assets with an indeterminate period of use are not amortised. An impairment test is, however, carried out annually, or more frequently if there are indications that an impairment need may exist, in accordance with IAS 36, in which the Group's carrying amounts on these assets are compared with the assets' estimated value in use based on their discounted future cash flows. The assets are valued by segment, i.e. by business area, which involves calculating future cash flows from each segment as a cash-generating unit. When the value in use is less than the carrying amount, the carrying amount is impaired to the level of the value in use. Accordingly, the assets are recognised at cost less accumulated impairment.

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

– The organic sales growth for years 2–5 can be estimated with some degree of caution

on the basis of the Group's historical experience. For subsequent years, a lower growth rate has been assumed, equivalent to the estimated long-term growth rate for the sector.

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

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

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

Other intangible assets and property plant and equipment

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

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

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

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

Research and development costs

Expenditure on research activities is written off as it arises.

The NIBE Group incurs expenditure for product development within every business area. During the development phase, a number of criteria are used for recognising development projects as intangible assets. The expenditure is capitalised where it is technically possible and the intention is to complete the asset either for use or sale, where the asset is expected to generate future economic benefits, where it is financially possible to complete the asset, and the cost of the asset can be measured reliably. The expenditure is capitalised from the date on which all the above criteria are met.

Other development expenditure which does not meet these conditions is recognised as an expense as it arises. Development expenditure which has previously been expensed is not recognised as an asset in a subsequent period.

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

Inventories

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

Financial instruments

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

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

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

NIBE recognises currency derivatives, interest rate derivatives, raw material derivatives and investments of excess liquidity in listed securities at fair value in the annual report.

When the fair value of an asset or liability is determined, the Group uses observ-

able data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on inputs used in the valuation method as follows:

Level 1: according to prices quoted on an active market for identical instruments

Level 2: based on directly or indirectly observable market data that is not included in level 1

Level 3: based on input that is not observable in the market

Valuation of listed securities is done according to level 1 while valuation of currency derivatives, interest rate derivatives and raw material derivatives is done according to level 2.

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

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

Loans receivable and accounts receivable

Loans receivable and accounts receivable are non-derivative financial assets. They have fixed or determinable payments and are not quoted on an active market. They are included in current assets with the exception of items with a due date more than 12 months after the balance sheet date, which are classified as non-current assets. Accounts receivable are recognised at the amount which is expected to be received after the deduction of uncertain receivables, assessed individually. The expected term of accounts receivable is short, for which reason the value is recognised as the nominal amount without discounting. A provision for impairment of accounts receivable is made when there is objective evidence that the Group will not receive the full amount due under the original terms of the receivable. Significant financial difficulties on the part of the debtor, the likelihood that the debtor will go into liquidation or undergo financial reconstruction, as well as missed or delayed payments, are to be treated as indicators that an account receivable may have an impairment requirement.

Financial assets available for sale

Non-derivative financial assets, where the asset is identified as available for sale or not classified in any of the other categories, are included in the category of financial assets available for sale. Assets in this category are measured continuously at fair value with fair value changes recognised in other comprehensive income to the extent that they do not involve an impairment that is assessed as significant or long-term. NIBE holds financial assets classified as financial assets available for sale. The assets in this category consist of unlisted shares, the fair value of which cannot be determined with sufficient reliability. For that reason, they are valued at cost less any impairment applied.

Financial assets measured at fair value through profit or loss

This category consists of two sub-categories: financial assets held for trading and other financial assets that the company initially placed in this category (according to the fair value option). Financial instruments in this category are valued on an ongoing basis at fair value with changes in value recognised in profit or loss. The first sub-group includes derivatives with positive fair value, excluding derivatives that are identified, effective hedging instruments and investments of excess liquidity in listed securities.

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. Financial liabilities are subsequently measured at amortised cost, and any difference between amount received and repayment amount is recognised in the income statement allocated over the term of the loan, using the effective interest method. Non-current liabilities have an expected term which is longer than one year, while current liabilities have an expected term of a maximum of one year. Accounts payable and other operating liabilities which have a short expected term are, therefore, normally recognised at nominal value.

Financial liabilities measured at fair value through profit or loss

This category consists of two sub-categories: financial liabilities held for trading and other financial liabilities that the company placed in this category (the fair value option); see the description above under "Financial assets measured at fair value through profit or loss". The first category includes Group derivatives with negative fair value, excluding derivatives that are identified, effective hedging instruments. Changes in fair value are recognised in profit or loss.

Receivables and liabilities in foreign currency

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

Impairment of non-financial assets

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

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

Equity

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

Provisions

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

Defined benefit pensions

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

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

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

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

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

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

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

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

The tax on returns from pension funds is recognised on a current basis in profit or loss for the period to which the tax relates, and, for that reason, is not included in the liability calculation. With funded plans, the tax is charged to the return on plan assets and is recognised in other comprehensive income. For unfunded or partially unfunded 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 17.

Provisions

Further information in respect of provisions for the year for the guarantee risk reserve is shown in Note 27. 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. Additional information, including a sensitivity analysis, is contained in Note 26.

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, as a result, the NIBE Group's performance.

Note 3

INFORMATION ABOUT THE BUSINESS AREAS

(in millions of SEK)	ENERGY SYSTEMS		ELEMENT		STOVES		ELIMINATIONS		TOTAL	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Sales										
Total net sales	9,326	7,642	4,497	3,830	1,795	1,630	- 2,375	- 2,069	13,243	11,033
Internal net sales	- 1,295	- 1,135	- 739	- 637	- 143	- 147	2,177	1,919	-	-
External net sales	8,031	6,507	3,758	3,193	1,652	1,483	- 198	- 150	13,243	11,033
Earnings										
Profit per business area	1,209	984	342	280	206	180	-	-	1,757	1,444
Unallocated costs									- 57	- 59
Operating profit									1,700	1,385
Financial income									57	101
Financial expenses									- 143	- 194
Tax for the year									- 377	- 310
Net profit for the year									1,237	982
Other information										
Assets	13,107	12,512	3,360	3,122	1,814	1,768	- 10,834	- 10,491	7,447	6,911
Unallocated assets									11,157	11,199
Total assets									18,604	18,110
Liabilities	1,468	1,361	738	632	265	249	- 182	- 393	2,289	1,849
Unallocated liabilities									8,887	9,701
Total liabilities									11,176	11,550
Investments	232	208	118	87	34	18				
Depreciation	311	249	114	98	56	55				

SEK 2,062 million (SEK 1,771 million) of consolidated net sales relate to customers in the Swedish market. Of the Group's non-current assets, SEK 907 million (SEK 781 million) are located in Sweden. Unallocated costs refer primarily to the cost of acquisitions and to Group-wide costs in the parent. The parent's sales refer in their entirety to sales to Group companies.

Note 4

INCOME STATEMENT CLASSIFIED BY TYPE OF COST

(in millions of SEK)	Group		Parent	
	2015	2014	2015	2014
Net sales	13,243	11,033	8	7
Change in inventories	- 58	82	-	-
Other operating income	127	142	-	-
	13,312	11,257	8	7
Raw materials and consumables	- 5,416	- 4,605	-	-
Other external costs	- 2,496	- 2,114	- 46	- 29
Personnel costs	- 3,220	- 2,751	- 24	- 22
Depreciation	- 480	- 402	-	-
Operating profit	1,700	1,385	- 62	- 44

Note 5

REMUNERATION OF AUDITORS

Group (in millions of SEK)	2015			2014		
	KPMG	Other auditors	Total Group	KPMG	Other auditors	Total Group
Audit assignments	8	1	9	7	2	9
Other audit-related fees	2	-	2	1	1	2
Tax advice	1	2	3	1	1	2
Other services	2	5	7	2	2	4
Total	13	8	21	11	6	17

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

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

Salaries and other remuneration

(in millions of SEK)	2015	2014
Parent	15	14
Subsidiaries	2,564	2,209
Group total	2,579	2,223

(in millions of SEK)	2015		2014	
	Social security contributions	of which pension expenses	Social security contributions	of which pension expenses
Parent	9	3	8	3
Subsidiaries	529	126	478	127
Group total	538	129	486	130

SEK 1 million (SEK 1 million) of the parent's pension costs relate to the CEO.

The parent's outstanding pension obligations for the Board of Directors and the CEO amount to SEK 5 million (SEK 3 million). The corresponding amount for the Group is SEK 5 million (SEK 6 million). The Group's outstanding pension obligations for the previous Board of Directors and CEO amount to SEK 1 million (SEK 1 million).

Board and senior executives

(in thousands of SEK)	2015		2014	
	Salaries and other remuneration	Retirement benefit contrib.	Salaries and other remuneration	Retirement benefit contrib.
Hans Linnarson, Chair	450	-	225	-
Arvid Gierow	-	-	450	-
Helene Richmond	225	-	-	-
Georg Brunstam	225	-	225	-
Eva-Lotta Kraft	225	-	225	-
Anders Pålsson	225	-	225	-
Gerteric Lindquist, CEO	4,100	959	3,794	950
Other senior executives 4 (4) individuals	12,987	3,769	11,252	3,478
Group total	18,437	4,728	16,396	4,428

Principles for remuneration and other terms of employment for senior executives

In accordance with the resolution adopted by the Annual General Meeting, the following principles applied during 2015 and the Board proposes that the same principles continue to apply for 2016.

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

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

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

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

All senior management personnel shall have pension benefits corresponding to the ITP occupational pension plan, section 2, up to 30 basic amounts for social security purposes. For portions of salary above this, a premium of a fixed 30% is payable in accordance with the principles in the defined contribution ITP plan, section 1. There shall be no special agreements for senior management personnel to retire before reaching the official retirement age while still receiving a certain proportion of their salaries.

As an incentive, senior executives will be entitled to a variable 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 is used to purchase NIBE shares. A further condition for entitlement to receive this additional month's remuneration is that the shares thus purchased are retained for at least three years. Under normal circumstances, shares acquired in this way shall be purchased on one occasion each year in February/March and the purchase shall be subject to the relevant insider trading regulations. The CEO shall not participate in any incentive programme.

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

Agreement on severance pay

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

Pensions

The MD/CEO has an individual pension insurance arrangement that corresponds to ITP, section 2 (supplementary pensions for salaried employees). For 2015, the premium corresponded to 18% of salary up to 30 income base amounts (a statistical amount used in Sweden for calculating benefits, etc.). For salary to the MD/CEO paid in excess of this, a premium payment of 30% was made that corresponds to the defined contribution ITP plan, section 1. Other senior executives in the Group have retirement benefits that correspond to the ITP plan, section 2, for that portion of their salary up to 30 income base amounts. For salary in excess of this, a premium of 30% is paid in accordance with the defined contribution ITP plan, section 1. An exception is made in the case of the director of one of the business areas, who, in his capacity as Managing Director, has an individual pension arrangement with premiums that correspond to those of other senior executives.

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

	2015		2014	
	Number	Of which men	Number	Of which men
Board of Directors	6	4	6	5
Senior management team				
Parent	2	2	2	2
Subsidiaries	3	3	3	3
Group	5	5	5	5

Note 7

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

(in millions of SEK)	2015		2014	
	Board, CEO and senior executives	Other employees	Board, CEO and senior executives	Other employees
Parent	10	6	9	6
Subsidiaries in Sweden	8	439	7	429
Norway	–	127	–	131
Finland	–	148	–	145
Denmark ¹⁾ (2 and 2)	–	328	–	310
France	–	23	–	20
Germany ¹⁾ (1 and 1)	–	179	–	201
Poland ¹⁾ (0 and 1)	–	152	–	139
Czech Republic ¹⁾ (1 and 0)	–	70	–	60
Italy	–	11	–	10
The Netherlands	–	25	–	27
Belgium	–	2	–	2
UK ¹⁾ (5 and 3)	–	130	–	99
Spain	–	19	–	15
Russia	–	12	–	14
Austria	–	24	–	23
Switzerland ¹⁾ (1 and 2)	–	380	–	311
China	–	90	–	67
Malaysia	–	1	–	–
Australia	–	6	–	2
Mexico	–	124	–	111
USA ¹⁾ (3 and 1)	–	266	–	87
Group total	18	2,562	16	2,209

¹⁾ (of which bonus in millions of SEK)

Average number of employees and gender distribution

	2015		2014	
	Number of employees	Of which men	Number of employees	Of which men
Parent	9	5	8	5
Subsidiaries in Sweden	1,207	1,000	1,189	973
Norway	216	176	218	176
Finland	428	339	438	326
Denmark	576	429	556	405
France	48	38	44	34
Germany	493	415	507	427
Poland	1,917	806	1,892	974
Czech Republic	649	356	605	356
Italy	40	24	38	22
The Netherlands	52	43	50	40
Belgium	1	1	2	2
UK	359	275	341	255
Spain	63	45	54	40
Russia	157	110	165	113
Austria	46	33	44	32
Switzerland	485	388	476	381
China	956	509	905	496
Malaysia	19	6	2	1
Australia	19	9	7	4
Mexico	2,231	991	2,011	851
USA	574	382	174	105
Group total	10,545	6,380	9,726	6,018

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Credit risks

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

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

Overdue accounts receivable

(in millions of SEK)	2015	2014
Accounts receivable, wholly or partly impaired		
– overdue by less than 3 months	41	67
– overdue by more than 3 months	38	40
Accounts receivable which have not been impaired		
– overdue by less than 3 months	279	280
– overdue by more than 3 months	35	46
Total overdue accounts receivable	393	433
Provision for bad debt losses	– 47	– 49
Total accounts receivable overdue but not impaired	346	384

Provision for bad debt losses

(in millions of SEK)	2015	2014
Provisions brought forward	49	49
Provisions in acquired companies	–	4
Established bad debt losses	– 11	– 8
Reversed provisions	– 3	– 10
Provisions for the year	14	13
Translation differences	– 2	1
Provisions carried forward	47	49

Profit for the year has been charged with SEK 16 million (SEK 9 million) in respect of bad debt losses which have arisen in the Group's receivables. Since the Group is a net borrower from the bank, the credit risk in respect of the Group's bank balances is insignificant.

Currency risks

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

Transaction risks

The term 'transaction risks' refers to the risk of exchange losses on operating business transactions in foreign currency through, for example, an account receivable in a foreign currency falling in value as a result of fluctuations in the exchange rate in that currency. As part of the Group's currency hedging policy, operating sales and purchases which take place in foreign currencies or are linked to changes in foreign currencies, must be hedged under a rolling 12-month plan within the range 60–100% of the estimated flow. The degree of hedging of future flows determines where in the range the figure is to lie. During 2015 the Group's flows in foreign currencies were as shown below. The term 'flow' refers to flows in currencies other than local currency. The term 'weakening' refers to an unhedged fall in the value of the Swedish krona.

Currency	Group		Parent	
	Net flow in (+) / out (-)	Weakening by 1%	Net flow in (+) / out (-)	Weakening by 1%
CHF	24	-	-1	-
CZK	-5	-	-	-
DKK	22	-	-	-
EUR	140	1	-3	-
GBP	145	1	-	-
CNY	-1	-	-	-
HKD	-10	-	-	-
JPY	-13	-	-	-
MXN	-216	-2	-	-
NOK	136	1	-	-
PLN	-98	-1	-	-
RUB	6	-	-	-
USD	115	1	-1	-
Total	245		-5	

At the end of 2015, the Group had outstanding currency forward contracts in accordance with the table below. The total value of the contracts (calculated as the net value of purchase and selling contracts in each currency) translated to SEK at the closing day rate amounts to SEK 258 million (SEK 105 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 day rate at the end of 2015 represents an unrealised exchange loss of SEK 12 million.

The item 'Other receivables' in the consolidated balance sheet includes derivatives with positive fair values of SEK 8 million (SEK 0 million). The item 'Other liabilities' includes derivatives with negative fair values of SEK 21 million (SEK 15 million).

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

Currency	Flow Q1	Flow Q2	Flow Q3	Flow Q4	Average forward rate	Closing day rate	Unrealised gain/loss 31 Dec 2015	Unrealised gain/loss 31 Dec 2014
DKK	2	2	-	-	1.26	1.22	-	-1
EUR	4	2	5	4	9.24	9.14	1	-5
GBP	-25	1	-	-	12.76	12.38	-9	-2
JPY	-	76	132	-195	0.07	0.07	-	-
NOK	4	-	-	-	1.02	0.96	-	1
PLN	-1	-2	-3	-2	2.20	2.15	-	-
SEK	-	-1	-1	-1	1.01	1.00	-	-
USD	-1	-	-1	1	7.44	8.35	1	2
MXN	-47	-42	-33	-20	0.52	0.48	-5	-12
Total							-12	-17
Of which taken to income against invoices on the closing date							1	-2
Of which recognised in other comprehensive income on the closing date							-13	-15

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 to Swedish krona, the Group's presentation currency. To minimise translation risks, assets are financed, where possible, in the same currency; this means that changes in exchange rates on the borrowings are recognised in other comprehensive income. At the end of 2015, 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	2015
CHF	4,505	-891	3,614
CZK	360	-67	293
DKK	895	-105	790
EUR	1,031	-38	993
GBP	852	-565	287
HKD	54	-	54
MYR	2	-	2
MXN	96	-	96
NOK	470	-93	377
PLN	387	-	387
RUB	91	-	91
USD	2,285	-492	1,793
Total	11,028	-2,251	8,777

If the Swedish krona falls in value by 1% against the named currencies, this means that the Group's equity is strengthened by SEK 88 million (SEK 51 million). If the Swedish krona rises in value by 1% against the named currencies, the reverse applies. Without currency hedging through financing in the same currency, the corresponding amount would have been SEK 110 million (SEK 100 million).

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

Gains and losses on financial instruments

(in millions of SEK)	Group		Parent	
	2015	2014	2015	2014
Exchange gains and exchange losses on currency derivatives used for hedge accounting				
- recognised in profit or loss	- 24	- 5	-	-
- recog. in other compreh. income	3	- 11	- 9	-
Gains and losses on raw materials derivatives used in hedge accounting				
- recognised in profit or loss	- 11	2	-	-
- recog. in other compreh. income	- 5	- 2	-	-
Exchange gains and exchange losses in other financial assets and liabilities	26	- 20	24	- 15
Change in value, bond loans	- 2	-	- 2	-
Change in value, interest swap	6	-	6	-
Bad debt losses on acc. receivable	- 16	- 9	-	-
Total	- 23	- 45	19	- 15

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

Fair value of financial instruments

Fair value may deviate from carrying amount, partly as a consequence of changes in market interest rates. Since all borrowing on the reporting date is at variable interest rates, fair value is assessed as the same as the carrying amount for the Group's financial liabilities. Fair value is assessed as the same as the carrying amount for non-interest-bearing assets and liabilities such as accounts receivable and accounts payable. No instruments were offset in the balance sheet. All instruments are recognised at their gross value. For a detailed account of the measurement process, see Note 2. In respect of other financial assets and liabilities in the Group, the carrying amounts represent a reasonable approximation of their fair value.

Assets 31 Dec 2015 (in millions of SEK)	Loan receivables and accounts receivable	Assets held for sale	Assets available for sale	Derivatives measured at fair value	Non-financial assets	Total carrying amount	Fair value
Intangible assets	-	-	-	-	10,209	10,209	
Property, plant and equipment	-	-	-	-	2,117	2,117	
Shares in associates	-	-	-	-	10	10	
Securities held as non-current assets	-	-	6	-	-	6	6
Deferred tax assets	-	-	-	-	428	428	
Other long-term receivables	18	-	-	5	-	23	23
Inventories	-	-	-	-	2,115	2,115	
Accounts receivable	1,627	-	-	-	-	1,627	1,627
Tax assets	-	-	-	-	77	77	
Other receivables	82	-	-	8	-	90	90
Prepaid expenses and accrued income	-	-	-	-	107	107	
Investments in securities, etc.	-	347	-	-	-	347	347
Cash and equivalents	1,448	-	-	-	-	1,448	1,448
Total assets	3,175	347	6	13	15,063	18,604	

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

The parent's risk consists of the risk of exchange rate fluctuations on loans and provisions in foreign currency for the acquisition of foreign subsidiaries. Exchange rate fluctuations on these are recognised directly in other comprehensive income. At the end of the year, the parent had loans and provisions in foreign currency as listed below.

Currency	2015	2014
CHF	817	2,482
CZK	67	126
DKK	105	168
EUR	39	76
GBP	565	517
NOK	93	78
USD	492	1,377
Total	2,178	4,824

If the Swedish krona rises in value by 1% against the named currencies, this means that the parent's equity is strengthened by SEK 22 million (SEK 48 million). If the Swedish krona falls in value by 1% against the named currencies, the reverse applies.

Equity and liabilities 31 Dec 2015 (in millions of SEK)	Financial liabilities valued at accrued cost	Derivatives used for hedge accounting	Non-financial items	Total carry- ing amount	Fair value
Equity	-	-	7,428	7,428	
Provisions	-	-	1,912	1,912	
Non-current liabilities*	6,811	-	-	6,811	6,811
Current liabilities to credit institutions	164	-	-	164	164
Accounts payable	835	-	-	835	835
Advance payments from customers	18	-	-	18	18
Tax liabilities	-	-	91	91	
Other liabilities	584	29	-	613	613
Accrued expenses and deferred income	732	-	-	732	732
Total equity and liabilities	9,144	29	9,431	18,604	

* of which SEK 2,169 million refers to loans in foreign currencies to hedge net investment in foreign operations.

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

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

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 apart from bonds is at variable interest, the Group is exposed only to cash flow risk in respect of financial borrowing. The interest rate on the Group's only bond has been swapped from fixed to variable, which means that this is also exposed to cash flow risk.

The Group's interest-bearing liabilities at year-end amounted to SEK 7,282 million. The average interest rate was 1.4%. A change in the interest rate of 1% on constant liabilities would have an impact on Group profit of SEK 73 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 year-end amounted to SEK 5,755 million. A change in the interest rate of 1% on constant liabilities would affect parent profit by SEK 58 million.

Hedge accounting

During 2015, 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.
- The bond interest rate has been swapped from fixed to variable. The swap is a fair value hedge, and the fair value on the balance sheet date was SEK 5 million.
- Price hedging of raw materials through raw materials derivatives. See Note 2 for details. At the end of 2015, outstanding contracts maturing in Q1 2016 totalled SEK 24 million, with SEK 8 million in unrealised losses that are recognised among other liabilities.
- Hedge accounting through financing net investments in foreign operations in foreign currency: this means that exchange rate fluctuations on such loan liabilities are recognised directly in other comprehensive income, provided that there is a net asset in the consolidated balance sheet to hedge.

For information on the amounts recognised in other comprehensive income, see the income statements on pages 54 and 62.

Capital risk

The term 'capital risk' refers to the risk that the Group's ability to continue its business operations may be inhibited due to a shortage of capital. The

Group assesses the day-to-day risk on the basis of the equity/assets ratio, calculated as recognised equity as a percentage of total assets. The target is that the equity/assets ratio should not fall below 30%. Over the most recent five-year period, the equity/assets ratio has averaged 39.6%. The Group has the ability to counteract any shortage of capital through new issues or reductions in dividends. Capital is defined in the NIBE Group as total equity as recognised in the balance sheet (see pages 58 and 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 terms.

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 market. The amounts given in the table are the contractual undiscounted cash flows.

Due date structure of financial liabilities

(in millions of SEK)	Group		Parent	
	2015	2014	2015	2014
< 1 year	2,576	2,346	562	452
1 – 2 years	3,524	5,924	2,566	4,893
3 – 4 years	3,272	1,233	3,283	1,237
5 – 6 years	48	84	-	-
Total	9,420	9,587	6,411	6,582

The above cash flows are based on average interest rates on interest-bearing liabilities for 2015 and 2014 respectively. The effect of a change in interest rates is described above under the heading Interest rate risks.

Note 8

LEASING

During the year, Group expenses relating to finance leases totalled SEK 1 million (SEK 1 million). Leasing charges amounting to SEK 124 million (SEK 113 million) in respect of operating leases in the Group were expensed. The parent has no leases. The value of the Group's agreed future leasing charges, relating to leases for which the remaining term exceeds one year, is distributed as follows:

(in millions of SEK)	Finance leases			Operating leases
	Pay-ments	Interest	Present value	Nominal value
Due for payment within 1 year	1	-	1	97
Due for payment within 2 - 5 years	3	-	3	215
Due for payment with-in 6 years or more	-	-	-	95
Total	4	-	4	407

Non-current assets held through finance leases

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

Note 9

RESEARCH AND DEVELOPMENT COSTS

A total of SEK 350 million (SEK 278 million) is included under the heading 'Cost of goods sold' to cover the cost of research and development.

Note 10

OTHER OPERATING INCOME

(in millions of SEK)	Group		Parent	
	2015	2014	2015	2014
Profit on sale of non-current assets	3	21	-	-
Exchange gains	79	58	-	-
Reduced additional con-siderations	-	11	-	-
Other	45	52	-	-
Total	127	142	-	-

Note 11

PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

(in millions of SEK)	Group		Parent	
	2015	2014	2015	2014
Dividend	-	-	853	924
Capital gains	-	-	-	51
Impairment of participa-tions in subsidiaries	-	-	- 10	- 29
Total	-	-	843	946

Note 12

FINANCIAL INCOME

(in millions of SEK)	Group		Parent	
	2015	2014	2015	2014
Interest income, Group companies	-	-	20	15
Interest income, other	5	8	1	3
Exchange gains	42	91	68	154
Other financial income	6	-	4	-
Total	53	99	93	172

Note 13

FINANCIAL EXPENSES

(in millions of SEK)	Group		Parent	
	2015	2014	2015	2014
Interest expense, Group companies	-	-	1	2
Interest expense, other	109	85	82	67
Exchange losses	30	107	44	169
Other financial expense	4	2	-	-
Total	143	194	127	238

Note 14

APPROPRIATIONS

(in millions of SEK)	Group		Parent	
	2015	2014	2015	2014
Group contributions received	-	-	119	106

Note 15

TAX

(in millions of SEK)	Group		Parent	
	2015	2014	2015	2014
Current tax for the year	424	324	6	-
Current tax attributable to preceding years	1	-2	-	-
Deferred tax	-48	-12	-	-
Total	377	310	6	-

Tax in respect of items recognised in other comprehensive income

(in millions of SEK)	Group		Parent	
	2015	2014	2015	2014
Defined-benefit pensions	-2	-26	-	-
Market valuation of currency forward contracts	2	-5	-2	-
Market valuation of raw materials forward contracts	-1	-1	-	-
Currency hedge	-82	-102	-81	-101
Total	-83	-134	-83	-101

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

(in millions of SEK)	Group		Parent	
	2015	2014	2015	2014
Pre-tax profit	1,614	1,292	868	943
Tax at current rate	355	284	191	208
Non-deductible expenses	28	27	3	7
Non-taxable earnings	-25	-21	-	-11
Dividends from subsidiaries	-	-	-188	-204
Adjusted tax for preceding years	1	-2	-	-
Deficit deductions not carried forward	2	5	-	-
Change in tax rate for deferred tax	-8	-	-	-
Effect of foreign tax rates	24	17	-	-
Recognised tax expense	377	310	6	-

Tax rate

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

Due dates for deficit deductions which have not been brought forward

Accumulated deficit deduction which is not offset by recognised deferred tax assets amounted to SEK 259 million (SEK 245 million) for the Group. The due dates for deficit deductions are within the following intervals:

(in millions of SEK)	Group	
	2015	2014
Due for payment within 1 – 5 years	29	41
Due for payment within 6 – 10 years	84	102
Due for payment in 10 years or more	12	19
No due date	134	83
Total	259	245

Temporary differences

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

Deferred tax assets

(in millions of SEK)	Group		Parent	
	2015	2014	2015	2014
Deficit deductions	21	20	-	-
Hedging net investment in foreign operations	142	60	141	60
Provisions for pension obligations	62	58	-	-
Provisions for guarantee obligations	122	90	-	-
Other	81	84	3	1
Total	428	312	144	61

(in millions of SEK)	Deficit deduction	Hedging of net investments in foreign operations	Provisions for pension obligations	Provisions for guarantee obligations	Other	Total
Amount at start of year	20	60	58	90	84	312
Recognised as income	3	-	-1	27	-6	23
Recognised in other comprehensive income	-	82	2	-	-	84
Translation difference	-2	-	3	5	3	9
Amount at year-end	21	142	62	122	81	428

Deferred tax liabilities

(in millions of SEK)	Group		Parent	
	2015	2014	2015	2014
Untaxed reserves	33	33	-	-
Temporary differences in non-current assets	782	768	-	-
Other	34	29	-	-
Total	849	830	-	-

(in millions of SEK)	Untaxed reserves	Temporary differences in non-current assets	Other	Total
Amount at start of year	33	768	29	830
Recognised as income	-	-28	3	-25
Recognised in other comprehensive income	-	-	1	1
Translation difference	-	42	1	43
Amount at year-end	33	782	34	849

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

Note 16

MARKET POSITIONS

(in millions of SEK)	Group	
	2015	2014
Cost		
Opening cost	1,411	965
Investment for the year	11	314
Translation differences	77	132
Closing accumulated cost	1,499	1,411
Amortisation		
Opening amortisation	258	161
Amortisation for the year	122	81
Translation differences	7	16
Closing accumulated amortisation	387	258
Closing carrying amount	1,112	1,153

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 17

GOODWILL AND TRADEMARKS

Brands and trademarks (in millions of SEK)	Group	
	2015	2014
Cost		
Opening cost	1,177	648
Cost in acquired companies	–	1
Investment for the year	–	417
Translation differences	60	111
Closing accumulated cost	1,237	1,177
Carrying amount per business area		
NIBE Energy Systems	1,133	1,072
NIBE Element	24	25
NIBE Stoves	80	80
Total	1,237	1,177

Goodwill (in millions of SEK)	Group	
	2015	2014
Cost		
Opening cost	7,179	4,534
Cost in acquired companies	–	8
Investment for the year	137	1,997
Translation differences	305	640
Closing accumulated cost	7,621	7,179
Amortisation		
Opening amortisation	84	80
Translation differences	–2	4
Closing accumulated amortisation	82	84
Closing carrying amount	7,539	7,095
Carrying amount per business area		
NIBE Energy Systems	5,999	5,662
NIBE Element	1,082	962
NIBE Stoves	458	471
Total	7,539	7,095

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 2015 (2014)

Assumptions	Cash-generating unit		
	NIBE Energy Systems	NIBE Element	NIBE Stoves
Growth rate, years 2-5, %	5.0 (5.0)	5.0 (5.0)	5.0 (5.0)
Growth rate, year 6 and later, %	2.0 (2.0)	2.0 (2.0)	2.0 (2.0)
Working capital requirement for organic growth, %	13.0 (15.0)	15.0 (18.0)	18.0 (18.0)
Discount rate before tax, %	6.4 (6.7)	7.1 (7.1)	7.1 (6.9)

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

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

Sensitivity analysis

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

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

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

Note 18

OTHER INTANGIBLE ASSETS

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

(in millions of SEK)	Group	
	2015	2014
Cost		
Opening cost	587	459
Cost in acquired companies	-	13
Investment for the year	84	97
Sales and retirements	-3	-14
Reclassifications	4	5
Translation differences	1	27
Closing accumulated cost	673	587
Amortisation		
Opening amortisation	278	208
Sales and retirements	-2	-13
Amortisation for the year	79	71
Reclassifications	-1	2
Translation differences	-5	10
Closing accumulated amortisation	349	278
Impairment		
Opening impairment	3	3
Closing accumulated impairment	3	3
Closing carrying amount	321	306

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

(in millions of SEK)	Group	
	2015	2014
Cost of goods sold	70	58
Selling expenses	1	1
Administrative expenses	8	12
Total	79	71

Note 19

LAND AND BUILDINGS

(in millions of SEK)	Group	
	2015	2014
Cost		
Opening cost	1,777	1,605
Cost in acquired companies	3	62
Investment for the year	31	45
Sales and retirements	-1	-15
Reclassifications	4	8
Translation differences	-16	72
Closing accumulated cost	1,798	1,777
Amortisation		
Opening amortisation	559	489
Amortisation for the year	62	57
Sales and retirements	-1	-2
Translation differences	-13	15
Closing accumulated amortisation	607	559
Closing carrying amount	1,191	1,218
of which, land	216	207
Closing carrying amount, land and buildings in Sweden	294	303

Note 20

MACHINERY AND EQUIPMENT

(in millions of SEK)	Group		Parent	
	2015	2014	2015	2014
Cost				
Opening cost	2,573	2,349	1	1
Cost in acquired companies	3	29	-	-
Investment for the year	206	171	-	-
Sales and retirements	-39	-100	-	-
Reclassifications	58	32	-	-
Translation differences	-53	92	-	-
Closing accumulated cost	2,748	2,573	1	1
Depreciation				
Opening depreciation	1,786	1,635	1	1
Sales and retirements	-33	-95	-	-
Depreciation for the year	217	194	-	-
Reclassifications	-	1	-	-
Translation differences	-50	51	-	-
Closing accumulated depreciation	1,920	1,786	1	1
Impairment				
Opening impairment	3	3	-	-
Closing accumulated impairment	3	3	-	-
Closing carrying amount	825	784	-	-

Note 21

CONSTRUCTION IN PROGRESS

(in millions of SEK)	Group	
	2015	2014
Cost		
Opening cost	76	62
Expenses during the year	88	52
Re-allocations during the year	-66	-41
Translation differences	3	3
Closing accumulated cost	101	76

Note 22

SHARES IN SUBSIDIARIES

	Prop. of equity	No. of shares	Carrying amount in millions of SEK	(in millions of SEK)	2015	2014
ABK AS	50%	250	177			
Akvaterm Oy	100%	2,000	65			
Backer BHV AB	100%	37,170	186			
Backer EHP Inc.	100%	100	217			
JSC Evan	100%	8,631	131			
Druzstevni z. Drazice - strojirna sro	100%	7	199			
Eltwin A/S	100%	500	132			
Jevi A/S	100%	1	30			
Kaukora Oy	100%	1,100	135			
Lotus Heating Systems A/S	100%	1,076,667	50			
Loval Oy	100%	768	40			
METRO THERM A/S	100%	3,400	181			
NIBE AB	100%	400,000	153			
NIBE Energy Systems France SAS	100%	100	3			
NIBE Energy Systems WFE AB	100%	100	1,033			
NIBE Treasury AB	100%	15,000	11			
Nordpeis AS	100%	12,100	142			
SAN Electro Heat A/S	100%	13	18			
Schulthess Group AG	100%	10,625,000	4,856			
Springfield Wire de Mexico, S.A. de C.V.	100%	10,000	42			
Stovax Heating Group Ltd	60%	119,340	495			
TermaTech A/S	100%	500	62			
Varde Ovne A/S	100%	4,009	31			
Wiegand, S.A. de C.V.	100%	15,845,989	21			
			8,410			
				(in millions of SEK)	2015	2014
				Cost		
				Opening cost	8,400	7,362
				Investment for the year	86	1,062
				Sales	-	- 13
				Reduced considerations	- 20	- 11
				Closing accumulated cost	8,466	8,400
				Impairment		
				Opening impairment	46	17
				Impairment for the year	10	29
				Closing accumulated impairment	56	46
				Closing carrying amount	8,410	8,354

Shares owned via subsidiaries	Proportion of capital	No. of shares	Shares owned via subsidiaries	Proportion of capital	No. of shares
ait-deutschland GmbH	100.00%		Backer Marathon Inc	100.00%	100
ait-värmeteknik-sverige AB	100.00%	1,000	Backer OBR Sp. z o.o.	100.00%	10,000
ait Schweiz AG	100.00%	250	Backer-Springfield Dongguan Co. Ltd	100.00%	
Alpha-InnoTec Sun GmbH	100.00%		Backer-Wilson Elements Pty Ltd	51.00%	
Askoma AG	100.00%	200,000	Backer Wolff GmbH	100.00%	
Askoma SDN BHD	100.00%	500,000	Danotherm Electric A/S	100.00%	1,000
Backer Alpe S. de R.L. de C.V.	100.00%		Eltwin Sp. z.o.o.	100.00%	100
Backer Calesco France SARL	100.00%	12,429	Enertech Global LLC	100.00%	
Backer ELC AG	100.00%	34,000	Gazco Ltd	100.00%	30,000
Backer Elektro CZ a.s.	100.00%		Heatrod Elements Ltd	100.00%	68,000
Backer-ELTOP s.r.o.	100.00%		Høiax AS	100.00%	1,000
Backer Facsa S.L.	100.00%	34,502	Hyper Engineering Pty Ltd	100.00%	25,000
Backer FER s.r.l.	100.00%		Hyper Technology and Trading Comp.	100.00%	1,000
Backer Heating Technologies Co. Ltd	100.00%		Innotek A/S	100.00%	10
Backer Heating Technologies Inc	100.00%	100	KKT Chillers Inc.	100.00%	1,000
			KNV Energietechnik GmbH	100.00%	
			KVM-Genvex A/S	100.00%	2,500
			Lund & Sørensen AB	100.00%	1,000
			Lund & Sørensen A/S	100.00%	500
			Lund & Sørensen Electric Heating Equipment Accessory Co Ltd	100.00%	
			Merker AG	100.00%	2,500
			METRO THERM AB	100.00%	1,000
			Meyer Vastus AB, Oy	100.00%	20
			Motron A/S	100.00%	1,000
			myUpTech AB	100.00%	1,000
			Naturenergi IWABO AB	100.00%	1,000
			NIBE Beteiligungsverwaltungs GmbH	100.00%	
			NIBE-BIAWAR Sp. z o.o.	100.00%	83,962
			NIBE Energietechnik B.V.	100.00%	180
			NIBE Energy Systems Inc	100.00%	100
			NIBE Energy Systems Ltd	100.00%	100
			NIBE Energy Systems Oy	100.00%	15
			NIBE Foyers France S.A.S.	100.00%	370
			NIBE Kamini LLC	100.00%	
			NIBE Systemtechnik GmbH	100.00%	
			Norske Backer AS	100.00%	12,000
			Northstar Poland Sp. z o.o.	100.00%	3,134
			RPN-Hall Oy	100.00%	1,000
			Schulthess Maschinen AG	100.00%	7,500
			Schulthess Maschinen GmbH	100.00%	
			Shel NIBE Manufacturing Co Ltd	100.00%	1,000
			Sinus-Jevi Electric Heating B.V.	100.00%	180
			Stovax Ltd	100.00%	190,347
			Stovax D1 Ltd	100.00%	1,000
			Stovax Group Ltd	100.00%	397,800
			Strukturgruppen AB	100.00%	1,000
			Termorad Sp.z.o.o	100.00%	80,000
			Vølund Varmeteknik A/S	100.00%	1,000
			WaterFurnace International Hong Kong Ltd	100.00%	27,300,000
			WaterFurnace Int. Asia Pacific	100.00%	50,000
			WaterFurnace International Inc.	100.00%	100
			WaterFurnace Renewable Energy Corp.	100.00%	14,666,765

Details of subsidiaries	Corporate ID	Registered office	Details of subsidiaries	Corporate ID	Registered office
ABK AS	959 651 094	Oslo, Norway	Meyer Vastus AB, Oy	0215219-8	Monninkylä, Finland
Akvaterm Oy	1712852-9	Kokkola, Finland	Motron A/S	26 41 80 97	Risskov, Denmark
ait-deutschland GmbH	HRB 2991	Bayreuth, Germany	myUpTech AB	556633-8140	Markaryd, Sweden
ait-värmeteknik-sverige AB	556936-5033	Helsingborg, Sweden	Naturenergi IWABO AB	556663-0355	Bollnäs, Sweden
ait Schweiz AG	CH-100 3 017 337-2	Altishofen, Switzerland	NIBE AB	556056-4485	Markaryd, Sweden
Alpha-InnoTec Sun GmbH	HRB 81 197	Saarbrücken, Germany	NIBE Beteiligungsver-waltungs GmbH	295717d	Vienna, Austria
Askoma AG	CHE 101 048 895	Thunstetten, Switzerland	NIBE-BIAWAR Sp. z o.o.	50042407	Bialystok, Poland
Askoma SDN BHD	489344-W	Johor Bahru, Malaysia	NIBE Energietechnik B.V.	20111793	Oosterhout, the Netherlands
Backer Alpe S. de R.L. de C.V.	BAL0805266BA	Mexico City, Mexico	NIBE Energy Systems Inc	99 03 68 191	Wilmington, USA
Backer BHV AB	556053-0569	Hässleholm, Sweden	NIBE Energy Systems Ltd	5764 775	Sheffield, UK
Backer Calesco France SARL	91379344781	Lyon, France	NIBE Energy Systems Oy	9314276	Helsinki, Finland
Backer EHP Inc	99-0367868	Elgin, USA	NIBE Energy Systems France SAS	501 594 220	Reyrieux, France
Backer ELC AG	CH-400 3 033 814-4	Aarau, Switzerland	NIBE Energy Systems WFE AB	556982-3262	Markaryd, Sweden
Backer Elektro CZ a.s.	60469617	Hlinsko, Czech Republic	NIBE Foyers France S.A.S.	491 434 965	Lyon, France
Backer-ELTOP s.r.o.	44795751	Miretice, Czech Republic	NIBE Kamini LLC	1105 0100 00303	Dubna, Russia
Backer Facsa S.L.	B-62.928.361	Aiguafreda, Spain	NIBE Systemtechnik GmbH	HRB 5879	Celle, Germany
Backer FER s.r.l.	REA: 173478	Sant 'Agostino, (Ferrara) Italy	NIBE Treasury AB	556108-0259	Markaryd, Sweden
Backer Heating Technologies Co. Ltd	440301503227017	Shenzhen, China	Nordpeis AS	957 329 330	Lierskogen, Norway
Backer Heating Technologies Inc	36-4044600	Chicago, USA	Norske Backer AS	919 799 064	Kongsvinger, Norway
Backer Marathon Inc	47-3075187	Del Rio, USA	Northstar Poland Sp. z o.o.	570844191	Trzcianka, Poland
Backer OBR Sp. z o.o.	8358936	Pyrzyce, Poland	RPN-Hall Oy	1712854-5	Kokkola, Finland
Backer-Springfield Dongguan Co. Ltd	441900400000302	Dongguan City, China	SAN Electro Heat A/S	42 16 59 13	Græsted, Denmark
Backer-Wilson Elements Pty Ltd	ACN 100 257 514	Burwood, Australia	Schulthess Group AG	CH-020 7 000 720-2	Zürich, Switzerland
Backer Wolff GmbH	HRB 27026	Dortmund, Germany	Schulthess Maschinen AG	CH-020 3 923 223-4	Zürich, Switzerland
Danotherm Electric A/S	10 12 60 61	Rødovre, Denmark	Schulthess Maschinen GmbH	FN 125340z	Vienna, Austria
DZD Strojírna s.r.o.	45148465	Benátky nad Jizerou, Czech Republic	Shel NIBE Manufacturing Co Ltd	866 531	Hong Kong, China
Eltwin A/S	13 99 24 44	Risskov, Denmark	Sinus-Jevi Electric Heating B.V.	37106129	Medemblik, the Netherlands
Eltwin Sp. z.o.o.	394767	Szczecin, Poland	Springfield Wire de Mexico S.A. de C.V.	SWM710722KW3	Nuevo Laredo, Mexico
Enertech Global LLC	45-2301710	Greenville, USA	Stovax Ltd	1572550	Exeter, UK
Gazco Ltd	2228846	Exeter, UK	Stovax D1 Ltd	4826958	Exeter, UK
Heatrod Elements Ltd	766 637	London, UK	Stovax Group Ltd	7127090	Exeter, UK
Høiax AS	936 030 327	Fredrikstad, Norway	Stovax Heating Group Ltd	8299613	Exeter, UK
Hyper Engineering Pty Ltd	ACN 148 010 520	Victoria, Australia	Structurgruppen AB	556627-5870	Kungsbacka, Sweden
Hyper Technology and Trading Comp.	1939789	Hong Kong, China	TermaTech A/S	27 24 52 77	Hasselager, Denmark
Innotek A/S	27 23 99 86	Kolding, Denmark	Termorad SP.z.o.o	0000542990	Radom, Poland
JSC Evan	1065260108517	Nizhny Novgorod, Russia	Varde Ovne A/S	21 55 49 79	Vejle, Denmark
JEVI A/S	12 85 42 77	Vejle, Denmark	Vølund Varmeteknik A/S	32 93 81 08	Videbæk, Denmark
Kaukora Oy	0138194-1	Raisio, Finland	WaterFurnace International Hong Kong Ltd	1775445	Hong Kong, China
KKT Chillers Inc.	83-0486747	Elk Grove, USA	WaterFurnace Int. Asia Pacific	ACN 148 010 511	Victoria, Australia
KNV Energietechnik GmbH	78375h	Schörfing, Austria	WaterFurnace International Inc	35-18737995	Fort Wayne, USA
KVM-Genvex A/S	21387649	Haderslev, Denmark	WaterFurnace Renewable Energy Corp	BC 100 6504	Toronto, Canada
Lotus Heating Systems A/S	26 11 04 75	Langeskov, Denmark	Wiegand S.A. de C.V.	RFC WIE850624H79	Nuevo Laredo, Mexico
Loyal Oy	0640930-9	Lovisa, Finland			
Lund & Sørensen AB	556731-8562	Möndal, Sweden			
Lund & Sørensen A/S	25 64 75 99	Vejle, Denmark			
Lund & Sørensen Electric Heating Equipment Accessory Co Ltd	120000400007673	Tianjin, China			
Merker AG	CH-400 3 3009 571-7	Zürich, Switzerland			
METRO THERM AB	556554-1603	Kalmar, Sweden			
METRO THERM A/S	20 56 71 12	Helsingør, Denmark			

Note 23

ASSOCIATES

Parent (in millions of SEK)							
Name	Corporate ID number	Registered office	Proportion of capital	No. of shares	Dividend	Carrying amount	
Produktionskonsult Väst AB	556713-5206	Gothenburg	50.0%	600	2		7
Total					2		7

Group (in millions of SEK)							
Name	Corporate ID number	Registered office	Proportion of capital	No. of shares	Profit participation	Proportion of equity	Carrying amount
Produktionskonsult Väst AB	556713-5206	Gothenburg	50.0%	600	4	5	10
WaterFurnace Shenglong HVACR Climate Solutions Ltd.	3302 0040 0074 4449	Ningbo, China	49.0%	-	-	5	-
Total					4	10	10

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

(in millions of SEK)	Group	
	2015	2014
Book value at start of year	30	-
Book value in acquired companies	-	21
Investment for the year	-	7
Dividend received	- 2	-
Share in profits for the year	4	2
Impairment for the year	- 22	-
Book value at year-end	10	30

Note 24

OTHER NON-CURRENT RECEIVABLES

(in millions of SEK)	Group		Parent	
	2015	2014	2015	2014
Market value, interest swap	5	-	5	-
Other	18	21	-	-
Total	23	21	5	-

Note 25

SHARE CAPITAL

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

The dividend for 2015 proposed but not yet approved is SEK 3.35 per share. This corresponds to a total payout of SEK 369 million. See also under the heading 'Appropriation of profits' on page 51.

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

At the end of 2015 the company had no outstanding convertible loans or options that could risk diluting the share capital. The situation was the same in the preceding year.

Note 26

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 10, this is a multi-employer defined-benefit plan. For the 2015 financial year the company has not had access to the kind of information that would enable it to recognise this plan in the accounts as a defined-benefit plan. The ITP occupational pension plan secured through an insurance policy with Alecta is, therefore, recognised as a defined-contribution plan.

The contributions for the year for pension insurance policies taken out with Alecta amounted to SEK 9 million (2014: SEK 9 million). Alecta's surplus can be distributed to the policyholders and/or the insured. At the 2015 year-end Alecta's surplus in the form of the collective funding ratio was 153% (2014: 143%). The collective funding ratio consists of the market value of Alecta's assets as a percentage of the insurance commitments calculated in accordance with Alecta's actuarial commitments, which is not in conformity with IAS 19.

Defined-benefit pensions

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

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

Actuarial assumptions 2015	Switzerland	Sweden
Discount rate on 1 January	1.25%	3.00%
Discount rate on 31 December	0.85%	3.00%
Expected salary increases	1.00%	3.00%
Expected inflation	0.00%	2.00%

Actuarial assumptions 2014	Switzerland	Sweden
Discount rate on 1 January	2.20%	4.00%
Discount rate on 31 December	1.25%	3.00%
Expected salary increases	1.00%	3.00%
Expected inflation	0.80%	2.00%

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

Sensitivity analysis		
	Impact on pension liabilities (in millions of SEK)	
	of an increase	of a decrease
Discount rate - 0.5 percentage points	- 66	+ 76
Expected salary increases - 0.25 percentage points	+ 4	- 4
Expected inflation - 0.25 percentage points	+ 29	- 2

Defined-contribution plans

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

	2015		Total
(in millions of SEK)	Funded plans	Un-funded plans	
Reconciliation of pension obligations			
Present value at start of year	897	91	988
Premiums from employer	12	4	16
Interest on obligations	12	3	15
Premiums from employees	24	-	24
Benefits paid	- 77	- 2	- 79
Actuarial gains (-), losses (+) during the period	11	-	11
Translation differences	60	1	61
Present value at end of year	939	97	1,036
Reconciliation of plan assets			
Fair value at start of year	649	-	649
Expected return on plan assets	9	-	9
Actuarial gains (+), losses (-) during period	3	-	3
Premiums from employer	24	-	24
Premiums from employees	24	-	24
Benefits paid	- 77	-	- 77
Translation differences	43	-	43
Fair value at end of year	675	-	675
Provisions for pensions			
Retirement benefit obligations, present value	939	97	1,036
Plan assets, fair value	- 675	-	- 675
Provisions for pensions	264	97	361
Pension costs recognised in profit or loss			
Current contributions	- 12	4	- 8
Interest on obligations	12	3	15
Expected return on plan assets	- 9	-	- 9
Pension costs, defined-benefit plans	- 9	7	- 2
Pension costs, defined-contribution plans			131
Total pension costs in profit or loss			129
Pension costs recognised in other comprehensive income			
Actuarial gains (-), losses (+) in respect of:			
- changed financial assumptions	42	-	42
- changed demographic assumptions	-	-	-
- experience-based adjustments	- 34	-	- 34
Pension costs in other comprehensive income	8	-	8
Reconciliation of provisions for pensions			
Opening balance	248	91	339
Pension costs, defined-benefit plans	- 9	7	- 2
Pension costs in other comprehensive income	8	-	8
Benefits paid	-	- 2	- 2
Translation differences	17	1	18
Closing balance	264	97	361
For 2016, expected pension costs for defined-benefit plans are	40	3	43
Composition of plan assets			
Shares	22		
Interest-bearing securities	544		
Property, etc.	109		
Total plan assets	675		

Parent

The parent's recognised pension liabilities amount to SEK 6 million (SEK 5 million) and are calculated in accordance with the Pension Obligations Vesting Act and not IAS19.

(in millions of SEK)	2014		Total
	Funded plans	Un-funded plans	
Reconciliation of pension obligations			
Present value at start of year	664	69	733
Present value in acquired companies	16	2	18
Premiums from employer	21	-	21
Interest on obligations	15	3	18
Premiums from employees	21	-	21
Benefits paid	-22	-2	-24
Actuarial gains (-), losses (+) during the period	116	13	129
Translation differences	66	6	72
Present value at end of year	897	91	988
Reconciliation of plan assets			
Fair value at start of year	549	-	549
Fair value in acquired companies	12	-	12
Return on plan assets according to discount rate	13	-	13
Actuarial gains (+), losses (-) during period	7	-	7
Premiums from employer	20	-	20
Premiums from employees	21	-	21
Benefits paid	-22	-	-22
Translation differences	49	-	49
Fair value at end of year	649	-	649
Provisions for pensions			
Retirement benefit obligations, present value	897	91	988
Plan assets, fair value	-649	-	-649
Provisions for pensions	248	91	339
Pension costs recognised in profit or loss			
Current contributions	1	-	1
Interest on obligations	15	3	18
Return on plan assets according to discount rate	-13	-	-13
Pension costs, defined-benefit plans	3	3	6
Pension costs, defined-contribution plans			124
Total pension costs in profit or loss			130
Pension costs recognised in other comprehensive income			
Actuarial gains (-), losses (+) in respect of:			
- changed financial assumptions	107	13	120
- changed demographic assumptions	-	-	-
- experience-based adjustments	2	-	2
Pension costs in other comprehensive income	109	13	122
Reconciliation of provisions for pensions			
Opening balance	115	69	184
Provisions in acquired companies	5	1	6
Pension costs, defined-benefit plans	3	3	6
Pension costs in other comprehensive income	109	13	122
Benefits paid	-	-2	-2
Translation differences	16	7	23
Closing balance	248	91	339
Composition of plan assets			
Shares	14		
Interest-bearing securities	531		
Property, etc.	104		
Total plan assets	649		

Note 27

OTHER PROVISIONS

(in millions of SEK)	Guarantee risk reserve	Other	Total Group	Parent
Amount at start of year	398	602	1,000	452
Provisions during the year	106	42	148	28
Amount utilised during the year	-56	-57	-113	-10
Reversals in provisions	-8	-89	-97	-20
Reclassifications	-	-232	-232	-232
Translation differences	8	-12	-4	-20
Amount at year-end	448	254	702	198

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

Note 28

BANK OVERDRAFT FACILITIES

Credit facilities granted in the Group totalled SEK 517 million (SEK 915 million). The Group's overdraft was reduced during the year by SEK 398 million. The amount available to the parent was SEK 0 million (SEK 300 million). Bank overdraft facilities are included as part of the long-term agreements which the Group has with credit institutions.

Note 29

BOND LOANS

(in millions of SEK)	Group		Parent	
	2015	2014	2015	2014
Loan of SEK 750 million at a fixed rate of 1.8% that falls due in May 2020, valued at fair value	752	-	752	-
Loan at a variable rate of Stibor + 130 points that falls due in May 2020	750	-	750	-
Loan at a variable rate of Stibor + 120 points that falls due in June 2019	400	-	400	-
Total	1,902	-	1,902	-

Note 30**OTHER LIABILITIES**

There are estimated additional considerations of SEK 337 million (SEK 65 million) in the Group that are due for payment within one year. The corresponding figure for the parent is SEK 335 million (SEK 65 million).

Note 31**ACCRUED EXPENSES AND DEFERRED INCOME**

(in millions of SEK)	Group		Parent	
	2015	2014	2015	2014
Accrued salaries	234	239	3	3
Accrued payroll overheads	75	76	2	2
Other items	423	364	16	6
Amount at year-end	732	679	21	11

Note 32**PLEGDED ASSETS**

(in millions of SEK)	Group		Parent	
	2015	2014	2015	2014
Floating charges	14	67	–	–
Real estate mortgages	46	89	–	–
Receivables	62	89	5	4
Total pledged assets	122	245	5	4

Note 33**CONTINGENT LIABILITIES**

(in millions of SEK)	Group		Parent	
	2015	2014	2015	2014
Pension commitments not entered under liabilities or provisions	2	2	–	–
Contingent liabilities on behalf of other Group companies	–	–	690	2,311
Total contingent liabilities	2	2	690	2,311

Note 34**ACQUISITION OF BUSINESSES**

The operations of North American Marathon Heater Inc., which produces advanced custom heating elements for the high-tech industry, were acquired in early April. The company has sales of approximately SEK 78 million and employs around 130 people. The company's operations were consolidated under the NIBE Element business area as of April 2015. The acquisition value is still provisional.

In early July, NIBE acquired the remaining 30% of the shares in Akvaterm Oy (Finland), a manufacturer of accumulator tanks. This company is consolidated under the NIBE Energy Systems business area.

During the year, two smaller acquisitions were also made comprising total annual sales of around SEK 35 million.

The consideration consists of the following (in millions of SEK)	Group	
	2015	2014
Initial considerations	111	2,756
Additional considerations	36	72
Total consideration	147	2,828
Fair value of net assets acquired	53	825
Goodwill	94	2,003
Consideration	147	2,828
Cash and cash equivalents in acquired companies	–	–70
Consideration previously paid for partial acquisition	–	–38
Additional considerations paid	60	–
Additional considerations not yet paid	–36	–72
Effect on the Group's cash and cash equivalents	171	2,648

The size of the additional consideration is dependent on the future profit trends of the acquired units. The amounts specified are based on expected profit trends. The expected amounts are revalued on a current basis. For 2015, these revaluations had no net impact on the Group's profit.

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 6 million (SEK 0 million).

The net assets acquired	Group	
(in millions of SEK)	Fair value	Acquired carrying amounts
Market positions	11	–
Property, plant and equipment	24	23
Current receivables	7	7
Inventories	17	17
Provisions	–1	–
Liabilities	–5	–5
Net assets acquired	53	42

The deferred tax liability attributable to acquired surpluses is recognised under Provisions, and is the principal reason that the fair value exceeds the acquired carrying amount. Acquired current receivables comprise SEK 7 million, of which SEK 7 million is expected to be settled.



The Board of Directors' declaration

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

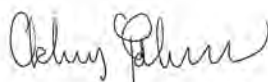
view of the parent's financial position and results of operations. The Board of Directors' Administration Report for the Group and the parent provides a fair review of the development of the Group's and the parent's operations, financial position and results of operations and describes material risks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

Markaryd, Sweden, 23 March 2016


Hans Linnarson
Chairman of the Board


Georg Brunstam
Director


Eva-Lotta Kraft
Director


Anders Pålsson
Director


Helene Richmond
Director


Gerteric Lindquist
Managing Director and CEO

The Annual Report and the consolidated financial statements were, as shown above, approved for publication by the Board and the Managing Director/CEO on 23 March 2016. The consolidated balance sheet and income statement and the parent's balance sheet and income statement will be presented for approval at the Annual General Meeting on 12 May 2016.

Auditor's report

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

Report on the annual report and consolidated financial statements

We have audited the annual report and consolidated financial statements of NIBE Industrier AB (publ) for the 2015 financial year. The annual report and consolidated financial statements of the company are included in the printed version of this document on pages 50-87.

Responsibilities of the Board of Directors and the Managing Director for the annual report and consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinions

In our opinion, the annual report has been prepared in accordance with the Annual Accounts Act and presents fairly, in all material respects, the financial position of the parent as of 31 December 2015 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 2015 and of its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act.

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

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

Report on other legal and regulatory requirements

In addition to our audit of the annual report and consolidated financial statements, we have examined the proposed appropriations of the company's profit or loss and the administration by the Board of Directors and the Managing Director of NIBE Industrier AB for the 2015 financial year.

Responsibilities of the Board of Directors and the Managing Director

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

Auditor's responsibility

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

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

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

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

Opinions

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

Markaryd, Sweden, 5 April 2016

KPMG AB



Alf Svensson
Authorised Public Accountant

Corporate governance report

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

It is good practice for Swedish companies whose shares are traded on regulated markets to comply with the Code. NIBE complies with the Code, and this corporate governance report

has been drawn up in accordance with the Code. The current Code may be accessed on the Swedish Corporate Governance Board's website, www.bolagsstyrning.se. In addition, and likewise in accordance with the Code, NIBE also provides information via the company's website.

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



Hans Linnarson
Chairman of the Board

Ownership

NIBE has its registered office in Markaryd, Sweden, and the company's shares have been listed on the NASDAQ OMX Stockholm Exchange since 1997.

NIBE class B shares have also had a secondary listing on the SIX Swiss Exchange since August 2011. On 31 December 2012, NIBE had 21,430 registered shareholders, excluding previous shareholders in Schulthess Group AG who have become shareholders in NIBE. As the Swiss authorities do not report any details relating to individual shareholders in Switzerland to NIBE, it is not possible to determine the total number of shareholders.

The ten largest shareholders comprise the constellation of 'current and former board members and senior executives' with a total of 24% of the capital and 48% of voting rights, followed by Melker Schörling who holds 11% of the capital and 20% of the voting rights, and eight institutional investors with a total of 20% of capital and 10% of voting rights, one of whom represents previous shareholders in Schulthess Group AG. Together these ten constellations of investors hold a total of 55% of the capital in the company and 78% of the votes.

Annual General Meeting

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

The most recent AGM, held on 11 May 2015 in Markaryd, was attended by 450 shareholders. Those present represented 49% of the shares and 71% of the total number of votes in the company. The AGM was attended by the Board of Directors, the MD/CEO and the company's auditors. The minutes of the AGM and the company's articles of association are available on the company's website.

There are no limitations in the articles of association as to the number of votes a shareholder may hold at a general meeting of the company. Nor are there any provisions on the appointment or dismissal of directors of the company, or changes to the company's articles of association.

The 2015 AGM gave the Board of Directors a mandate to issue new class B shares in the company, on one or more occasions and with or without regard for the shareholders' preferential rights, to be used to finance the acquisition of companies or businesses. This mandate is valid until the 2016 AGM and is restricted to a maximum of 10% of the number of shares issued at the time of the AGM.

Communication with the stock market

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

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

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



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 in 2015 comprised Hans Linnarson (Chair), Georg Brunstam, Eva-Lotta Kraft, Anders Pålsson, Helene Richmond and Gerteric Lindquist (CEO of the NIBE Group). With the exception of the CEO, none of the directors of the company is employed by the company or has any operational responsibilities in the company.

It is the opinion of the Board of Directors that all directors with the exception of the CEO are independent in relation to the company. Please see page 93 for a brief presentation of the directors of the company.

The work of the Board is governed by formal rules of procedure adopted annually to regulate the decision-making processes within the company, authority to sign for the company, meetings of the Board and the duties of the Chairman of the Board. The Board of Directors has not otherwise distributed responsibilities among its members. However, some directors are more familiar with certain matters than others on account of their particular expertise and experience.

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

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

The Board of Directors evaluates its work every year. The evaluation is carried out by means of a survey of the directors. The results of the survey are then presented to the full Board, which uses them to make specific proposals on how its work can be developed, improved and made more efficient, where necessary. The Board survey for 2015 revealed an open, constructive climate with well-functioning control and decision-making processes. The areas covered by the evaluation included the composition, working methods, communication and internal control of the Board, the Board's evaluation of the MD/CEO and other company management, and the need for committees.

Decision-making process

The NIBE Board deals with all matters of significance.

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

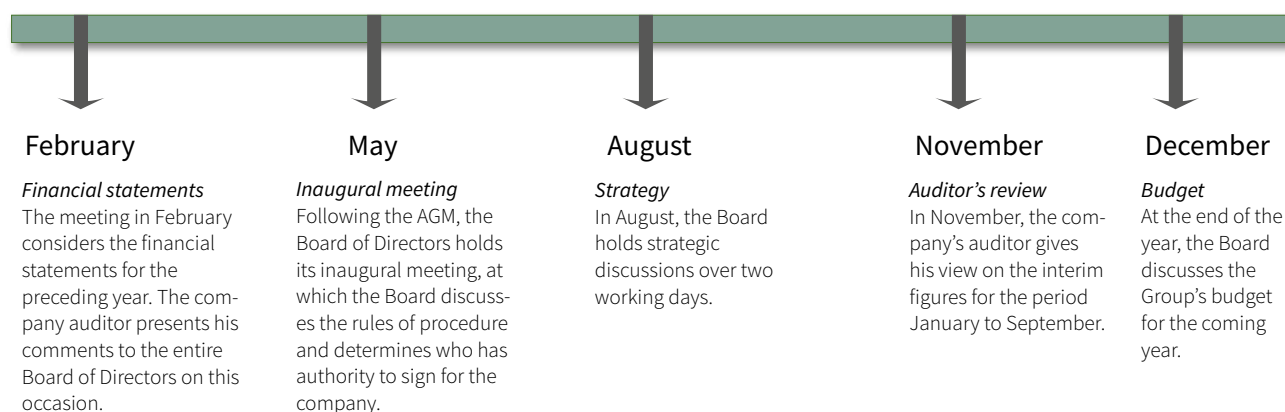
The company's auditor makes his report to the Board as a whole.

The company does not have a Nomination Committee (Section III, item 2.1, of the Code), a Remuneration Committee (Section III, item 9.1, of the Code) or an Audit Committee (Section III, item 7.2, of the Code). NIBE does not comply with the Code in respect of nominations because of the clear ownership structure with two principal shareholder constellations, which together control 70% of the company's votes, and which also enjoy mutually cordial relations. The Board of Directors is not too large to carry out the audit and remuneration tasks in a manner consistent with the Swedish Companies Act and the Code.

The work of the Board during 2015

<i>The agenda includes a number of standing items, which are considered at every meeting.</i>	
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, where appropriate.
Acquisitions	Report on ongoing discussions and decisions concerning the acquisition of companies, as and when appropriate.
Press releases, etc.	Where 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

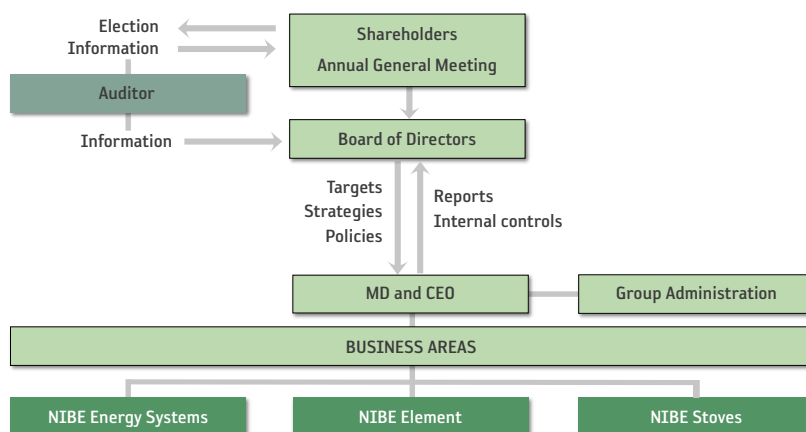


Group management

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

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

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



Governance of business areas

NIBE consists of three business areas.

Each business area has its own operational management with profit responsibility. Each business area has a Business Area Board chaired by the Group's CEO. These Business Area Boards also include external members with expertise within the respective areas.

Each Business Area Board, in addition to responsibility for day-to-day operations, is also responsible to the NIBE Board of Directors for the strategic development of its respective business area. Each Business Area Board meets once a quarter.

Remuneration, 2015

The 2015 AGM resolved that the fees to the Board of Directors and the fees to the auditors should be paid in accordance with approved accounts. At the same time, policies for the remuneration of the MD/CEO and other key management personnel were detailed and approved. Further information about the principles that apply can be found in Note 6 to the annual report and on NIBE's website at www.nibe.com.

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

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

Incentive programme

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

Severance pay

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

Pensions

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

Information on the retirement benefits of the Managing Director/CEO and other senior executives can be found in Note 6 to the annual report.

Under the Swedish Companies Act and the Code, the Board of Directors is responsible for internal controls.

This report on internal controls and risk management with regard to financial reporting complies with the requirements in Chapter 6, Section 6, of the Annual Accounts Act.

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

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

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

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

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

In addition to the statutory audits of the annual report and statutory audits of the parent and all subsidiaries, the auditors carry out an annual review of how the companies are organised, of existing routines and of compliance with the instructions issued, based on guidelines drawn up by corporate management and approved by the Board of Directors. A summary of internal control procedures is presented each year as part of the Board meeting that deals with the year-end financial statements. The Board also has the option of requesting a special audit of a selected business or operations during the year if this is deemed necessary.

During 2015, the project aimed at reviewing and further reinforcing internal controls was continued. It is our opinion that this review increases insight and awareness, provides explicit instructions and proposes a clear organisation in respect of internal controls. It is therefore the opinion of the Board that, because of the implementation of this review, there is no need for any separate internal control (item 7.3 of the Code).

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

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

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

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

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

The auditor's statement on the corporate governance report

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

The Board of Directors and the Managing Director are responsible for the corporate governance report for 2015 on pages 89-92, and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

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

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

Markaryd, Sweden, 5 April 2016

KPMG AB



Alf Svensson
Authorised Public Accountant

Board of Directors



	HANS LINNARSON born 1952	GERTERIC LINDQUIST born 1951	GEORG BRUNSTAM born 1957
Elected to NIBE's Board of Directors	2006, Chair in 2015	1989	2003
Training and education	B.Sc. (Electrical Engineering)	M.Sc. in Engineering and M.Sc. in Business & Economics	M.Sc. in Engineering
Directorships	Chairman of the Board of K. Hartwall OY, director of Zinkteknik AB, Plastinject AB and Nordiska Plast AB.	CEO and MD of NIBE Industrier AB and NIBE AB.	CEO and director of HEXPOL AB. Director of Beckers Industrial Coatings Holding AB
Experience	A number of different positions as Managing Director of international Swedish industrial companies over more than 30 years, such as Enertec Component AB, CTC AB, Asko Cylinda AB. Executive positions in the Electrolux Group and MD and CEO of Husqvarna AB.	More than 35 years' experience of international industrial operations, including as Exports Director of ASSA Stenman AB, now ASSA Abloy.	More than 30 years' experience in international industrial companies, including CEO of Nolato AB, business area manager and member of the Group management team of Trelleborg AB, MD of Trioplast AB and various appointments within the Perstorp Group.
Fees	SEK 450,000	No fee payable	SEK 225,000
Present at Board meetings	8/8	8/8	8/8
Shareholding in NIBE Industrier AB	200 B shares	1,504,560 A shares and 3,563,440 B shares	400 B shares
Independence	Yes	In view of his position, his shareholding and the length of time during which he has been a member of the Board, Gerteric Lindquist cannot be considered an independent director of the company	Yes



	EVA-LOTTA KRAFT born 1951	ANDERS PÅLSSON born 1958	HELENE RICHMOND born 1960
Elected to NIBE's Board of Directors	2010	2010	2015
Training and education	M.Sc. in Engineering and MBA	M.Sc. in Business & Economics	M.Sc. in Engineering
Directorships	Director of Advenica AB and Xano AB.	Chairman of the Board of GARO AB and Lammhults Design Group AB. Director of Midway Holding AB and Trioplast AB.	Head of Product Management, SKF Bearings. Director of VBG Group AB.
Experience	Senior positions at companies in the manufacturing industry and medical technology, as well as research institutes, including Regional Manager at Alfa Laval and head of division and Vice-President at Siemens Elema. Previous directorships include Biotage, Munters, Siemens, Svolder and ÄF.	More than 30 years' experience in international industrial companies, including MD and CEO of Hilding Anders and divisional manager at Trelleborg AB and in PLM/Rexam. Worked at Gambro and the E.on Group.	Considerable experience in international sales and solid industrial experience from a number of different positions at SKF.
Fees	SEK 225,000	SEK 225,000	SEK 225,000
Present at Board meetings	8/8	8/8	4/4 (elected in May 2015)
Shareholding in NIBE Industrier AB	1,000 B shares	5,000 B shares	2,000 B shares
Independence	Yes	Yes	Yes

Group management

CEO and CFO



	GERTERIC LINDQUIST born 1951	HANS BACKMAN born 1966
Period of service	1988	2011
Training and education	M.Sc. in Engineering and M.Sc. in Business & Economics	M.Sc. in Business & Economics and MBA
Position	CEO and MD of NIBE Industrier AB and NIBE AB	Financial Director, NIBE Industrier AB
Shareholding	1,504,560 A shares and 3,563,440 B shares	3,100 B shares

Group management

Business Area Managers



	KJELL EKERMO born 1956	CHRISTER FREDRIKSSON born 1955	NIKLAS GUNNARSSON born 1965
Period of service	1998	1992	1987
Training and education	M.Sc. in Engineering	M.Sc. in Engineering	Engineer
Position	Business Area Manager at NIBE Energy Systems	Business Area Manager at NIBE Element and MD of Backer BHV AB.	Business Area Manager at NIBE Stoves
Shareholding	110,557 B shares	375,840 A shares and 716,960 B shares	109,900 B shares

Auditor

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



Group companies

NORDIC REGION

SWEDEN	
NIBE Industrier AB	MARKARYD
NIBE AB	MARKARYD
ait-värmeteknik-sverige AB	HELSINGBORG
Backer BHV AB	SÖSDALA
Backer Calesco	KOLBÄCK
NIBE Treasury AB	MARKARYD
Lund & Sörensen AB	MÖLNDAL
METRO THERM AB	KALMAR
Naturenergi IWABO AB	BOLLNÄS
NIBE Energy Systems WFE AB	MARKARYD
myUpTech AB	MARKARYD
Structurgruppen AB	KUNGSBACKA
DENMARK	
Danotherm Electric A/S	RØDOVRE
Eltwin A/S	RISSKOV
Innotek A/S	KOLDING
JEVI A/S	VEJLE
KVM-Genvex A/S	HADERSLEV
Lotus Heating Systems A/S	LANGESKOV
Lund & Sørensen A/S	VEJLE
METRO THERM A/S	HELSINGE
Motron A/S	RISSKOV
SAN Electro Heat A/S	GRÆSTED
TermaTech A/S	HASSELAGER
Varde Ovne A/S	VEJLE
Vølund Varmeteknik A/S	VIDEBÆK
FINLAND	
Akvaterm Oy	KOKKOLA
Kaukora Oy	RAISIO
Loval Oy	LOVISA
NIBE Energy Systems Oy	VANTAA
Oy Meyer Vastus AB	MONNINKYLÄ
RPN-Hall Oy	KOKKOLA
NORWAY	
ABK AS	OSLO
Høiax AS	FREDRIKSTAD
Nordpeis AS	LIERSKOGEN
Norske Backer AS	KONGSVINGER

EUROPE

AUSTRIA	
KNV Energietechnik GmbH	SCHÖRFLING
NIBE Beteiligungsverwaltungs GmbH	VIENNA
Schulthess Maschinen GmbH	VIENNA
CZECH REPUBLIC	
Backer Elektro CZ a.s.	HLINSKO
DZ Drazice – Strojírna s.r.o.	B. NAD JIZEROU
Backer-ELTOP s.r.o.	MIRETICE
FRANCE	
Backer Calesco France Sarl	LYON
NIBE Energy Systems France SAS	REVIEUX
NIBE Foyers France SAS	REVENTIN
GERMANY	
ait-deutschland GmbH	KASENDORF
Alpha-InnoTec Sun GmbH	THOLEY-THELEY
NIBE Systemtechnik GmbH	CELLE
Backer Wolff GmbH	DORTMUND
ITALY	
Backer FER s.r.l.	S. AGOSTINO
REBA Div. Resistor	MILAN
POLAND	
Backer OBR Sp. z o.o.	PYRZYCE
Eltwin Sp. z o.o.	SZCZECIN
NIBE-BIAWAR Sp. z o.o.	BIALYSTOK
Northstar Poland Sp. z o.o.	TRZCIANKA
Termorad Sp.z.o.o	RADOM
SWITZERLAND	
ait Schweiz AG	ALTISHOFEN
Askoma AG	BÜTZBERG
Backer ELC AG	AARAU
Merker AG	REGENSDORF
Schulthess Group AG	WOLFHAUSEN
Schulthess Maschinen AG	WOLFHAUSEN
SPAIN	
Backer Facsa S.L.	AIGUAFREDA
Backer Facsa Resistor	Llanera
THE NETHERLANDS	
NIBE Energietechnik B.V.	OOSTERHOUT
Sinus-Jevi Electric Heating B.V.	MEDEMBLIK
UK	
Gazco Ltd	EXETER
Heatrod Elements Ltd	MANCHESTER
NIBE Energy Systems Ltd	CHESTERFIELD
Stovax D1 Ltd	EXETER
Stovax Ltd	EXETER
Stovax Group Ltd	EXETER
Stovax Heating Group Ltd	EXETER

OTHER COUNTRIES

AUSTRALIA	
Backer-Wilson Elements Pty Ltd	BURWOOD
Hyper Engineering Pty Ltd	VICTORIA
WaterFurnace International Asia Pacific	VICTORIA
CANADA	
WaterFurnace Renewable Energy Corp.	TORONTO
CHINA	
Backer Heating Technologies Co. Ltd	SHENZHEN
Backer-Springfield Hyper Technology and Trading Comp.	DONGGUAN
Lund & Sørensen Electric H. Equipment Acc. Co. Lt	HONG KONG
Shel NIBE Man. Co. Ltd	TIANJIN
WaterFurnace International Hong Kong Ltd	SHENZHEN
	HONG KONG
MALAYSIA	
Askoma SDN BHD	JOHOR BAHRU
MEXICO	
Backer Alpe, S. de R.L.de C.V	TLAHUAC
Springfield Wire de Mexico S.A. de C.V	NUEVO LAREDO
Wiegand S.A. de C.V	NUEVO LAREDO
RUSSIA	
JSC Evan	NIZ. NOVGOROD
NIBE Kamini LLC	DUBNA
USA	
Backer EHP Inc.	MURFREESBORO, TN
Backer Heating Technologies Inc	CHICAGO, IL
Backer Marathon Inc	DEL RIO, TX
Enertech Global LLC	GREENVILLE, IL
KKT chillers Inc.	ELK GROVE, IL
NIBE Energy Systems Inc	MURFREESBORO, TN
WaterFurnace International Inc	FORT WAYNE, IN



NIBE

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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 at www.nibe.com.

