NIBE

UN Global compact COP

Statement by the CEO

NIBE Industrier AB (NIBE) is a Swedish company, with its roots in the southern province of Småland, which has a long-standing tradition of manufacturing products for both household and commercial use.

Our vision is to create world-class solutions in sustainable energy. We offer the market high-quality, innovative energy-efficient products and system solutions. Our achievements are largely attributable to our corporate culture, which is based on an entrepreneurial spirit and a passion for business, where sound profitability, continuous growth and long term value creation are the key factors for success.

I am pleased to confirm NIBE´s support of the United Nations Global Compact in the areas of human rights, labor rights, environmental protection and anti-corruption.

Our Sustainability Program reflects the ten Principles of the United Nations Global Compact. We have identified our prioritized sustainability issues and follow our performance on these issues systematically. We communicate sustainability performance on a yearly basis and follow the sustainability reporting standard set by GRI.

In the Communication on Progress we describe our actions to continuously improve the integration of the Global Compact and its principles into our business strategy and daily operations. We also commit to share this information with our customers, employees, suppliers and other stakeholders.

Attached you find our Annual report for 2016 where we describe our efforts and commitments towards the ten principles and a more sustainable future. There is also a link to our on-line GRI appendix.

Gerteric Lindquist

CEO, NIBE Industrier AB

2017-09-27

URLs:

Annual Report 2016: http://issuu.com/birgittanibe/docs/gb_ar2016_hw?e=13977860/46942796

GRI Appendix 2016: https://www.nibe.com/governance/gri-appendix.html

– world-class solutions in sustainable energy

Annual Report 2016

NIBE creates world-class solutions in sustainable energy

Contents

Calendar

11 May 2017

Interim Report 1, January – March 2017

Annual General Meeting

18 August 2017

Interim Report 2, January – June 2017

16 November 2017

Interim Report 3, January – September 2017

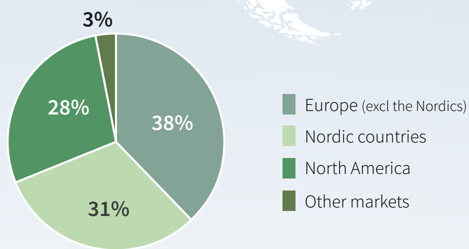
NIBE is a global Group that contributes to a smaller carbon footprint and better utilisation of energy. In our three Business Areas – Climate Solutions, Element and Stoves – we develop, manufacture and market a wide range of eco-friendly, energy-efficient solutions for indoor climate comfort in all types of property, plus components and solutions for intelligent heating and control in industry and infrastructure.

From its beginnings in the Småland city of Markaryd more than 60 years ago, NIBE has grown into an international company with 11,900 (10,500) employees and a market presence on five continents. From the very start, the company was driven by a strong culture of entrepreneurship and a passion for responsible business operation. Its success factors are long-term investments in sustainable product development and the correct strategic acquisitions. Combined, these factors brought about strong, targeted growth which generated sales of just over SEK 15 (13) billion in 2016.

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 since 2011.

Sales, geographical distribution

SEK 15,348 million in sales, geographical distribution



Group operations (four continents)

Group sales (five continents)

2016 in brief

Acquisitions in all three Business Areas boost sales

More than ten acquisitions in 2016 kept the rate of acquisition high, primarily in North America but also in Europe. Climate Control Group in the US was acquired, the biggest single acquisition in our history to date. Acquisitions added total annual sales of just over SEK 4 billion to the Group, of which just under SEK 1.7 billion impacted 2016 sales.

NIBE Climate Solutions

Climate Control Group in the US, which sells climate control products and systems, primarily for commercial properties, has sales of approximately SEK 2,300 million.

Enertech Group in the UK (acquisition approved by the Swedish Competition Authority on 27 January 2017), which has several well-known brands such as the Swedish heat pump manufacturer CTC, has sales of just over SEK 800 million.

Air-Site in Sweden (50% of shares) , which has top-level expertise in ventilation, has sales of SEK 26 million.

The CGC Group of Companies in Canada (50% of shares in February 2017), which manufactures heat pumps for commercial properties, has sales of approximately SEK 120 million.

NIBE Element

Heatron in the US, which sells foil elements, thick film elements and special elements for high-tech industries, has sales of approximately SEK 250 million.

Omni Control Technology in the US, which sells advanced control equipment, has sales of SEK 100 million.

Hotwatt in the US, which has a wide range of special elements for industry, has sales of approximately SEK 80 million.

ATE Electronics in Italy, which supplements our resistor operations, has sales of SEK 30 million.

NIBE Stoves

Fireplace Products International in Canada, FPI (65% of shares), which manufactures both wood and gas stoves, has sales of approximately SEK 600 million.

Stovax Heating Group in the UK (remaining 40% of shares).

Financial ratios		2016	2015	2014	2013	2012
Net sales	SEK m	15,348	13,243	11,033	9,834	9,192
Growth	%	15.9	20.0	12.2	7.0	12.9
Operating profit	SEK m	1,980	1,700	1,385	1,179	1,039
Profit after net financial items	SEK m	1,871	1,614	1,292	1,117	1,005
Operating margin	%	12.9	12.8	12.6	12.0	11.3
Return on equity	%	14.9	18.0	16.6	16.7	15.9
Equity/assets ratio	%	46.6	39.9	36.2	43.0	41.9
Proportion of risk-bearing capital	%	50.7	44.5	40.8	47.2	46.5

Please refer to page 65 for definitions.

In addition to the acquisitions, 2016 was characterised by continued solid organic growth with good profitability and a successful preferential rights issue, together ensuring good future growth.

SEK 15,348 million
in sales (SEK 13,243 million)

15.9%
(20.0%) growth, of which 3.3% (10.5%) was organic

12.9%
operating margin (12.8%)

SEK 1,871 million
in profit after net financial items (SEK 1,614 million)

SEK 1,376 million
in profit after tax (SEK 1.237 million)

46.6%
equity/assets ratio (39.9%)

SEK 2.93
in earnings per share before and after dilution, based on average number of shares outstanding during the year (SEK 2.67)

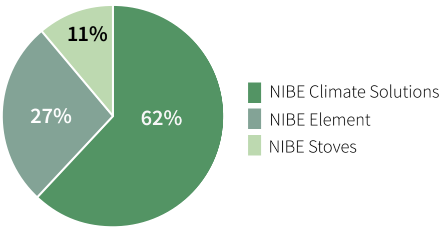
SEK 0.88/share
in dividend proposed by the Board of Directors (SEK 0.80/share recalculated due to split and new issue)

SEK 3,024 million
new share issue before issue expenses

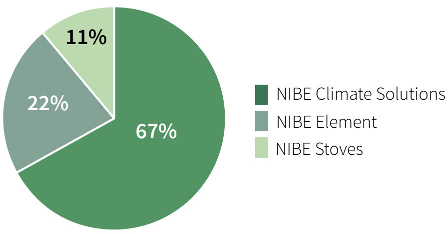
Focus on three core businesses and proactive initiatives for the future

The wide range of the Group's products, marketed under many brand names, forms the foundation of international expansion. We have created a good platform for further expansion with profitability, and the target to achieve SEK 20 billion in sales by 2020 is already in sight.

Business Areas' shares of sales in 2016



Business Areas' shares of operating profit in 2016



NIBE Climate Solutions

Energy-efficient products for indoor climate comfort and hot water.

NIBE Climate Solutions offers a wide range of eco-friendly, intelligent, energy-efficient indoor climate comfort solutions, including heating, cooling, heat recovery and hot water for homes, apartment blocks and other large properties.

Properties' climate impact can be dramatically reduced with our products, with no reduction in comfort.

Intelligent indoor climate comfort solutions

Major development resources are employed in the heat pumps product segment in terms of technology, performance, quality and design. The heat pumps of today blend in well with their environment and are both energy-efficient and eco-friendly. Heat pumps can also be controlled digitally, which makes it even easier to control heat, ventilation and cold locally or remotely.

Ratios	2016	2015
Net sales	SEK 9,588 m	SEK 8,031 m
Growth	19.4%	23.4%
Operating profit	SEK 1,396 m	SEK 1,209 m
Operating margin	14.6%	15.1%
Average number of employees	4,075	3,417

Find out more on page 34

NIBE Element

An industrial partner with customised components and intelligent solutions for heating and control with the focus on sustainability.

The NIBE Element product range comprises components and solutions for intelligent heating and control designed for both industrial and consumer products.

A common feature of most products is that they enhance energy efficiency, optimise energy consumption and help reduce our carbon footprint.

Energy efficiency enhancement always on the agenda

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

Ratios	2016	2015
Net sales	SEK 4,252 m	SEK 3,758 m
Growth	13.1%	17.7%
Operating profit	SEK 473 m	SEK 342 m
Operating margin	11.1%	9.1%
Average number of employees	6,741	6,197

Find out more on page 42

NIBE Stoves

Energy-efficient stoves for various heating needs and design requirements.

NIBE Stoves' product range comprises stoves of various sizes and designs to suit both houses and commercial properties. They are developed to achieve optimum environmental performance with high combustion efficiency and low particulate emissions.

Increasing the exchange of old stoves for new ones with modern technology quickly has a positive effect on the environment.

Heating comfort with focus on Ecodesign

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 largely an interior design feature, we offer a wide range of models to suit all tastes and requirements.

Ratios	2016	2015
Net sales	SEK 1,766 m	SEK 1,652 m
Growth	6.9%	11.4%
Operating profit	SEK 223 m	SEK 206 m
Operating margin	12.7%	12.5%
Average number of employees	1,045	922

Find out more on page 48

A strong 2016 – sales target of SEK 20 billion should be achievable before 2020

Gerteric Lindquist, Managing Director & CEO

A year of intensive acquisition

Continued solid organic growth, an intense period of acquisitions and a successful preferential rights issue characterised 2016, together ensuring good future growth.

Fully in line with our corporate philosophy, we continued to invest aggressively in product development and marketing to ensure future organic growth. In parallel with this, we have continued our efforts to nurture our margins.

Group sales growth for 2016 was 15.9% (20.0%), including organic growth of 3.3% (10.5%). For the year as a whole, the currency effect was negligible.

The acquired entities injected combined annual sales of just over SEK 4 billion into the Group, of which just under SEK 1.7 billion impacted 2016 sales. Including all the acquired companies and calculated on a rolling 12-month basis, consolidated sales are now at just over SEK 17 billion, meaning that the sales target of SEK 20 billion should be achievable before 2020.

Successful new share issue

To not limit continued opportunities for expansion through acquisitions, a preferential rights issue amounting to just over SEK 3 billion was approved and implemented in October. We take the fact that the issue was oversubscribed by 50% as a sign that our shareholders and the market in general would like to see continued profitable, acquisition-driven expansion.

Good strength in all three Business Areas

Three strategically important acquisitions were made in the NIBE Climate Solutions Business Area. The partial acquisition of Air-Site AB in Sweden is an important step towards being able to start delivering sustainable end-to-end climate control solutions for apartment buildings and commercial properties, initially in Sweden.

The acquisition of US-based Climate Control Group (CCG) is our biggest acquisition so far in terms of sales, and the group already supplies sustainable end-to-end climate control solutions to commercial properties.

The acquisition of Enertech, which was formally approved by the Swedish Competition Authority on 27 January 2017, is an important step towards further internationalisation of Swedish technology in sustainable climate control solutions.

The Business Area's underlying operating margin was further strengthened somewhat during the year, while Air-Site and CCG are quite a bit below this level for now. Even though both are already exhibiting double-digit operating margin figures, intensive work is under way to further improve the operating margin in these two entities.

Improvements will also be initiated in the newly acquired Enertech Group with the objective of having the companies in the group achieve an acceptable level of profitability for the Business Area within 18–24 months.

For the NIBE Element Business Area the biggest news is of course that we have now definitely reached an operating margin that exceeds 10% by a good margin. Behind this are long-term, passionate and methodical efforts to develop our product range into intelligent system solutions with high-quality, sustainable profiles. A somewhat large one-off project order has also boosted earnings.

Acquisition activities have been intense in this Business Area as well. In the US, special element companies Heatron, Evapoway, Omni and Hotwatt were consolidated under the Business Area and, in Europe, ATE Electronics, Braude and a small heating cable business were acquired.

To ensure continued good operating margins, the focus will be on further development of the product range into intelligent, high-tech system solutions and continued streamlining of production.

For the NIBE Stoves Business Area, the partial acquisition of Canadian company Fireplace Products International Limited (FPI) is a milestone. One of North America and Australia's absolute market leaders in the stove industry is now a part of us, which also creates an interesting platform for the Business Area's other companies in terms of future growth.

The weakening of the British pound and the unusually mild weather during practi-

“The transformation from a small local company to a major international group would scarcely have been possible without our now self-evident guiding principles and clear, long-term ownership.

cally all the months in which demand traditionally peaks has hampered sales. Despite this, the operating margin improved slightly.

To further strengthen our own sustainability profile, considerable resources are being invested in developing products with even greater efficiency and even lower particle emissions. These efforts are being carried out in close cooperation with universities and colleges.

Balanced level of investment

The level of investment in our existing businesses amounted to SEK 412 million, compared with SEK 384 million in the previous year, and the rate of depreciation was SEK 542 million.

Investments are expected to increase slightly in 2017 and be on the level of the depreciation according to plan.

Good earnings performance

Operating profit improved by 16.5% compared with the previous year and the operating margin rose from 12.8% to 12.9%. The completed acquisitions had a considerable positive impact on operating profit, while currency effects for the year were insignificant.

Because of the acquired companies’ varying levels of profitability and seasonal patterns, a full 12-month period is required before a completely accurate operating profit can be recognised. Acquisition expenses amounted to SEK 60 million (SEK 10 million) during the year and costs were recognised for acquisition processes that were discontinued.

Profit after net financial items improved by 15.9% compared with the previous year. The profit margin of 12.2% thus remained at last year’s level.

A long-term approach, sustainability and profitability go hand in hand

On 18 December 1989, NIBE-Verken AB in Markaryd and Backer Elektro-Värme AB in Sösdala were acquired by a few employees and two external investors.

The newly formed parent was called NIBE Industrier AB and the four financial targets that continue to constitute the Group’s guiding principles were established in 1990 (see pages 20-21). Parallel to these, we also defined our eight business principles (see page 16).

Aware that the four financial targets were ambitious and the business principles equally demanding, a few years later we made so bold as to formulate our no less ambitious vision for sustainability, i.e. that NIBE must supply world-class solutions in sustainable energy. This was subsequently also reflected in our undertaking to comply with the Global Compact’s 10 principles and our active support for Agenda 2030 (see pages 17 and 25).

On 16 June this year, NIBE Industrier celebrates its 20th anniversary as a listed company. The transformation from a small local company to a major international group would scarcely have been possible without these now self-evident guiding principles and clear, long-term ownership.

Just like most other companies, we have of course had periods in which growth and earnings did not really meet either our own or certain external expectations but we have carefully but resolutely corrected our course, continuing to follow our guiding principles, to continue our progress with the greatest possible vigour.

Now that we expect that our target of SEK 20 billion in sales will probably be met slightly earlier than the target year of 2020 set four years ago, it is particularly important that we do not allow ourselves to become complacent, because if we do our operations will inevitably stagnate.

Instead we must start to plan for the next partial target. As when previous partial targets were achieved, this means doubling sales from SEK 20 billion to SEK 40 billion with the same good profitability.

The time frame available to us to double our sales will once again preferably be four years, and maximum six years, starting from the year in which we pass the 20 billion mark.

The markets in which our three Business Areas operate present no obstacle to this. On the contrary.

The conditions for our vision to supply the market with world-class solutions in sustainable energy have probably never been better. Awareness of the need to stop resource wastage and the pollution of our planet is growing exponentially worldwide.

If we, in our business environment, also consistently maintain our clear financial objectives and our eight business principles, the biggest impediment to continued profitable expansion is probably our own mental attitude, i.e. our courage and our winning instinct to really tackle the task. Against this background, it is essential that anxiety and concern never take root. If we continue to apply all our efforts and enthusiasm to working with a long-term, sustainable approach, focusing on good profitability, we will continue to be unbeatable.

Outlook for 2017

- 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 enhance efficiency, combined with our rigorous cost control measures, will guarantee persistently healthy margins.
- As with previous years, the effects of economic trends, currency concerns, volatile energy prices and political turbulence in some parts of the world are hard to predict, but we remain cautiously positive about the year overall.

Markaryd, Sweden – March 2017

Gerteric Lindquist
Managing Director and CEO

NIBE adds value – in the home

Comfort, convenience and peace of mind

NIBE wants to help reduce energy consumption for our customers and for society at large by developing world-class solutions in sustainable energy. Much of what we experience as comfort, convenience and peace of mind in our modern homes comes from equipment that uses energy to heat, cool, ventilate or otherwise achieve a comfortable indoor climate. NIBE is involved with most of these types of equipment, either as a manufacturer of a product or system solution or as a manufacturer of one or more components in a product.

Good indoor climate comfort

A heat pump from NIBE is one of the most energy-efficient ways to heat your home and causes lower carbon dioxide emissions than traditional heating with fossil fuels. This both reduces costs and saves the environment for current and future generations. Combined with waterborne underfloor heating, it also produces a comfortable indoor climate.

Making life simpler and more convenient

Constant access to hot water is an important part of our quality of life. NIBE offers households peace of mind with its reliable, energy-efficient water heaters. Washing machines and tumble dryers, which make life easier for many of us, also need to be energy-efficient. They contain several components made by NIBE.

Cosy up to a stove

A stove from NIBE makes a house cosy. It gently heats and becomes a natural place to gather on winter days and evenings. 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, which helps them be as energy-efficient as possible when they are used.

NIBE adds value – in large properties

We heat, cool and ventilate

The bigger the building, the higher the investment in indoor climate comfort equipment and the more important it is to make the right choices in terms of reliability, cost and the climate. NIBE has the knowledge, experience and technical solutions to achieve the best concept for any type of property, whether it is an apartment block, an industrial building, a farm, a hotel, a church or a country house.

Hotels

Heat, cooling and ventilation are one of the biggest cost items and one of the biggest environmental aspects of large hotels. The entire indoor climate comfort system can be automated and 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.

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. These make it possible to optimise energy use in the property. Heat pumps produce heat, hot water and cooling.

Public buildings

Public buildings have traditionally been heated with oil, gas or coal. Many buildings are still heated in this way and they need to switch to cleaner, greener technology. NIBE offers climate control solutions based on technology such as geothermal energy, which is good for the environment and saves costs.

Renovation of old buildings

Old country houses and mansions present a challenge when it comes to reducing heating costs. Consequently, it makes financial sense to invest in a modern heating system when they are renovated. NIBE can offer know-how and the latest renewable energy technology, which permits old properties to be climate-friendly without losing their charm and beauty.

NIBE adds value – in industry

We offer intelligent heating and control

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

Comfort requirements of car owners

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

NIBE is a major manufacturer of resistors, which are an important balancing component in electronic systems and products. NIBE resistors are used for controlling and regulating the action of industrial robots, lifts and electric motors and a wealth of other applications across a broad spectrum of industries.

Equipment that saves lives

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

Hybrid vehicles

New hybrid vehicle models are constantly being launched for both passengers and commercial use. NIBE plays an active part in the development of products for efficient energy utilisation, for example delivering elements for battery heaters and interior heaters using sources such as braking energy.

NIBE adds value – for a better climate

We promote energy efficiency enhancement and sustainable development

It is natural for NIBE, with its products, to play a key role in international ambitions to achieve sustainability. We see it as our responsibility to focus on creating a product portfolio that supports the transition to a fossil-free society with reduced energy consumption. We also reduce our own impact on the climate and the environment in all stages from production to suppliers.

Heat pump modules

Heat pump technology has also begun to make its mark in industry. By utilising the Group's expertise in heat pump technology, NIBE can offer heat pump modules in industrial processes and commercial products. For example, in professional kitchens and laundries, heat pump modules are used both in machinery and to cool and dehumidify the air, producing a better working environment and enhancing energy efficiency.

Major investments in rail-based transport

The use of private cars and heavy goods vehicles on roads presents a major challenge when it comes to reducing carbon dioxide emissions. Consequently, several countries are currently implementing major projects to improve infrastructure, particularly that of rail-based transport. NIBE is contributing by supplying equipment both for vehicles and for heating rails and points, which are controlled and regulated automatically.

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 purity, accuracy and quality.

Solar cells

With solar cells on the roof, property owners can produce electricity for their own use and any surplus is supplied to the grid. This is good for the climate and produces a significant gain, whichever form of heating is already used in the property. The most efficient solution is to combine solar cells with a heat pump system.

NIBE's added-value chain

Our management philosophy aims to deliver value for our stakeholders. NIBE adds value based on the initiatives outlined above. An understanding of the world around us and dialogue with our stakeholders helps us choose the right priorities throughout the value chain. The result is that we maximise the positive value for our stakeholders and minimise any negative impact.

Business environment

Megatrends, p. 14
External factors, p. 15
Market, pp. 39, 47, 53
Customer needs, pp. 39, 47, 53

Inputs

Financial

• Working capital, including cash and bank balances	SEK 5,503 m
of which new share issue	SEK 3,024 m
• Investments in fixed assets	SEK 5,185 m
of which acquisitions	SEK 4,744 m

Manufacturing

- 44 production plants in 18 countries

Intellectual capital

- More than 70 brands

Human capital

- 11,900 employees
- Contractors
- Partners

Natural resources and inputs

- 66,000 tonnes of metals and metal oxides
- 10,000 tonnes of packaging materials
- 4,000 tonnes of stone, enamel and cement
- 283,000 m^3 of water
- 2 TWh of energy
- 1.2 km^2 of land area
- 0.5 km^2 of building area

Relationships

- Customers
- 3,500 suppliers
- 35,000 shareholders
- Lenders
- More than 50 local communities
- Collaboration with public authorities
- Partnerships with trade associations

Product development

Aggressive product development with the focus on innovation for sustainable development adds value for customers, society and the environment.

Purchasing

Responsible purchasing subject to criteria for quality, ethical business principles and sustainability adds value for our suppliers, their employees and their subcontractors.

Production

High productivity, efficient resource utilisation, minimum environmental impact and a good working environment add value in the form of optimum quality with minimum inputs.

Vision

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

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.

Operational control

Three core operations, pages 34, 42, 48
Management philosophy, page 16
Financial targets, page 20
Sustainability targets, page 22
Corporate governance, page 100
Strategies for good profitability, page 18
Risk management, page 70

Sales

Honest marketing of sustainable products and solutions lays the foundations for customer satisfaction, long-term relationships and stable earnings.

Products in use

Our products add value year after year in the form of reduced energy costs, reduced climate impact and better functionality.

Outcome

Stakeholders	Financial value	
Customers	Sales	SEK 15,348 m
Suppliers	Payments	SEK 9,261 m
	Investments	SEK 5,156 m
Employees	Salaries and social security contributions	SEK 3,801 m
Public sector	Tax	SEK 360 m
Local community	Sponsorship, donations	SEK 2 m
Shareholders	Dividend	SEK 369 m
Lenders	Interest	SEK 111 m

Products

- Percentage of LCE-classified products: 51.5%**
- Heat pumps, renewable energy
- Solar products, renewable energy
- Heat exchangers, energy recovery, energy optimisation
- Components, energy efficiency enhancement

Environmental impact

- 17,000 tonnes of waste
  of which 15,000 tonnes were recycled and 1,200 tonnes went to external landfill
- No fines for non-compliance with environmental legislation were reported

Atmospheric emissions:

- 12,000 tonnes of CO_2 from production and buildings
- 12,000 tonnes of CO_2 from own transportation
- 7,000 tonnes of VOC*
- 236 tonnes of NOx*
- 19 tonnes of SOx*

Discharges into water:

- 6 tonnes of metals
- 27 tonnes of oxygen absorbents
- 13 tonnes of nutrients

Human impact

- 10 accidents per million hours worked that resulted in at least one day of sick leave
- 3.8% sickness absence
- Employee CPD, 190,000 hours
- 2 complaints from neighbours about noise
- No cases of discrimination reported
- No whistleblower cases
- No fines for non-compliance with labour legislation were reported

For full information, please see the GRI report at www.nibe.com

*VOC = Volatile Organic Compounds
*NOx = Nitrogen oxides
*SOx = Sulphur oxides

**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 must 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.

Increased international presence

Like all international companies, NIBE is affected by global trends that we must constantly monitor and evaluate. We need to seize opportunities and be aware of the risks of constant change. In turn, this affects our strategic choices. We must adapt our strategy to enable us to continue to add value in the long term.

NIBE operates in an industry that can accelerate the transition to lower energy consumption and a higher proportion of renewable energy. With our products and system solutions, we can contribute to a better, more climate-friendly world. This is the greatest challenge of our age.

Megatrends

Climate change – the greatest challenge of our age

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.

The agreement from the climate summit in Paris in 2015 to limit global warming so that it does not exceed 2 degrees is already under threat. To achieve this target, greenhouse gas emissions must be reduced by 70% by 2050 compared with the level in 2010, an annual reduction of 6.5%. Research indicates that even greater reductions in greenhouse gases are required to stop climate change. As we know, the consequences of climate change in the form of natural disasters and extreme weather conditions represent a threat to our living conditions, biodiversity and social stability.

Population growth and growing cities

According to UN calculations, the population of the earth will have grown from 7.3 billion in 2015 to almost 10 billion by 2050. The greatest population growth is expected in Africa and Asia. In the same period, increasing numbers of people are also expected to move to large cities, the population of which is expected to increase from 50% of the earth's population today to 70%.

Demand for infrastructure and clean technology

As the population grows and is concentrated in cities, the infrastructure becomes overloaded and the demand for resources, above all energy, increases. At the same time, opportunities arise for sustainable solutions as demand for energy-efficient, resource-efficient infrastructure, construction and transport also increases.

All the buildings in the world currently account for around 40% of total energy use and around one third of global emissions of greenhouse gases, most of which when the buildings are in use. As buildings are used for many years, the energy-related product choices made today are important because they can affect the environment for several decades to come.

Globalisation, population growth and urbanisation also boost demand for the transportation of goods and people. The transport sector is regarded as one of the greatest challenges as it is responsible for a significant proportion of greenhouse gas emissions and energy consumption.

Energy optimisation and a switch from fossil energy sources to renewable energy sources are needed for both buildings and the transport sector. Demand for technology that supports the switch from fossil fuels will grow and, as this technology becomes more available and the market grows, the prices will fall, contributing in turn to even greater demand.

A great deal of research and development are currently being carried out in energy optimisation and renewable energy. We believe that we are at the cutting edge of our industry. NIBE is already able to offer applications and solutions for climate-friendly energy efficiency enhancement. We consider it both an interesting challenge and a necessity to gradually change our product portfolio to fully support fossil-free technology.

A view of Cape Town, the second largest city in South Africa, with a population of 3.7 million. The population is estimated to increase to 4.3 million by 2030.

There were 512 cities worldwide with a population of over one million in 2016. There are expected to be 662 cities of this size by 2030. At the same time, the number of megacities, with populations of more than 10 million, is expected to increase from 31 to 41, and the number of cities with a population of between 5 and 10 million to increase from 45 to 63.

Source: United Nations, Department of Economic and Social Affairs, Population Division (2016). The World's Cities in 2016 – Data Booklet (ST/ESA/ SER.A/392).

External factors that affect our business

Apart from major global trends, there are several factors that directly affect our business development.

Demand for sustainable solutions

One of the very strongest driving forces behind our business is the growing demand for components, products and systems that enhance energy efficiency.

Economic trends

Economic trends affect willingness to invest in new products and solutions that enhance energy efficiency. However, where new systems must be installed, the willingness exists to invest in energy-saving and thus cost-saving measures, even during periods of recession.

Energy prices

The cost of fossil-based energy generation often affects the choice of system for heating and indoor climate comfort. The low oil and gas prices which continued to prevail in 2016 are an inhibiting factor for new investments in solutions using renewable energy, primarily in regions with a high level of gas-based heating systems.

Political stability

Political stability creates regional predictability. At the same time, we are affected by the geopolitical situation and growing nationalism and protectionism in many countries, which may entail restrictions to free trade.

National economic policy instruments for switching to lower energy use and increasing the proportion of renewable energy have a high impact on our markets. Sudden changes in these instruments create a volatile market with a risk of short-term decisions.

Financing

Access to capital and the cost of financing is affected by interest rates. We also see a clear trend among investors and lenders to increasingly assess companies from a sustainability perspective, and this may be directly related to their willingness to finance projects.

Competition

NIBE's markets can generally be described as fragmented. Competition is primarily local and regional.

As our business grows into the climate control industry, we encounter large new international players and must compete with them accordingly.

Our position

Clear market size with room for growth

The total market size in our Business Areas is significant and the total market value is currently estimated to be nearly SEK 600 billion. The biggest market is that for domestic heating/cooling and ventilation, the NIBE Climate Solutions market, worth just over SEK 500 billion, followed by the NIBE Element market, worth just over SEK 50 billion, and the NIBE Stoves market, worth just over SEK 30 billion.

NIBE has a strong market position in the Nordic region in all three of the Group's Business Areas. Despite an ambitious growth target of sales of SEK 20 billion by 2020, we can see that there is significant potential for acquisition-driven growth on a global level.

An international operator with the right business focus

We have a growing international presence in industrialised markets on five continents. We are also continuing to enhance our capacity to meet demand worldwide, while increasing the diversification of operational risks.

In our opinion, we have a strong position and good opportunities to meet demand and achieve our vision – to create world-class solutions in sustainable energy.

We are making an active contribution to the transition from fossil to renewable with the focus on energy efficiency enhancement and are developing our product portfolio in line with the direction the business environment needs to take.

A healthy corporate culture

Our roots in Småland, Sweden, with a long tradition of high productivity, good quality and efficient cost control, mean that we have a trust-based, decentralised organisation that has great flexibility to successfully meet the varied demands and conditions of the market.

Solid experience of acquisitions

We have implemented acquisitions for a long time and have a well-established acquisition process in terms of identification, implementation and operations. As our markets are globally fragmented with many operators, we still have good potential for further acquisitions.

Our acquisition-driven growth takes place within the framework of strong, healthy finances.

Management philosophy

Our business principles

Our management philosophy is deeply rooted in eight basic ideas that constitute the foundation of all our operations and create the conditions for our continued success.

Aggressive product development

Aggressive product development is crucial to good organic growth and establishing a foothold in new markets. Our focus is on leading the way in energy-efficient, environmentally-friendly products that help mitigate climate impact and promote sustainable development. We need to be both analytical and visionary in our market assessments, and customer requirements must be quickly transformed into the best possible solution in any given market situation.

Focus on three core businesses

A clear focus on three Business Areas creates clarity both internally and externally. It also spreads risk and results in reasonable risk exposure. Another benefit is the constant increase in knowhow in each area, which gives us an analytical advantage that can be used for acquisitions.

Good profitability

Good profitability is and always has been our tradition and is the most fundamental and important factor behind long-term success and sustained growth. Good profitability ensures freedom of action and independence, generates well-being and security for current employees and makes us an attractive employer when we recruit new employees.

Quality in everything

We must be a secure, constructive partner on which customers can always rely. NIBE must be a pioneer in quality issues and have certified management systems for quality and the environment at its production plants. NIBE must be available to help its customers when needed and deal with them in a professional manner so that they can choose the right solutions that will help reduce both their costs and their environmental impact. Our successes must also benefit the customer in the form of value-for-money products.

Committed employees

Commitment is created by clear, sincere leadership that sets a good example. Shared values, simple organisational forms and development opportunities for all create a culture characterised by initiative, humility and common sense in which everyone can thrive.

High productivity

High productivity is essential to good competitiveness, and our productivity philosophy is 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 salary systems based on accurate methods time measurements (MTM) encourage optimisation of working time and promote high productivity and fair salaries. MTM data also provides a sound basis for efficient production planning, accurate costings and calculations, reliable investment data and opportunities to follow up on business activities correctly.

Market-oriented expansion

Continuous growth is essential to our 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.

A long-term approach

A long-term approach means that responsibility, resilience and continuity will always triumph in the long run. Changes are only implemented after careful consideration and testing, and 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 the Company 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 and emphasise that we want to act as a responsible company in relation to the people near us, our external stakeholders and the environment. Our values are firmly rooted in our long and proud tradition of responsible entrepreneurship.

Respect for human rights
Our most fundamental undertaking is to respect the people who are affected by our operations and their human rights.

Good working conditions
The working environment in our operations must maintain a high standard and contribute to employee development. Our suppliers and other partners must also share this approach.

Reduced environmental impact
A holistic approach to environmental issues must play a key role in everything from product development activities, manufacturing and choice of materials to transport, product functionality and the potential for recycling at the end of a product's useful life.

Product liability
Our basic principle is that NIBE will pay due regard to all factors which have a bearing on the quality, safety and environmental performance of products.

Sound business ethics
Our firmly rooted approach is that we are honest and straightforward. We must be honest in our business dealings, comply with applicable legislation and have zero tolerance to bribery and corruption. We must also communicate honestly.

Transparency
To build trust and create relationships with our stakeholders, we must be open and honest in our communication and follow rules and standards.

Responsible purchasing
We must prioritise suppliers that apply the same principles as we do in terms of code of conduct, quality requirements and business principles.

Social responsibility
For us, social responsibility means being good citizens in the local communities in which we operate by supporting local initiatives and contributing to positive development.

How we work

Our management philosophy and our values create a solid platform for our sustainable development work.

Although our top priority is profitability, which is essential to our ability to operate, we will never compromise on our values to achieve it. Our attitude is that long-term profitability can only be based on respect for legislation, honesty, good relations and transparency.

How we work
'How we work' provides guidance in our day-to-day work and describes how we can best convert our resources into earnings. It is based on five basic principles concerning:

- *Workflows*
- *Collaboration*
- *Efficiency*
- *Good habits*
- *Standardisation*

We work consistently to communicate our core values to all employees in the Group.

WE SUPPORT

UN Global Compact
For an international company, national legislation is sometimes insufficient when it comes to creating consensus and common guidelines for the entire Group.

We have therefore made a commitment to adhere to the UN Global Compact as a commonly accepted platform of mutual principles that can be applied equally by all our companies, partners and suppliers, wherever they are in the world.

Strategies for good profitability and value creation

Our goals are focused sharply on profitable growth and sustainable value creation with healthy finances. Our strategies for achieving our goals are tried and tested and based on our business principles, focusing on five areas: increased market share, cost control, frequent product launches, flexible, efficient production and sustainability throughout the added-value chain.

Sustainable growth creates conditions for good profitability

Growth must be both organic and via strategic acquisitions of strong brands and complementary product ranges on priority markets worldwide.

The focus on world-class solutions in sustainable energy also contributes to a better, more climate-friendly world. Our entire value chain, from vision to end customers, must be based on the principles of sustainability in our management philosophy and our values.

NIBE operates on relatively mature markets. This means that the total growth target of 20% is not expected to be achievable solely through organic growth. The annual organic growth target of 10% must therefore be combined with acquired annual growth of 10% on average.

Operations take place within the framework of energy solutions in three Business Areas – Climate Solutions, Element and Stoves.

Growth requires management, commitment and follow-up

Management

Tried and true principles of business-driven growth in the Group are combined with structured, professional management and efficient follow-up.

Operational management is largely based on decentralisation in our three Business Areas with clear responsibility for profits in well-defined profit centres, linked to clear goals in terms of both finances and sustainability. Our management strategy is based on our business principles and values, which form the basis of our company spirit and culture. (Read more about our business principles and values on page 16.)

Each Business Area has its own operational management with profit responsibility. Each Business Area has a Business Area Board chaired by the CEO. These Business Area Boards also include external members with complementary experience within their respective areas.

In addition to responsibility for operating activities, each Business Area Board is also responsible to the NIBE Board of Directors for the strategic development of its Business Area.

Employee commitment

Motivated, committed employees are essential to continued success. We ensure that our expertise is continually enhanced and renewed via training and personal development, plus listening leadership. Internal recruitment is an important part of our programme to fill leadership roles and other key roles, while we also recruit externally to add new expertise.

Leadership is very important in creating and retaining commitment, strengthening the organisation and maintaining our corporate culture based on diligence and job satisfaction. Our leadership development programme reinforces this culture.

Follow-up

Effective follow-up takes place at both Business Area and Group level by means of an efficient Group reporting system. Clear ratios are used to enable us to quickly observe, act on and follow up on non-conformities and undesired developments.

As each subsidiary has its own budget, in which fixed costs and investments are subject to prudence, there is also a good level of preparedness for action if financial developments deviate from the assumptions made.

Expansion creates economies of scale

Joint purchasing

Materials purchasing is coordinated both within each Business Area and between Business Areas if there are obvious benefits to be gained from joint purchasing. When a newly acquired company joins the NIBE Group, a purchasing partnership begins almost immediately to quickly lower both direct and indirect costs.

Efficient use of resources contributes to profitability. By managing resources and increasing recycling, we reduce our environmental impact and reduce our costs.

We purchase responsibly by evaluating our suppliers. In addition to requirements for quality and environmental performance, we also work with our suppliers according to the international principles relating to human rights, working conditions

Acquisition model

ANALYSIS

The analysis phase is precise but fast. Our three sectors are well defined and with our history we have the relevant ratios for comparison purposes.

IMPLEMENTATION

In the implementation phase, there is always complete transparency about our intentions with the acquisition. We are always very clear and open about the information we provide on our management philosophy and strategy, which often facilitates the process.

INTEGRATION

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.

and anti-corruption set out in the Global Compact. This requires a deeper, more time-consuming analysis, but we reduce the risk of interruptions in material flow and events that may harm our reputation.

Efficient production

High productivity is essential to good competitiveness, and our productivity philosophy is based on the belief that everything can always be improved and that, if you can't measure it, you can't improve it. Methods-time measurement (MTM) data provides a sound basis for efficient production planning, accurate costings and calculations, reliable investment data and opportunities to follow up on business activities correctly. Performance-based salary systems based on accurate MTMs also help encourage optimisation of working time and promote high productivity and fair salaries.

Efficient production also involves managing natural resources and inputs and reusing or recycling to reduce our environmental impact. All our production companies must have environmental certification and make continuous improvements to reduce their negative impact on the air, water and soil. At the same time, we eliminate all risks in the working environment and improve safety to prevent accidents.

Newly acquired companies have full access to all knowledge and experience in the NIBE Group. We have found that this is greatly appreciated and builds up good relations and trust between the partner companies.

Product development

Always being at the cutting edge with the most attractive product range makes product development another key to profitable growth. With a high rate of product development, based on research and new technology, we can offer products and solutions that are attractive to the market and help reduce customers' environmental impact. We constantly challenge ourselves to find the best solutions that can contribute to a faster transition to a fossil-free society.

Exchange of knowledge and technology transfers between both existing companies in the Group and newly acquired entities create synergies that considerably reduce development time in several areas. This trust is gradually built up as the obvious advantages in materials purchasing and production become apparent.

Commercialisation

A decentralised organisation means greater proximity to and understanding of the market. Strong business relationships are built up via professional, factual marketing based on strong brands with a high level of recognition among customers. The brand promise must also be accompanied by competitive prices, good service, good customer support and ethical business practices. Our customers must feel secure in the knowledge that our products are safe and manufactured responsibly and sustainably.

Our high-quality, innovative products, with strong brands and carefully considered marketing, are perfectly placed to increase our market share on existing markets and expand into new markets.

This means that acquired entities are quickly and naturally consolidated into the NIBE Group with their respective brands, and their new affiliation further reinforces their brands.

Decisive assessment criteria for acquisitions

For a potential acquisition to be interesting, we must be able to see that it adds new technology, enables us to establish a presence in new geographical markets and/or increases our share in existing markets.
We apply the acquisition model above. The basic requirements are that a company must have:

- a strong position in terms of finances, the market and technology
- competent management
- a real entrepreneurial spirit
- development potential within the framework of NIBE's strategies.

Good entrepreneurship holds the key to opening future opportunities by constantly arousing curiosity and inspiring creativity and commitment. Permitting acquired companies to retain their identity and brands creates continuity on local markets. In many instances, keeping companies intact with the full management in the locations and 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.

Companies that are new to the Group must continue to enjoy a high level of independence. 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.

Financial targets for long-term positive development

Operating margin

Operating profit must be at least 10% of sales over a full business cycle in each Business Area.

Target

10%

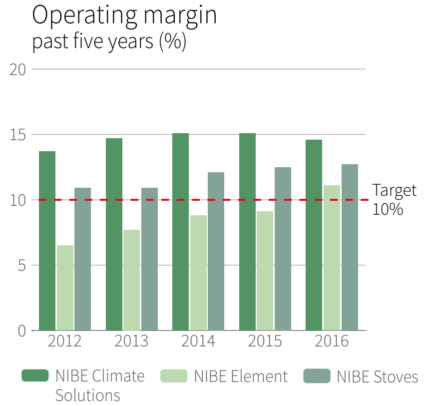
Target achievement

12.9% Group
14.6% Climate Solutions
11.1% Element
12.7% Stoves

The operating margin must be at least 10% to give operations the right stability and prepare them for both acquisitions and rapid changes in the business environment. This is one of the cornerstones to ensuring long-term positive development and continuous growth. During the past five years, the average operating margin has been 12.4%.

Operating profit in 2016 improved by 16.5% compared with the previous year and the operating margin rose from 12.8% to 12.9%. The completed acquisitions had a considerable positive impact on operating profit, while currency effects for the year were insignificant.

Because of the acquired companies' varying levels of profitability and seasonal patterns, a full 12-month period is required before a completely accurate operating profit can be recognised. Administrative acquisition expenses amounted to SEK 60 million (SEK 10 million) during the year and costs were recognised for acquisition processes that were discontinued.



Growth

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

Target

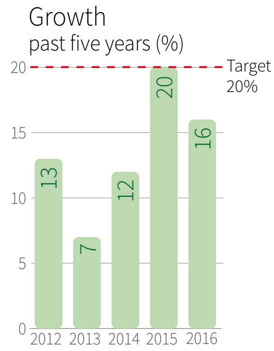
20%

Target achievement

15.9% Group
19.4% Climate Solutions
13.1% Element
6.9% Stoves

Half of the targeted average year-on-year growth must be organic over time. Stagnating growth is a threat to the maintenance of good, sustainable profitability. Acquired growth often balances organic growth in that it is usually lower than organic growth in good times and higher in difficult times. During the past five years, total average growth has been 13.5%.

The companies acquired in 2016 injected combined annual sales of just over SEK 4 billion into the Group, of which just under SEK 1.7 billion impacted 2016 sales. Including all the acquired companies and calculated on a rolling 12-month basis, consolidated sales are now at just over SEK 17 billion, meaning that the sales target of SEK 20 billion should be achievable by 2020.



Return on equity

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

Target

20%

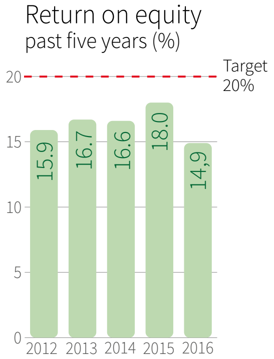
Target achievement

14.9% Group

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 16.3%.

The lower return on equity in 2016 is mainly due to equity being considerably higher in relation to profit after net financial items.

At year-end, equity was SEK 12.1 billion, an increase of SEK 4.7 billion on 2015. The increase is mainly due to the new share issue, which injected SEK 3 billion in equity.



Equity/assets ratio

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

Target

30%

Target achievement

46.6% Group

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 41.9%.

Good earnings performance in 2016, combined with the new share issue, resulted in equity increasing by 63%, while total assets increased by 40%, greatly increasing the Group's equity/assets ratio.

A high equity/assets ratio makes it possible for NIBE to continue to expand aggressively via acquisitions.

Sustainability targets

Our targets are focused sharply on profitable growth and sustainable value creation. Our sustainability work has four quantified main objectives.

Increased climate benefit in our product portfolio

The target is for 55% of our sales to consist of LCE classified* products by the end of 2017.

Targets

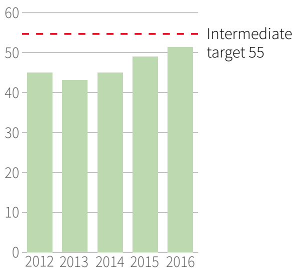
55%

Target achievement

51.5% classified products

Of our total 2016 sales, 51.5% (49%) consisted of LCE-classified products.

Percentage LCE-classified products (%)



Including wood-burning stoves

A safe workplace with no accidents

Our long-term goal is zero accidents, of course, even though this is difficult to achieve. The partial goal is an accident frequency of fewer than 6 accidents per million hours worked by the end of 2018.

Target

Zero (0)

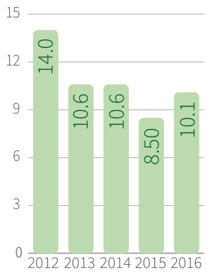
Target achievement

10 accidents per million hours worked

There was a total of 193 accidents in the Group in 2016, 36 more than the previous year. The accident rate was 10.1 (8.5) accidents per million hours worked.

Greater focus on accident reporting resulted in an improvement in companies' reporting in 2016. The effect of the increased reporting is that the accident figures increase initially before the effects of the action taken are visible.

Accident frequency per million working hours (number)



Guaranteed systematic quality control and environmental work

The long-term target is for 100% of our production units to have certified management systems for ISO 9001 and 14001.

Target

100%

Target achievement

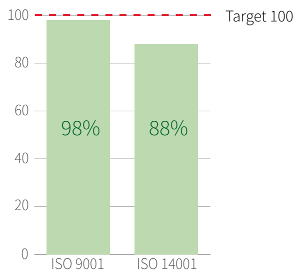
98% ISO 9001
88% ISO 14001

The target was for 100% of our production units to have certified management systems for ISO 9001 and 14001 before the end of 2016.

In 2016, we achieved a certification level of 98% for ISO 9001 and 88% for ISO 14001. A total of 19 certificates have been issued since the beginning of 2016. Three of the seven companies that had no certificate at year-end 2016/2017 will be certified in 2017. Another three companies are new to the Group and aim to be certified by 2018. One company has had to defer its certification because of relocation.

Certified management

Number of companies certified



* 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 must 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.

Our impact on the environment

Continuous reduction in energy consumption

The target is to reduce energy consumption by 30% from 2013 to 2020 (measured as MWh/SEK million in sales)

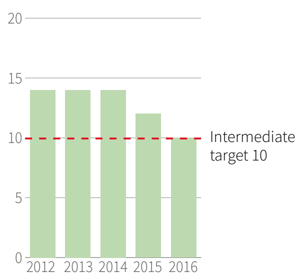
Target	Target achievement
30%	**30% reduction in energy consumption**

The target of 30% corresponds to a reduction from 14 MWh per SEK million in sales in 2013 to <10 MWh per SEK million in sales in 2020.

Consumption of energy has fallen to 10.0 (11.7) MWh per SEK million, which means that we have already achieved our target for 2020. A new target will therefore be established in 2017.

Energy audits were carried out at 5 (4) plants in 2016. We will carry out a further five energy audits in 2017.

Power consumption
(MWh/Mkr)



Our direct environmental impact consists of the use of raw materials such as metals and other materials, energy consumption, emissions of carbon dioxide and generation of waste. There are also other impacts on the air, soil and water. The biggest indirect environmental impact comes from transportation and the environmental impact in our supply chain because of our orders. Our products have a mostly positive environmental impact when they are used, considering that they result in considerably lower energy consumption and lower carbon dioxide emissions than traditional alternatives.

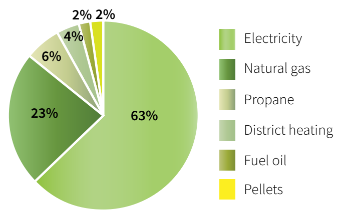
Energy consumption

Our total energy consumption, direct and indirect (excluding transportation), was 167 (161) GWh. Of this, 3.1 (2.5) GWh consists of electricity, heat and cooling we generated from solar and wind power and heat pumps.

Our indirect energy consumption, i.e. purchased electricity and district heating, amounted to 112 (101) GWh. Of this, 105 (98) GWh was electricity consumption. All our purchased electricity comes from renewable sources.

We have started to measure emissions from transportation and now have comparable data for our own vehicle fleet for consumption of diesel and petrol. The consumption of petrol was 3.2 GWh and diesel 20.3 GWh. This is an increase on the previous year of 10% for petrol and 11% for diesel.

Energy sources % of total energy consumtion



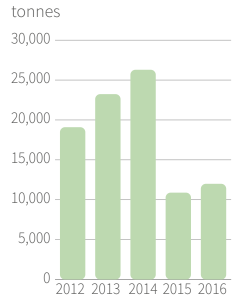
Carbon dioxide

In 2016, carbon dioxide emissions from energy consumption in our own production plants and purchased electricity and heat amounted to 12,100 (10,900) tonnes. Natural gas, LPG and oil used in production processes stood for 88% or 10,700 tonnes. As from 2015, the Company has only purchased electricity with a certificate of origin from renewable sources, which accounts for the big reduction in CO_2 emissions between 2014 and 2015.

We are now able to calculate CO_2 emissions from our own vehicle fleet[1] via fuel consumption. The total emissions from diesel and petrol amount to 5,800 tonnes, an increase of 600 tonnes on the previous year. Our ambition is to gradually switch to vehicles fuelled by renewable energy.

[1]We lack sufficient data at present for purchased transportation and business travel, so these components are not included.

Carbon dioxide emissions

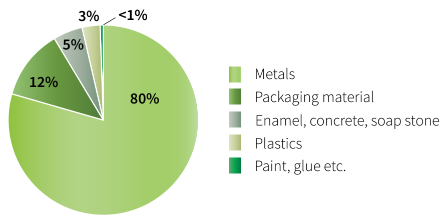


Materials

Metals such as iron, steel, copper and brass along with magnesium oxide represent 80% (76%) of our total inputs. Other inputs are stone, concrete, enamel, plastic, composite components and chemicals such as dye and glue.

In 2016, 9,580 (10,900) tonnes of packaging material were used, consisting of wood, board, plastic and steel.

Overview of major materials % of total use

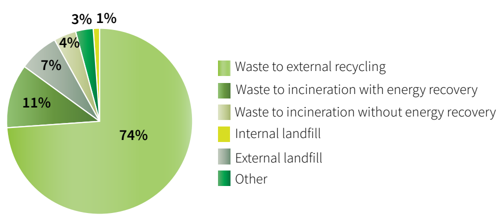


Recycling and waste

In 2016, we recycled a total of 85% (75%) of our waste, 11% (8%) of which as energy recovery by means of incineration. A total of 17,390 (18,050) tonnes of waste were generated, 760 (1,680) tonnes of which were hazardous waste.

We sent 1,220 (1,360) tonnes to external landfill, which represents 7% of the total waste volume. This consists, for example, of process waste, which may contain contents of heavy metals that are too high for recycling or materials that cannot be incinerated, such as stone, ceramics and composites.

Waste categories % of total use



Stakeholders and materiality analysis

In 2016, we continued to work to identify our most important sustainability areas to ensure that we continue to focus on the right things in the future.

Stakeholder analysis and dialogue

We have included the following in the stakeholder groups whose opinions are of greatest importance to the Company and/or are affected most by the Company's performance: shareholders, B2B customers in various sectors, end customers and installers, employees, suppliers, analysis institutes and other representatives of the financial sector and public authorities (supervisory and local).

From these, we selected a number to approach via interviews and to collect information from notes at meetings. We also studied what stakeholders ask us about to ascertain what they are interested in. With some of the groups we have an ongoing open dialogue that permits us to compile qualitative information. The method for addressing each group was determined by the number of stakeholders in the group and the time available for practical implementation.

The results of the qualitative surveys were used to create a simple questionnaire with identified sustainability aspects in six different areas: finance, products, environment, working environment, governance and society. The questionnaire was completed online by around 200 individuals.

We were not able to cover all stakeholder groups in 2016 and still have relatively limited statistical data from the quantitative surveys. We see this as an ongoing process in which the data will be improved from year to year as we gather more facts. However, it was possible to compile a sufficient quantity of data during the year to create a representative basis for our materiality analysis.

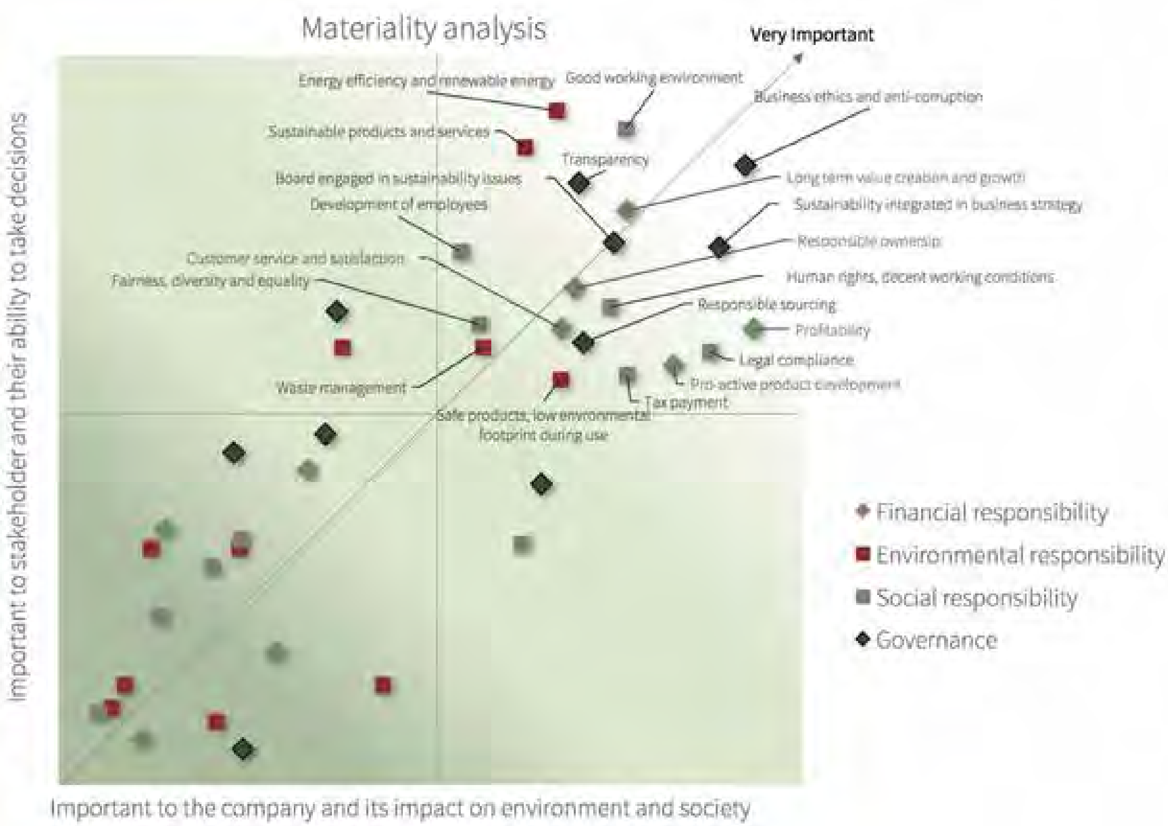
Materiality analysis

With the Group's working group for sustainability issues, Group management carried out a materiality analysis based on the areas that are regarded as most relevant to the Group's operational focus and geographical presence as well as international initiatives such as the Global Compact and Agenda 2030 (SDG). The assessment also included business environment requirements, global trends, standards (GRI, ISO 14001 and CDP), the Company's expected future growth, with the concomitant risks and opportunities, and the outcome of the dialogue with stakeholders.

The top priority aspects are summarised in the diagram below.

If we compare NIBE's current work in the areas identified as priorities in the materiality analysis, it sits well with the choices and priorities made by NIBE to date:

- NIBE's products support the transition to sustainable cities and infrastructure. The product range is largely based on energy efficiency enhancement and renewable energy and is therefore in line with climate-adapted products as a business strategy.
- NIBE invests in energy efficiency enhancement and renewables in its own operations and has measurable targets for this.
- The decision to sign the Global Compact reinforced NIBE's previously communicated values to respect human rights and take responsibility for the environment, working environment and ethical business methods.
- NIBE has an accident rate target to create a safe working environment.
- NIBE has responded to the need to train its staff. In the last two years, we have implemented extensive training initiatives in ethical business practices and anti-corruption, primarily for those who have external contacts.



Agenda 2030 and NIBE's undertakings

In line with its operational priorities and where it was considered possible to exert influence, NIBE has chosen to prioritise six of the seventeen goals included in Agenda 2030:

	General goals:	NIBE's undertaking:
Goal 7	Ensure access to affordable, reliable, sustainable and modern energy for all	Increase the proportion of products based on renewable energy and meet market demand for energy-efficient, clean energy solutions.
Goal 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Promote a safe, secure working environment, protect employee rights, ensure decent working conditions both in our own operations and in the supply chain, and safeguard employment and growth.
Goal 9	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	Make production more sustainable by employing resources efficiently, using clean, environmentally-friendly technologies and setting aside funds for research and development.
Goal 11	Make cities and human settlements inclusive, safe, resilient and sustainable	Supply resource-efficient, climate-adapted components, products and solutions that contribute to sustainable cities and safe infrastructure.
Goal 12	Ensure sustainable consumption and production patterns	Employ sustainable practices for handling chemicals and reducing emissions and discharges into the air, water and soil. Manage resources, minimise waste, recycle and reuse more. Report sustainability information transparently in our reporting cycle.
Goal 16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Respect and maintain national and international legislation and work actively to prevent corruption in all its forms. Create systems for internal control of compliance with legislation and ethical business principles.

Undertakings based on the materiality analysis

In working on the materiality analysis, we identified some areas, in addition to those in which we already work, which require further work.

- A policy for anti-discrimination, diversity and gender equality will be drawn up. The work of subsidiaries will be evaluated against the policy and national legislation in connection with site visits.
- The focus on sustainability in the governance process will be increased by sustainability issues being communicated to the Group Board of Directors to a greater degree. Our annual GRI report will be signed by the Board of Directors, and sustainability will be integrated in our financial reporting.
- The working environment will be an agenda item at subsidiaries' board meetings at least twice a year, with accidents and actions being reported. All companies with more than 15 employees and an accident rate of more than 10 accidents per million hours worked will be required to prepare a written action plan for how they will achieve the target of an accident rate lower than 6 before the end of 2018. The plan will be evaluated and approved by the Group's working group for sustainability issues, the 'Sustainability Council'. (See page 102 of the Corporate Governance Report).

In 2017, there will be a review of existing targets and ratios, based on the achievement of targets in 2016.

Our employees

We want our employees to thrive, develop and feel proud of their work. By applying our business principles and contributing to sustainable development, we are convinced that we not only strengthen our brand and increase profitability, but also become a better employer that can attract expert employees with sound values. All our 11,900 (10,500) employees bring different experience, knowledge and talents to the Company, adding great value to our operations.

Committed employees

Via our shared values and a clear code of conduct, which guide our decisions and day-to-day operations, we can maintain simple organisational structures with independent operational leadership. This inspires commitment in our employees and an incentive to develop and make use of their potential.

If you want to thrive at NIBE, initiative, humility and common sense are a winning combination. We must treat each other with respect, and managers must set a good example in terms of honesty and straightforward communication.

Our operations are knowledge-intensive and subject to constant development, which means that employees need to continuously make use of the opportunity to develop their skills. A total of 190,000 (212,000) hours of training were conducted in various areas in 2016. This is equivalent to approximately 16 (20) hours of training per employee.

For example, all employees who work in contexts in which they are at risk of exposure to attempted unethical business practices underwent mandatory online training in ethics and anti-corruption. This training was launched in 2015 and is aimed at around 3,000 salaried employees in 21 countries. The training is now a mandatory part of the induction of new employees in areas such as marketing and purchasing.

Working conditions

We expect all companies in the Group to live up to our shared principles and we regularly monitor working conditions in our own operations to ensure they meet our standards. Site visits are conducted at which the management is asked to present how they have implemented the Group's values and how they work on the areas included in the agenda. Any need for improvement or nonconformities established at a site visit, along with proposals for measures, are reported to the management of each company and to both the respective Business Area management and Group management. The Business Area Directors are also responsible for following up on the measures with the various companies in each Business Area.

Nonconformities in 2016 primarily concerned deficiencies in the physical working environment and lack of maintenance of machinery and buildings. There were no cases of child labour, forced labour or any breach of other principles relating to labour law.

Working environment

We work hard to improve the working environment at all our plants to create a safe workplace and reduce ill-health. Our goal is to achieve workplaces where no accidents occur. The partial target is to have an accident rate of fewer than 6 accidents for every million hours worked by the end of 2018.

In recent years, we have intensified our focus on accident reporting. This has resulted in more companies improving their reporting of incidents and accidents. In 2016, 62 companies reported lost time injuries to the Group, compared with 40 companies in 2015. The effect of the increase in reporting is that the accident figures have a visibly negative trend initially before the effects of the measures taken are seen.

In 2016, we had a lost time injury frequency rate of 10.1 (8.5) per million hours worked, and sick leave was 3.8% (4.2%).

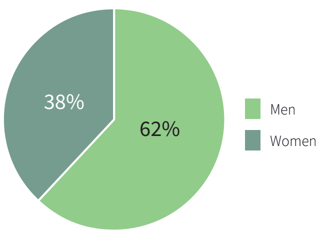
Diversity, gender equality and equal opportunities

In an international group, you learn to respect cultural and social differences, and above all you learn that people have more similarities than differences. Regardless of language, ethnicity, gender, age or background, everyone wants to be respected and have the same opportunities without any form of discrimination.

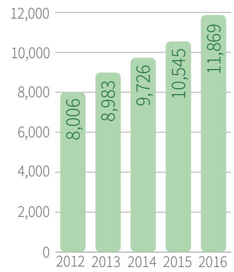
We try to work in a way that guarantees tolerance to differences and gives everyone the same opportunities for development, training and careers. In 2016, there were no reports of incidents involving discrimination.

Summary of ratios	2016	2015
Average number of employees	11,869	10,545
Europe	61%	65%
Asia	8%	9%
North America	31%	26%
Percentage of women	38%	40%
Percentage of salaried employees	31%	30%
Percentage of graduates	14%	13%
Hours of training/ employee	16	20
Employee turnover*	6.6%	7.1%
Percentage of employees who attend performance reviews	60%	57%
are covered by collective agreements	49%	52%
are represented by safety committees	87%	94%
Average age	39	40
Average period of employment, years	8.0	7.8
Accident rate, no. per million hours worked	10.1	8.5
Sickness absence	3.8%	4.2%

Gender



Average number of employees
past five years



*Employee turnover is calculated based on permanent employees who voluntarily end their employment. On account of different calculation criteria, with temporary employees being included in the figures reported for some plants in Mexico and China, these plants have not been included in the statistics. A new joint method for calculating employee turnover will be prepared in 2017.

Responsible purchasing and good business ethics

Every year, we buy direct materials from around 3,500 suppliers for a total value of SEK 6.2 (5.5) billion. Metals and electronic components are the product categories with the highest purchase value, and the highest volumes are purchased in Europe and Asia.

We have strict requirements for our suppliers in terms of product quality, reliability of supply, compliance with legislation and environmental performance. We also have a responsibility to work with our suppliers to improve their internal working conditions and terms of employment and work towards transparency and ethical business practices.

When we evaluate our suppliers, we apply both the traditional quality and delivery requirements, and our code of conduct, which is based on the ten principles of the UN Global Compact. Where we see that there are deficiencies, we agree on an action plan to remedy them. If we identify unacceptable deficiencies in exceptional cases, or a lack of desire to make improvements, we may ultimately stop working with a supplier.

In 2016, we began working with just over 600 new suppliers, 348 of which were evaluated for quality, environment, working environment and social responsibility. Of our existing suppliers, around 2,500 have been evaluated.

Anti-corruption

Our values and business principles entail zero tolerance to corruption in all its forms. This is communicated clearly in all contracts with suppliers and other business partners.

In addition to mandatory training in anti-corruption, we encourage our employees to be vigilant, to ask for advice in situations in which they feel uncertain and to report all incidents in which they have been subject to any form of attempt at bribery or any other unethical action. In 2016, no incidents linked to corruption were reported.

One matter was referred to the Group's department for whistleblowing in 2016. It was classified as an HR matter and was managed according to standard procedures. No infringements of legislation or internal guidelines were reported.

Social responsibility in the form of support for others

Many of our companies are major employers in the local communities in which they operate. Each company has great freedom, within the framework of our values, to decide how it wants to contribute to the development of its community. In 2016, local initiatives relating to culture, sport, health and young people were sponsored to the tune of SEK 1.8 (0.7) million.

As an international company, we also want to contribute to international initiatives that are close to our heart. Children are our future, which is why we have decided to support SOS Children's Villages with financial contributions that go towards homes, education and better living conditions for vulnerable children.

As from 2015, we also decided to work with the organisation Hand in Hand, becoming a sponsor for a village project. The village is called Sunarkhedi in the district of Dhar in north-western India, and the aim is to lift an entire village out of poverty. Women are trained in groups of 20 in entrepreneurship and finance. They can then apply for microloans to run their own companies.

Together with Hand in Hand, we have helped women in an Indian village start new businesses. By sponsoring a specific village project for three years, we are helping lift an entire village out of poverty.

Our history

Long-term thinking and continuity

Clear shared values and long-term ownership are behind the continuity and stability in the Group. Since the beginning in 1949, we have created

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

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'.

Organic growth forms the basis for expansion

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

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

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.

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.

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 one 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.

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 premièred at the heating and plumbing show, and manufacture of heat pumps begins in Markaryd.

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.

1997

Listing

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.

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.

1997-2010

Some 40 acquisitions are made between 1997 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.

Some benefits of the acquisitions

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

2011-2013

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

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

The acquisitions make us

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

2014-2015

Two strategically important heat pump acquisitions are made on the North American market. Another North American element business is also acquired. North America now accounts for nearly a quarter of Group sales.

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

The acquisitions make us

- a major North American heat pump supplier

2016

2016 is characterised by a continued high rate of acquisitions, with around ten acquisitions, primarily in North America but also in Europe. Climate Control Group in the US is acquired and is the biggest acquisition in our history to date.

The acquisitions mean

- that we are the market leader in North America in heat pumps for commercial properties
- that our position as one of the world-leading element suppliers is further reinforced
- that we have a stable platform in North America for stoves

A successful new share issue is held, injecting SEK 3 billion, which permits continued expansion via acquisitions.

An investment in NIBE's shares has produced a good return

20 years of profitable growth with sustainable world-class energy solutions

Our focus on sustainable world-class energy solutions has given us over 20 years of profitable growth and a growing international presence. For anyone who has held shares in NIBE Industrier since our listing in 1997, this has been a good investment.

Ambitious financial targets largely met

NIBE has enjoyed average annual sales growth of just over 17% since 1997, combined with an operating margin between 10% and 13%, plus an average return on equity of just over 18%.

The average total return on shares has been 24% per annum since 1997.

Meeting demand for energy efficiency enhancement

NIBE is well positioned as a combination of driving forces create continued demand for energy efficiency enhancement products.

High sustainability profile

For many years, we have been developing our products with our vision to create world-class solutions in sustainable energy, while focusing on careful use of resources in our operations.

Continued growth on fragmented markets

NIBE's markets are characterised by continued fragmentation. Consequently, there is good scope for continued consolidation.

Dedicated, long-term management

Since its listing, NIBE has had the same Group management, apart from natural succession for the CFO position.

Economies of scale create profitability for the Group's companies

NIBE's group size creates economies of scale for all of its companies in several areas: joint purchasing, expertise in boosting production efficiency and an open product development climate that reduces development time and provides an opportunity for technology transfer.

A well-developed acquisition process

NIBE has a well-developed process for company acquisitions and clear intentions for existing company management teams, ensuring that managers stay in place.

Strong corporate culture

With its Småland roots, NIBE has an explicit entrepreneurial spirit and clear values that permeate the Group.

The NIBE share

NIBE's class B share is listed on Large Cap, NASDAQ Nordic under the name NIBE Industrier AB with ISIN code SE0008321293 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 1.09 per share following the 4:1 splits carried out three times, in 2003, 2006 and 2016. Private placements have been carried out on two occasions since the listing: in 2011/2012 with an issue of 65,334,552 class B shares, when the shares were also given secondary listing on the SIX Swiss Exchange, and in 2016, when 7,391,566 class A shares and 55,610,504 class B shares were issued.

Share capital

NIBE Industrier AB has share capital of SEK 79 million, divided into 59,132,590 class A shares and 444,884,032 class B shares. The quota value (i.e. share capital divided by shares) is SEK 0.15625. 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 2016 the company had 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 now also have secondary listing on the SIX Swiss Exchange.

Share performance and turnover

In 2016, NIBE's share price rose by 5.9%, from SEK 67.83 to SEK 71.80. During the same period, the OMX Stockholm_PI increased by 5.8%. This means that, at the end of 2016, the market capitalisation of NIBE, based on the latest price paid, amounted to SEK 36,188 million. In 2016, a total of 163,232,008 NIBE shares were traded, which corresponds to a share turnover of 34.8% over the year.

Dividend policy

The aim, over the long term, is to pay a dividend equivalent to 25–30% of Group profit after tax. The Board proposes a dividend of SEK 0.88 per share for the 2016 financial year, which equates to 30.0% of Group profit per share after tax.

Shareholders

The number of shareholders increased greatly 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 shareholders, NIBE had 34,486 individual shareholders at the end of 2016, compared with 21,430 twelve months previously. The ten largest shareholders held 59.1% of the votes and 41.7% 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

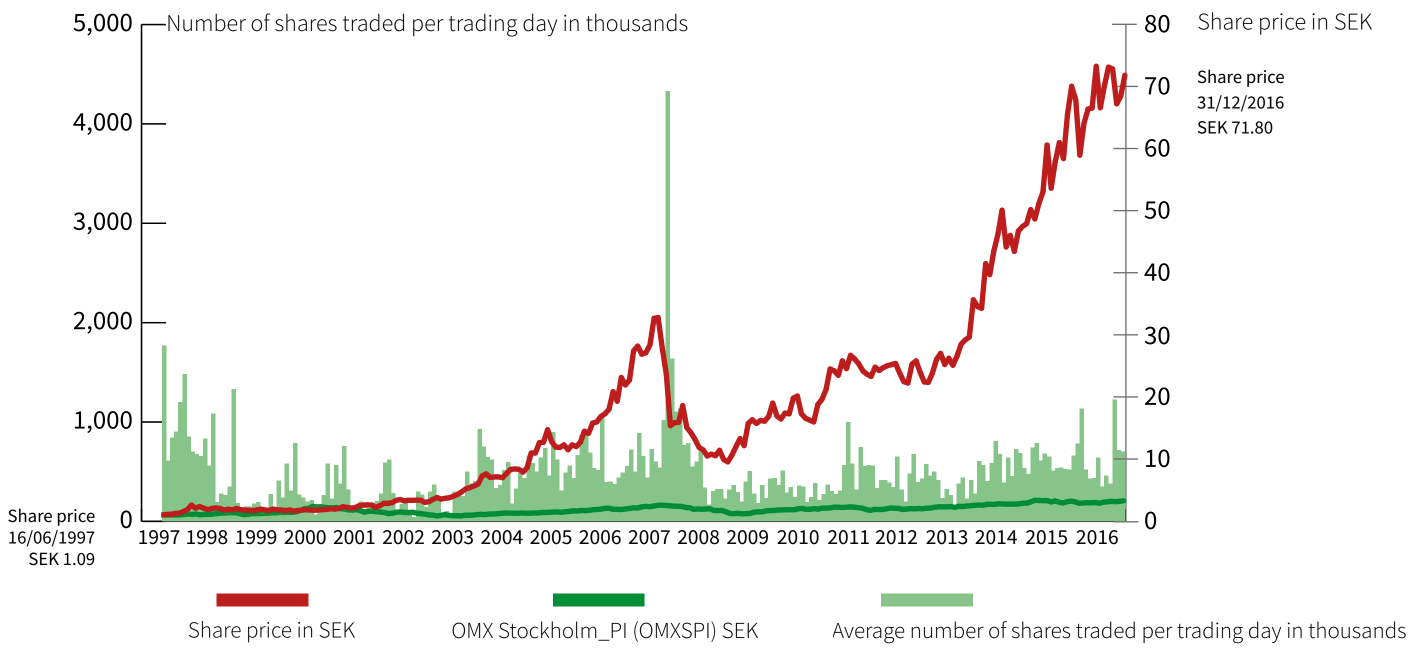
After the end of a period until an interim report is published, there is a period of silence in which the Group's representatives do not meet financial media, analysts or investors.

Analysts

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

Johan Wettergren, Carnegie Invest Bank AB
Max Frydén, Danske Bank Markets
Mattias Holmberg, DNB Bank ASA
Jon Hyltner, Handelsbanken Capital
Erik Paulsson, Pareto Securities
Olof Larshammar, SEB Enskilda
Mats Liss, Swedbank AB LC&I
Douglas Lindahl, Kepler Cheuvreux

Share performance, 1997-2016



Share performance

Changes in share capital

	Increase in share capital (SEK)	Quota value (SEK)	Total number of shares	Total share capital (SEK)
1990 New share 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 share 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 share issue [5)]	10,074,648	0.625	110,039,437	68,774,648
2012 New share issue [6)]	133,876	0.625	110,253,638	68,908,524
2016 Split 4:1 [7)]	–	0.15625	441,014,552	68,908,524
2016 New share issue [8)]	9,844,073	0.15625	504,016,622	78,752,597

[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.
[7)] Change in the quota value of each share from SEK 0.625 to SEK 0.15625.
[8)] Private placement to the Company's shareholders at a subscription price of SEK 48.00 per share.

On account of the 4:1 split and the preferential rights issue at a discounted share price, resulting in a dilutive effect of approximately 4.8%, in 2016, the number of shares and the majority of the historical ratios per share presented below have been recalculated.

Data per share

		2016	2015	2014	2013	2012
Number of shares	no.	504,016,622	462,455,387	462,455,387	462,455,387	462,455,387
Average number of shares	no.	469,382,260	462,455,387	462,455,387	462,455,387	462,155,901
Year-end share price	SEK	71.80	67.83	47.90	34.57	22.35
EPS (after tax)	SEK	2.93	2.67	2.12	1.86	1.65
Equity per share	SEK	24.06	16.06	14.19	12.06	10.50
Proposed dividend	SEK	0.88	0.80	0.64	0.56	0.48
Price/equity		2.98	4.22	3.38	2.87	2.13
Dividend yield	%	1.23	1.18	1.34	1.62	2.13
Total yield	%	7.15	43.28	40.41	57.17	– 5.90
Operating cash flow/share	SEK	2.90	3.36	2.37	1.65	1.66
Payout ratio	%	30.0	29.9	30.3	30.2	28.9
PE ratio (after tax)		24.5	25.4	22.6	18.6	13.5
Market capitalisation	SEK million	36,188	31,367	22,150	15,987	10,336
EBIT multiple	times	21.3	21.7	20.2	16.1	13.4
EV/sales	times	2.75	2.78	2.54	1.93	1.51
Share turnover	%	34.8	32.7	31.7	18.4	23.7

Definitions

Earnings per share (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
Change in share price for the year, including dividend, as a percentage of share price at previous closing date.

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 number of shares.

Major shareholders

(source: Euroclear Sweden share register 30 Dec 2016)

Shareholders	Number of shares	Number of votes (%)
Current and former Board members and senior executives[1]	111,353,755	47.18
Melker Schörling	54,927,359	20.24
Alecta Pensionsförsäkring	32,076,672	3.10
State Street Bank Trust Client	22,845,448	2.20
CBNY Norges Bank	11,205,209	1.08
Lannebo Småbolag	9,100,000	0.88
Didner & Gerge Aktiefond	6,595,890	0.64
SIX SIS AG W8IMY	6,431,295	0.62
Fourth National Pension Insurance Fund (AP4)	6,353,857	0.61
AMF Pensionsförsäkring AB	4,750,000	0.46
SEB Sverigefond Småbolag	4,609,142	0.44
Odin Norden	4,588,711	0.44
Livförsäkringsbolaget Skandia	4,122,142	0.40
Other holdings (34,451 shareholders)	225,057,142	21.72
Total	504,016,622	100.0

[1] For current Board, see page 104.

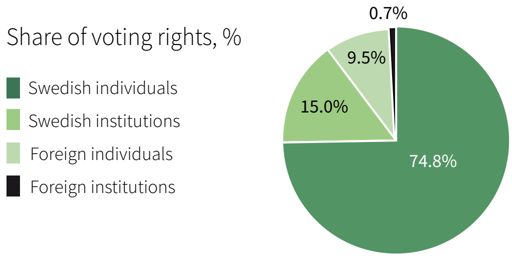
Shareholder structure

(source: Euroclear Sweden share register 30 Dec 2016)

Number of shares	Number of owners	Number of owners (%)	Number of shares	Number of shares (%)
1 – 500	20,293	58.84	3,120,265	0.63
501 – 1,000	4,196	12.17	3,346,436	0.66
1,001 – 5,000	6,620	19.20	16,166,072	3.21
5,001 – 10,000	1,441	4.18	10,504,505	2.08
10,001 – 20,000	963	2.79	13,974,045	2.77
20,001 –	973	2.82	456,905,299	90.65
Total	34,486	100.0	504,016,622	100.0

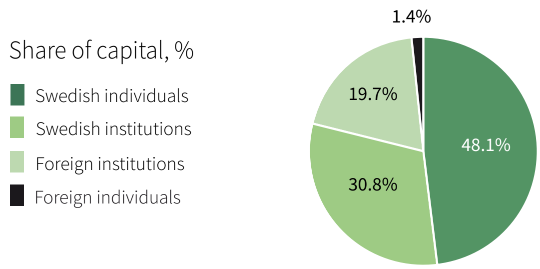
Shareholder categories

(source: Euroclear Sweden share register 30 Dec 2016)

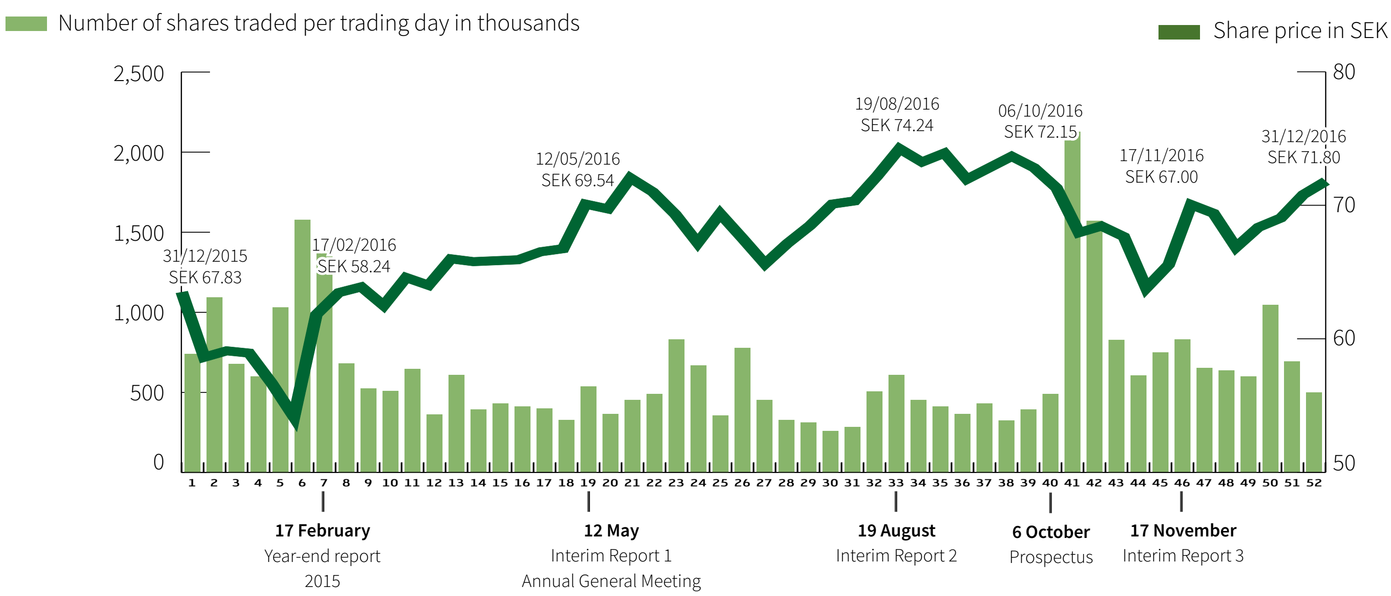


Proportion of capital

((source: Euroclear Sweden share register 30 Dec 2016)



The share during 2016



NIBE Climate Solutions Business Area

‘Step Forward for Climate Solutions’

This means that we need to take a clear initiative on climate issues.

Kjell Ekermo, Director of Business Area NIBE Climate Solutions

In our ambition to further strengthen our international position, all operations within the Business Area have been gathered under the theme ‘Step Forward for Climate Solutions’, focusing on our efforts to take a clear initiative on climate issues. The objective is to ensure that, at an international level, we jointly put forward the case for accelerating the conversion of old and non-eco-friendly technology to more modern, intelligent and environmentally friendly product solutions that improve energy efficiency and use renewable energy. This will be done not only via marketing but also in dialogue with trade associations, political decision-makers and other stakeholders. Despite the fact that virtually the entire international community agrees that there is a great need to significantly reduce the use of fossil fuels, the conversion is going far too slowly. Here we can make a difference.

Our international expansion continued with full force in 2016 as did our methodical work to position ourselves as a market leader for environmentally friendly, intelligent and energy-efficient solutions for indoor comfort.

A year of strategic acquisitions

CCG – our largest acquisition to date

The biggest event of the year was our largest acquisition ever: American company Climate Control Group (CCG). CCG is one of the leading manufacturers of environmentally friendly climate control solutions, primarily for commercial buildings in the North American market, and operates with several famous brands. The US is now NIBE Climate Solutions’ largest market and, together with prior acquisitions, we are the market leader in heat pumps for both single-family homes and large buildings. Following the acquisition, we have also become the market leader in North America in fan coil units for waterborne systems.

Air-Site creates synergies in concepts for large properties

The strategic partial acquisition of the Swedish ventilation company Air-Site AB has allowed us to combine ventilation expertise with heat pump technology expertise. A jointly developed product concept for large buildings will be launched in 2017. With a single solution we will offer heating, cooling, energy recovery and ventilation, which will further strengthen our market presence in the large buildings segment.

Enertech Group with several well-known brands

The acquisition of most of the shares in the British Enertech Group, which has several well-known brands such as the Swedish CTC, is expected to further reinforce our position as a world-leading heat pump company.

High rate of product launches

Our product development initiatives have continued to be intense and the launch rate continued to be high in all our markets in 2016. The biggest launch of the year was the new NIBE F2120 outdoor air heat pump (see page 37), which was accompanied by a major marketing campaign both in Sweden and worldwide. The product has been very well received by the market.

Continued efficiency enhancements

We have continued to focus on maintaining operating margins. Cost-saving measures were therefore introduced in production and other areas of the business. Coupled with considerable flexibility in production capacity over the year, this has enabled us to strengthen our operating margin somewhat, except in the newly acquired units, despite major fluctuations in demand and significant investments in development and marketing.

Contributing to a more sustainable world

Our mission to contribute to improving the climate is no empty promise. As we grow, we have greater opportunities to make a more tangible contribution to a world with environmentally friendly, intelligent, energy-efficient solutions for indoor climate comfort. There is very great potential for our mission if you consider how many properties do not yet have our type of solution installed.

Business focus

We supply the market with world-class solutions in sustainable energy 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 systems for heating, cooling, ventilation, heat recovery and local energy production.

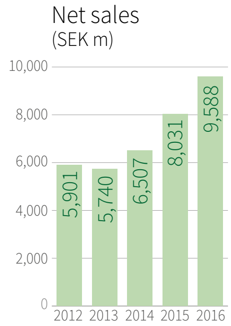
Business objective

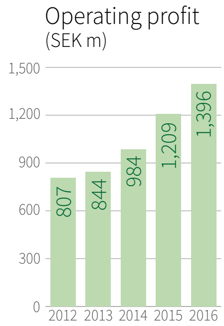
Our business objective is to consolidate our market-leading position in Europe and North America. The number of domestic markets will gradually be increased by acquisitions, the establishment of subsidiaries or the use of other well-established sales channels.

Figures for 2016

In 2016, the Climate Solutions Business Area increased its net sales by 19.4% compared with 2015. The increase is primarily attributable to acquisitions and increased market share.

The operating profit for the Business Area increased by 15.5% compared with 2015. The increase is mainly due to increased sales and good cost control.





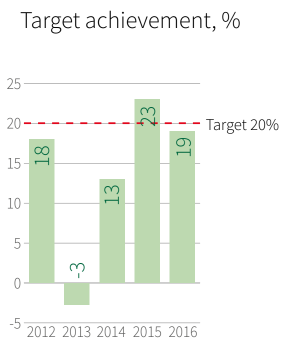
Targets

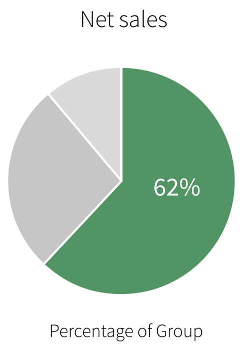
Growth target

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

In 2016, total growth was 19.4% (23.4%), of which 4.8% (9.5%) was organic. This means that organic growth was 4.7 percentage points lower than in 2015.

Growth has been 14.0% on average over the past five years.



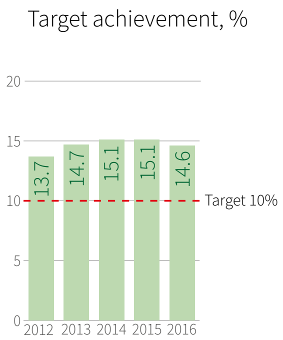


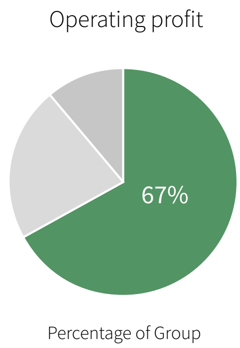
Operating margin target

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

The operating profit in 2016 was 14.6% (15.1%) of sales. This means that the operating margin decreased by 0.5 percentage points compared with 2015.

The operating margin has been 14.7% on average over the past five years.





Products that make the sustainable society of the future possible

NIBE Climate Solutions offers a wide range of products for intelligent, energy-efficient indoor climate comfort, including heating, cooling, heat recovery, ventilation and hot water for homes, apartment blocks and commercial properties. Most of our solutions are based on recovery of renewable energy from the ground, rock, sun, sea or air.

Our products, which can be combined in system solutions with both existing and new systems, can be divided into the following categories:

Heat pumps

The principle is based on indirectly extracting energy from the sun which is stored in rock, the ground, the air, water or surplus heat in ventilation exhaust air. The heat can be distributed in both waterborne and airborne systems, used to heat water and stored in an accumulator tank.

Ventilation products and cooling equipment

Fresh air ventilation with heat recovery via the heated exhaust air, and products for generation of cooling for single-family homes, large properties and industrial applications.

Climate control systems for large properties

Large residential properties and commercial properties usually have a climate control system that ensures good ventilation, a steady temperature and the correct air humidity in all seasons. This requires system solutions with a combination of heating and cooling systems and ventilation units with heat recovery, with a heat pump producing heat, hot water and cooling.

Water heaters and accumulator tanks

Water heaters that are designed for energy-efficient heating with either electricity, a heat pump or solar heating. Accumulator tanks to make use of the heat from a wood-fired boiler or heat pump, designed for both single-family homes and systems in large properties.

District heating products

Local or district heating centres for forwarding district heating to individual properties.

Solar panels

Solar power generated from solar cells that can be combined with a heat pump and/or sold to a power producer.

Domestic boilers

Wood-fired or pellet-fired boilers that are connected to an accumulator tank.

Commercial washing machines and tumble dryers

Washing machines and tumble dryers for large apartment blocks, hotels and hospitals.

Clear sales arguments

Our products are marketed under strong brand names with strict requirements for environmental friendliness, quality and energy efficiency and are designed to be strong alternatives to products that use fossil fuels. The products must also be highly innovative, have a modern design and be competitively priced. Far-reaching warranty programmes are also offered for the more capital-intensive products.

New product areas, solutions

The acquisition of the North American company CCG has added top-level technical expertise to the Group and expanded the climate control offering for commercial properties.

Brands and trademarks

NIBE
VØLUND VARMETEKNIK
DRAŽICE
METRO THERM
BIAWAR
Høiax
iwabo
JAMA
haato
JASPI
ЭВАН
KNV
AKVATERM
KVM-Genvex
Bringing comfort to life.
SCHULTHESS
alpha innotec
NOVELAN
heizen. kühlen. lüften.
WaterFurnace
Smarter from the Ground Up
CLIMATEMASTER
abk
KKT chillers
Merker
Technibel
ENERTECH
Hyper
Air Site
ClimateCraft
CLIMACOOL
NU-WAY
Enertech Group
TURBOFLAME
Enertech Group
OSBY PARCA
Enertech Group
IEC
International Environmental
CTC
Enertech Group
Bentone
Enertech Group
GIERSCH

A breakthrough in efficiency

An air/water heat pump with a SCOP* value of more than 5

NIBE F2120

Class-leading operating range
- Up to 65°C flow temperature. 63°C flow temperature at -25°C.
- Extremely easy to install.
- Self-adjusting control system for genuine plug-and-play installation.

3-phase connection – for all models
- No need for stronger fuses or rewiring.

Quieter when it matters
- A silent fan with intelligent control reduces sound to a minimum.

Speed-controlled
- An inverter-controlled (speed-controlled) compressor with EVI technology that adapts output to demand.
- Able to supply cooling with cooling flow down to +7 °C.

*SCOP = Seasonal Coefficient of Performance

Sustainable product development and production

Extensive product development and several development laboratories

Product development takes place at all of our manufacturing subsidiaries. There are product development centres focusing on heat pumps at our German company AIT in Kasendorf, in Markaryd under the NIBE brand, at the Danish company METRO THERM in Helsinge and at our North American companies Climate Master in Oklahoma City, Enertech Global in Greenville/ Illinois and Waterfurnace in Fort Wayne/ Indiana.

Product development focuses on constant improvement in performance, intelligent controls and the production of systems in which renewable energy production is linked to climate systems and energy recovery via heat pumps.

Development expenses correspond to nearly 3% of sales.

Synergies

There is continual growth in the international exchange and collaboration between the product development departments at our various companies, with positive results for the production of new products in terms of both development time and level of technology. Transatlantic development collaboration between our European and North American product development centres aims to combine top-level European technology in heat pumps designed for waterborne systems with the North American tradition of using airborne systems for both heating and cooling.

Development that contributes to sustainability

Sustainability is an important factor throughout a product's life cycle. Proactive market-based product development has a number of target criteria. Our products must be resource-efficient in both production and operation and thus help reduce climate impact. Consequently, we develop our products according to certain main criteria:

- *Constantly improving 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*

Efficient own production

Production takes place in some twenty modern plants in eleven 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, Indiana, and Oklahoma City, USA, are the Business Area's biggest plants.

Manufacturing methods in the NIBE Group are evaluated regularly in order to optimise production processes and reduce environmental impact. The strategy is to gradually 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 on our other priority markets that are subject to fierce price competition. Part of our production takes place in the Czech Republic, Poland and Russia, all of which have low production salaries compared with Western and Central Europe.

We invested SEK 239 (232) million in our production plants in 2016.

Thanks to its modernised, highly rational production facilities in both high-cost and low-cost countries, we believe that NIBE Climate Solutions is well placed to assert itself in tomorrow's international climate control market.

Quality and environmental certification

All production units with more than 10 employees have certified management systems for the environment and quality. To create the same structured, systematic working methods for improving the working environment and reducing the risk of accidents, we are in the process of introducing management systems for the working environment as well.

Production management

The production of bulk products is based on forecasts. Large customised systems for commercial properties are produced to order.

Driving forces on the market

The global transition to more sustainable solutions

One fundamental driving force for our products is the essential global transition to more sustainable solutions to reduce negative climate impact and save the Earth's finite resources. According to the UN Environment Programme, buildings account for roughly 40% of total energy consumption in the world and emit a third of all greenhouse gases. 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 must be phased out in favour of systems based on renewable energy that also require less input energy for the same output power.

The rate of this transition depends on a number of driving forces:

- *Energy price trends*, both for fossil fuels such as oil and natural gas and electricity prices.
- *Political instruments,* direct financial support/subsidies for transition, energy taxes, indirect support that affects general construction and conversion costs.
- *Public authority requirements for products,* including the Ecodesign Directive, which sets minimum energy performance requirements for products in the EU single market. The intention is to improve products' environmental performance throughout their life cycle. Another example is stricter energy-saving requirements in buildings. These requirements are largely national but the EU is working to establish common requirements and standards.
- *Smart buildings,* increased demand for better energy performance and control of the climate control systems of homes and commercial properties.
- *The property and construction market*, demand for homes and commercial premises and the economic situation determine the extent of construction and renovation.
- *The cost to the end consumer* of investment and operating costs, depending on energy type.

Group trends and business environment factors can be found on page 14.

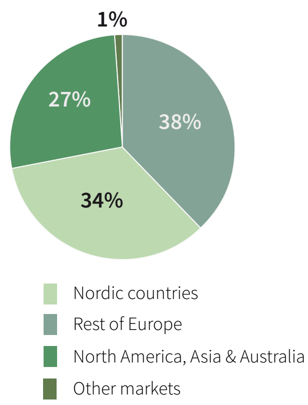
A very large market

The addressable global market for heating, ventilation and cooling systems is very large. Our estimate is that it totals at least SEK 500 billion.

The HVAC (Heating, Ventilation & Air Conditioning) sector as a whole represents great business potential. We currently only operate in part of it and there remain good opportunities for future expansion with product solutions for indoor climate comfort.

If we look only at the need for heating appliances designed for detached and semi-detached houses in the EU, including Switzerland and Norway, the average annual replacement volume is estimated to be around five million units. In addition, during an average year around one million units are installed in new-build detached and semi-detached houses. This means that the penetration rate for heat pumps designed for waterborne distribution is around 5%.

Sales by geographical region



OPPORTUNITIES

- Great market potential in Europe and North America
- Strong brands
- Broad range of products
- State-of-the-art heat pump factories in Europe and North America
- Most advanced product development centres for heat pumps in Europe and North America
- Energy and environmental policy that promotes renewable energy
- Increased interest in renewable energy
- Access to rational production in countries with lower labour costs
- Continued expansion through acquisitions on a fragmented market

RISKS

- New laws, public authority decisions, energy taxes, etc. with a short-term perspective
- New technologies outside our current areas of expertise
- Reductions in new builds
- Low gas and oil prices usually mean continued use of fossil energy sources
- Artificially high electricity prices on several markets on the grounds that the transition to less use of fossil energy sources must be paid for with taxes on electricity

An input with multiple returns

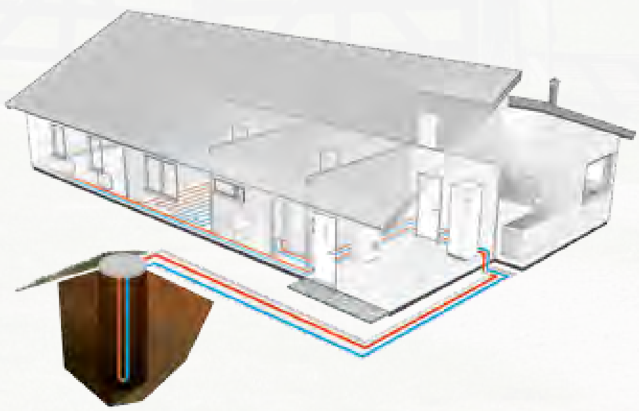
In a heat pump, solar heat, stored in the air, rock, water or ground, is used to heat both the building and the tap water. The stored solar heat (the heat source) is obtained via a heat exchanger from the air, rock, seawater or the ground several metres below the lawn. The building's energy requirements and heating system and the nature of the site determine the type of heat pump and heat source that are most suitable.

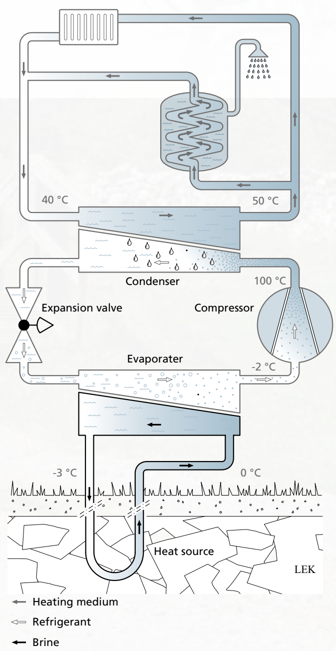
For example, in a ground-source heat pump system, the heat is transferred from the rock (the heat source) via a heat carrier, a collector. The collector circuit is closed and contains a liquid with a low freezing point (a glycol solution) which circulates and is heated by the rock storing solar heating. When the glycol solution passes through the heat pump, it meets another closed system, the refrigerant circuit, in a heat exchanger (the evaporator), where the refrigerant is heated and begins to vaporise. The gaseous refrigerant then passes through a compressor that greatly increases the temperature of the refrigerant. Via another heat exchanger (a condenser), the gaseous, hot refrigerant then releases its energy to heat the building and the tap water. The still gaseous refrigerant then passes through an expansion valve, where the refrigerant becomes liquid again and is thus ready for a new cycle, which is repeated continuously while there is heating demand.

The heat pump's energy output, i.e. the heat generated, is measured in kilowatt hours (kWh). Efficiency is measured in SCOP (Seasonal Coefficient of Performance), i.e. how many times more energy (heat) a heat pump produces on average in one year than the energy (electricity) the compressor in the heat pump uses. If the SCOP value is 5, the heat pump delivers five times as much energy as the electric motor in the compressor uses to drive the heat pump.

Example:
Total energy required to heat the building and tap water 24,200 kWh, SCOP factor 5 => saving 19,360 kWh or 80%, total energy consumption 4,840 kWh

Expressed in simple terms, this ground-source heat pump saved 19,360 kWh or 80% compared with a situation in which the building was heated with direct-acting electricity. Both economical and environmentally friendly.





Market position and growth

Europe is the base

The proportion of heat pumps in detached and semi-detached houses is high in the Nordic region and they compete primarily with district heating in urban areas.

The proportion of heat pumps is lower in the rest of Europe, where gas boilers are dominant. 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.

We are the market leader in 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.

In Sweden, the construction of single-family homes continued to increase during the year, which benefited our sales, primarily of exhaust air heat pumps. The heat pump market, measured in number of units, developed positively in the first half but slowed in the second half. Overall, this resulted in a slight decline, but by increasing our market share significantly, we have also been able to grow in our home market.

The recovery of the German heat pump market continued in 2016 and sales performance has been relatively good. An increased awareness of renewable energy, new product introductions and a strong subsidy program for heat pumps are the main reasons. The growth of the heat pump market in Switzerland and Austria was also stable.

In the United Kingdom, low gas prices and the British government's cautious approach to financial support for renewable energy after Brexit resulted in reduced demand for heat pumps. The potential for growing our business is actually very good because heating with gas completely dominates the market and this is not a sustainable solution. Here, we and the rest of the heat pump industry have a pressing task to work on for the future.

Presence in North America reinforced

Our position has been reinforced in North America, which contributes significantly to our growth and is now our biggest market.

The North American market is dominated by airborne systems for distribution of heat and cooling. 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.

The North American market for heat pumps intended for single-family houses varied in 2016 with a weaker first half but with a recovery in the latter part of autumn. We estimate that ending financial support for the use of renewable energy may result in a certain decline in demand, primarily in early 2017. The construction of single-family homes continues to grow and we will redouble our marketing efforts and play an active part in the energy policy debate, all of which should have a positive effect on demand.

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.

Stable market for water heaters and district heating

The market for water heaters is relatively insensitive to cyclical fluctuations and is therefore stable, while the market for conventional wood-fired boilers and products designed for pellet firing remains weak. The market for district heating products, which is chiefly concentrated in Denmark, Sweden, the UK, Germany and the Netherlands, grew slightly.

Commercial properties increasingly important

The international market for heating, ventilation and cooling equipment in commercial properties is becoming increasingly important. Recent acquisitions have increased our competitiveness in this area. We see great potential in this segment for both new installations and replacement with more modern technology in Sweden and worldwide. We are therefore developing the product range and organisation continuously to boost our market share.

Fragmented market

The market for our Business Areas remains fragmented and there are many manufacturers, both large and small. We are continuing to grow but, at the same time, the competition is growing, primarily involving large international HVAC groups, which are also focusing on energy efficiency enhancement and more environmentally friendly products.

Own subsidiaries

In our international presence, we have a comprehensive distribution system for each market. The primary customers on the international market are our own fellow subsidiaries in the Business Area or local importers/agents that resell our products. 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 because of our history, product portfolio and brands.

Marketing to several recipients

We market our products through several channels: trade fairs aimed at our specifying partners and wholesalers, digital advertising and print advertising.

We also enhance our relationships with installers by continuously offering training in our respective product groups. The courses are primarily designed for individuals working in the HVAC industry, but some courses may also be interesting to other occupational categories.

Not just the end user is important to us

Our end customers are homeowners and owners of rented properties and commercial premises. Other partners that have a strong influence in the decision-making process are installers, architects, planners, design engineers, house builders, consultants and energy consultants.

Several operators are involved in the HVAC sector for commercial properties, and the systems have grown in complexity, so the decision-making process tends to take a long time. At the same time, there is increasing direct contact between us as the producer and the end customer, as deliveries are often made directly to the property.

Industrial partner with customised solutions

“We continue to realise our business objective to be a global supplier of components and solutions for intelligent heating and control by means of acquisitions and organic growth.

Christer Fredriksson, Director of Business Area, NIBE Element

Through purposeful and consistent work with acquisitions and structural measures over several years we have created competitive units in their respective market segments. In 2016, we also achieved our long-term target of an operating margin of at least 10%. In order to lay the ground for additional organic growth, comprehensive market initiatives have been carried out and common sales platforms have been established on several markets.

Continued high rate of acquisitions

A market leader in North America via acquisitions

Our investment in North America was further strengthened by several acquisitions in the US. In the spring we acquired the North American company Heatron, which offers foil elements, thick film elements and special elements for high-tech industries and Evapoway, a minor bolt-on acquisition, which produces solutions for the refrigeration industry. In the autumn we acquired Omni Control Technology, which provides advanced control equipment, and operations in the well-established element company Hotwatt, which has a wide range of special industrial elements. Overall in recent years, we have acquired seven companies in North America, placing us as one of the leading players in the North American market. This also allows us to transfer European technology and new products to the North American element market.

European acquisitions that add depth and breadth to our product range

We also made acquisitions in Europe during the year. These include Italian resistor company ATE Electronics, which complements our resistor business when it comes to both products and markets, a small bolt-on acquisition of a heating cable business in Finland and the UK element company Braude, which focuses on elements for corrosive environments, thus strengthening our position in the industrial segment of the UK market. We also acquired a company that produces furnace-brazed special elements from one of our colleagues in the industry.

Clearer focus and more efficient production

In order to stably maintain our target operating margin of 10%, we continued to transform our profit centres’ focus and activities, among other things by means of product specialisation, while implementing production engineering action plans that gradually strengthen the competitiveness of the centres. Further investments in robotisation and automation were made in several production areas, which provides us with further competitive advantages in a variety of specialist segments.

Increase added value by means of further specialisation

We work constantly to continue the growth of the Business Area, and our ambition is to continue to increase our market share both organically and via acquisitions.

We are focusing on increasing added value with further product specialisation and a higher proportion of system content in our products, which offers good conditions for continued increased energy efficiency enhancement and thus makes a contribution to greater sustainability.

Business focus

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

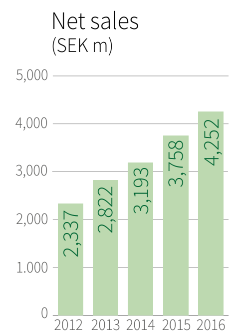
Business objective

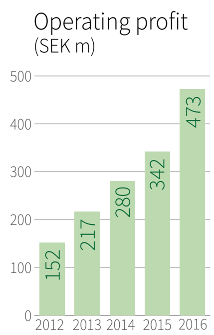
NIBE Element will be one of the leading suppliers in the world and its local presence and full range will be marketed on a growing number of domestic markets by means of suitable acquisitions or new companies. Medium-sized series are marketed by country or industry, while unique special products and large bulk products are marketed globally.

Figures for 2016

In 2016, the Element Business Area increased its net sales by 13.1% compared with 2015. The increase is primarily attributable to acquisitions, consistent marketing and a strong market position.

The operating profit for the Business Area increased by 38.3% compared with 2015. The increase is mainly due to increased sales and good cost control.





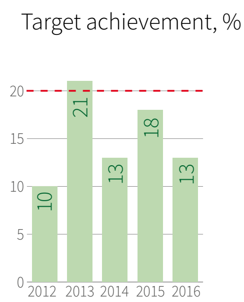
Targets

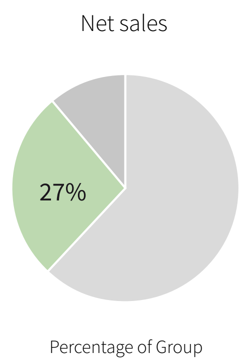
Growth target

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

In 2016, total growth was 13.1% (17.7%), of which 3.2% (13.3%) was organic. This means that organic growth was 10.1 percentage points lower than in 2015.

Growth has been 14.9% on average over the past five years.



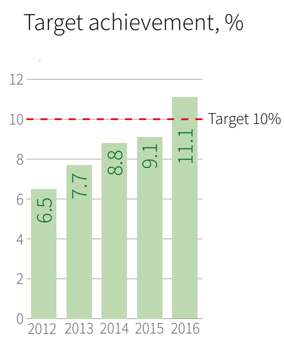


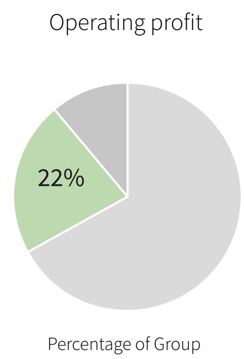
Operating margin target

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

Operating profit in 2016 was 11.1% (9.1%) of sales. This means that the operating margin improved by 2.0 percentage points compared with 2015.

The operating margin has been 8.9% on average in the past five years.





Components and solutions that save energy

NIBE Element offers a wide range of components and solutions for intelligent heating and control, where energy losses are minimised. The offering is aimed at a number of market segments ranging from producers of highly specialised industrial systems to producers of consumer products.

We are steadily expanding our product range to include more technologies to meet customer requirements for energy optimisation and heating in various applications. We supply both components and complete solutions with ready-mounted system products or unique customised solutions and can offer measurement and control options. We can also offer tests and simulations in customers' product development processes.

Energy efficiency in many sectors

Our customers are in a wide range of sectors, and our offerings help their products benefit end users in a wide variety of areas:

Domestic and household appliances

A complete range adapted for large-scale bulk production of solutions for heat generation and control for domestic and household appliances.

Advanced technology, medicine, aviation

Solutions for highly specialised, demanding areas of expertise such as medical equipment/laboratories, space, defence and industrial robots, all with their specific requirements and rules.

Commercial products, professional kitchens

Components and customised solutions based on different technologies such as thick film, vacuum brazing and heat pump modules, adapted to international food regulations and standards.

HVAC - for control and regulation of indoor climate

Including frequency converters and soft start relays that increase the service life of electric motors by protecting them from sudden loads. Heat exchangers that deliver stable heat adapted to actual demand and ensuring low heat losses.

Energy sector

A wide range of products for both renewable energy production and the gas and oil industry. For example electrical resistors for wind turbines that improve the power supply quality and permit short interruptions in the grid without the need to shut down the turbine.

Transport – vehicles, rail-based, ships and aircraft

Intelligent solutions for both infrastructure and rolling stock in the rail sector and online control and software for traffic management. A wide range of components for the automotive industry, including electric and hybrid vehicles.

Industry, projects

Customised design and construction, plus installation and commissioning of equipment cabinets and associated control panels.

NIBE Element is a quality supplier that offers components with a good service life and solutions with high added value that help improve energy efficiency. We are also at the cutting edge of technological development to ensure that we can continue to be a relevant partner in a world of constant specialisation and enhanced technical content. Our offerings can be divided into a number of product groups that are sold either as components or as part of more complete systems.

Tubular elements

Manufactured in a large number of dimensions and specifications that are used for air heating and radiant heat, for example in fan heaters, ovens and infrared heating, and for heating liquids, for example water heaters, dishwashers, washing machines and process heaters.

Aluminium elements

For optimum heat transfer by means of thermal radiation for use in domestic heating as radiators and convectors and also for railway compartment heaters and frost protection.

Foil elements

Foil elements are used as defrosters in vehicle wing mirrors and camera systems.

Thick film elements

For heat generation in electric kettles, exhaust emission control and copiers.

PTC elements

For rapid heat generation in car heaters, towel rails, air dehumidifiers, air heaters and dryers.

High-power elements

For high power in a limited space, for example for heating tools in the plastics, rubber, wood and paper industries and also for heating liquids in medical and laboratory environments.

Open spirals and tapes

For heating air in tumble dryers and fan heaters.

Heating cables

Usually in frost protection to prevent ice formation and also to ensure a certain temperature in containers, pipes, valves and gutters and in the process industry.

Ceramic elements

Ceramic heating elements are placed inside a tube and can therefore be easily replaced without needing to empty the tank or container in which the element is located.

Vacuum brazing

Brazing under vacuum, a method that ensures high quality and is therefore used in space and aviation technology, medical devices and other clinically demanding applications.

Heat pump technology

Heat pump modules that cool, heat and dehumidify in hot and humid premises, for example professional kitchens or laundries.

Resistors

Used for control and regulation of electricity. Products include braking resistors and power resistors.

Control equipment

Electronics with processor power and software onboard that can also be connected for remote control and monitoring, where necessary.

Brands and trademarks

Technologies are also used in new areas of application

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 diesel vehicles and heating the batteries for electric cars.

New product areas, solutions

During the year, we have launched several products that we believe will offer new business opportunities. These include elements with a small diameter for applications such as medical devices, electronic thermostats and foil elements with integrated electronics.

Sustainable product development and production

Our product development is essential to our ability to survive on the competitive global market. Requirements for the various industries and technologies differ significantly in terms of performance and standards. The trend is also for growing demand for system solutions and thus increased technical content. This is also reflected in the fact that the control is integrated with the elements themselves, i.e. sensors that are connected to control and monitoring equipment.

We have therefore invested in modern laboratories with well-developed testing facilities, where we collaborate closely with our customers to ensure that the products meet standards and requirements.

Sustainability is an important factor throughout a product's life cycle. Our products must, of course, be produced in a resource-efficient manner, but above all they must be energy-efficient to operate and help reduce climate impact.

Product development expenses correspond to just over 2% of sales.

Local product development in networks

Greater specialisation combined with proactive, fast-paced development in partnership with our customers is the reason why product development is largely decentralised at our subsidiaries. At the same time, we have an open climate for knowledge exchange between all subsidiaries, a network to which all newly acquired companies also have direct access. This technology transfer is a proven way of creating continuous synergies that considerably reduce development time in several areas.

Development in four dimensions

Our development process can be divided into four stages:

- *Product development* for brand new products, new functions in existing products and improved features of existing products.
- *Product adaptation* mainly takes place with the customer to develop unique solutions to their special needs and adapted solutions in which we assume greater system responsibility.
- *Process development* is carried out to optimise the products in terms of choice of materials, quality and technical performance.
- *Production technology development* improves manufacturing in terms of machines, reduced environmental impact, production methods and efficiency.

Production

Production is carried out at some forty plants in Europe, North America and Asia. Having production plants for bulk products on different continents gives us great flexibility, allowing us to relocate production based on the cost and currency situation.

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

The trend to move production back to Europe and North America from Asia continued in 2016. 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 boost productivity and quality are implemented continuously both in major investment programmes in areas such as robotisation and via constant small but frequent improvements.

Investments of SEK 125 (118) million were made in production capacity in 2016.

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

Increased capacity

In Poland, we completed expansion of the production facility in order to meet increased demand in the electronics and control product area.

Quality and environmental certification

We are working to introduce certified quality and environmental management systems for all our production units with more than 10 employees. This means that another four companies need to be certified according to ISO 9001 and nine companies according to ISO 14001. Three companies have recently been acquired and have until 2018 to gain certification. One company is exempt due to relocation and the remaining certificates will be in place in 2017. We are also working continuously to reduce the risk of accidents by introducing management systems for the working environment.

Production management

Both forecasts and customer orders determine production schedules, depending entirely on customer category and production volume.

Coordinated purchases

Purchases are coordinated for basic goods such as metals, minerals and metal processing. Raw materials are hedged in special cases, mainly for specific customer contracts.

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

Driving forces and development on the market

Over the past few years our operations have been increasingly affected by developments within the areas of energy and the environment. These developments drive our business, responding to the need to make end products more energy-efficient and adapted to stricter requirements for reduced climate impact. This is particularly relevant in industries that also have a focus on sustainable development such as wind power, heat pumps, rail-based transport and electric and hybrid vehicles. Group driving forces and trends can be found on page 14.

Potential to capture market share

The addressable market for NIBE Element's product areas is currently estimated to be approximately SEK 50 billion.

The market is generally fragmented with many local operators and some large regional ones. However, the North American market is more homogeneous and can be regarded as one market. NIBE Element is a global supplier in several product categories of elements.

The markets for our product areas generally tend to keep pace with national industrial development and growth in GDP.

Positive market development

The international element market has developed positively over the year, although it has varied between markets and product segments, depending on external factors such as changes in exchange rates and commodity prices. We also received several major project orders during the year.

Growth in the domestic appliance industry was positive but weak in several geographical markets. Through efficient high-volume production on several continents, we can meet the need of global domestic appliance producers for high-quality components at competitive prices.

The market in sectors related to energy conservation and sustainable energy solutions has grown as we have complemented our product range, which has helped increase sales in this area.

Developments in the market for automotive industry products have been positive. Growth is being driven by increased vehicle sales, combined with stricter requirements for eco-friendly vehicles and greater interest in electric and hybrid vehicles.

The trend in the oil and gas industry has continued to be negative and in some segments, demand has largely ceased. Pending an increase in demand, our operations that are geared towards this industry have been partially redirected towards other market segments.

For rail-based transport, market growth has been good both in terms of infrastructure and vehicles owing to several major investments in infrastructure improvement projects that are currently under way in various European countries. We have also become successfully established in the North American market within these interesting market segments.

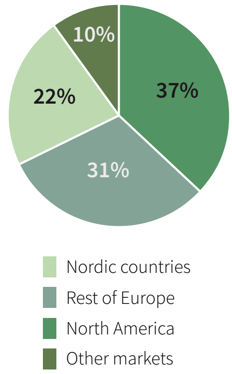
Business model

Customers in several industries

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.

Sales by geographical region



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.

Two main customer groups:

OEM (Original Equipment Manufacturer), where the customer buys our products and systems as part of their end product.
Industry, where the customer primarily uses components and/or system solutions in their 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 short transport distances.

Marketing

As a subcontractor, NIBE Element markets its offering to the B2B market primarily via trade fairs, sales staff and the internet.

For some large market segments, such as comfort, domestic appliances, wind power and transport, we now have global marketing managers who conduct marketing campaigns with shared sales platforms for groups of subsidiaries.

RISKS

- New technologies protected by patents
- Price trends for 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

Energy-efficient stoves for cosy warmth in all settings

“We have increased our market share on European main markets and established a good presence on the North American market.

Niklas Gunnarsson, Director of Business Area, NIBE Stoves

Through continued consistent marketing and investments in product development, we have been able to increase our market share on all our main markets in Europe. A relatively steady rate of production over the year and the adjustment of production capacity to prevailing market conditions resulted in a good delivery capacity. Although the weakening of the British pound reduced sales, profitability has been maintained thanks to good cost control.

Acquisition that gives a solid market platform in North America

With the acquisition of the North American company Fireplace Products International (FPI) in late 2016, we took another important strategic step in our international expansion. The acquisition gives us a solid market platform in North America, while reducing dependence on the European stove market. FPI is one of the leading players in North America with a complete range of products for gas, wood and pellets under esteemed brands such as Regency, Hampton and Excalibur. Products are sold through an extensive dealer network in the US and Canada and its own sales company in Australia.

Stovax in the UK now wholly owned

In March, the remaining 40% of shares in the market-leading British company Stovax Heating Group were acquired. Since the initial 60% was acquired in 2013, the company has developed very positively. Thanks to a wide range of gas products under the Gazco brand, we were able to offset the decline for wood-burning products in the UK.

New generations of stoves making a contribution

We take a positive view of our continued opportunities in terms of both business and sustainability. We are involved in the ongoing debate on the environmental impact of emissions of particles from wood firing both by presenting modern stoves with considerably higher efficiency and lower emissions of particles compared with older products and as a member of national trade associations, taking a constructive approach to emissions issues. We see that we can make a difference with our stoves by promoting the replacement of old technology with new technology to the benefit of both the environment and our own business. Our own development work is carried out in close cooperation with universities and colleges.

Business focus

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

Business objective

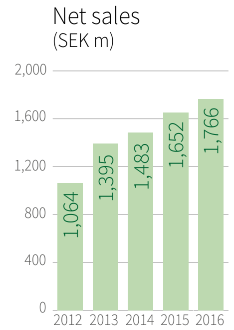
NIBE Stoves' objective is to supply a wide and complete range of stove products in order to confirm and consolidate its position as the market leader.

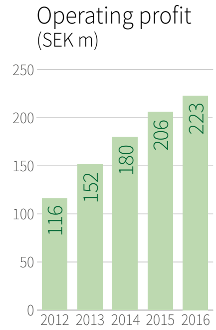
Expansion abroad will be supported by the continuous development of products tailored to new markets, combined with moves into new markets through acquisitions, the establishment of new subsidiaries or the use of existing sales channels.

Figures for 2016

In 2016, the Stoves Business Area increased its net sales by 6.9% compared with 2015. The increase is primarily attributable to acquisitions, many new product launches and consistent marketing. However, the weakening of the British pound had a negative influence.

The operating profit for the Business Area increased by 8.3% compared with 2015. The increase is mainly due to increased sales and good cost control.





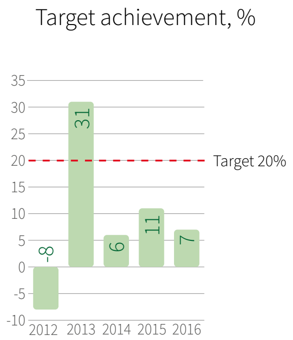
Targets

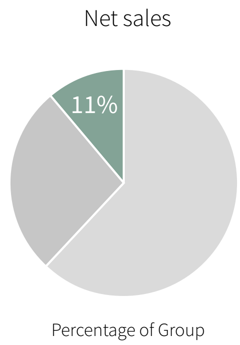
Growth target

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

In 2016, total growth was 6.9% (11.4%), of which -0.4% (11.4%) was organic. This is a decrease in organic growth of 11.8 percentage points compared with 2015.

Growth has been 8.9% on average over the past five years.



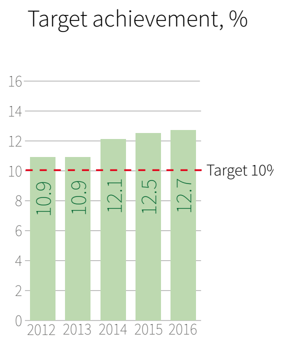


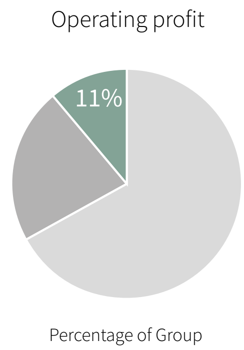
Operating margin target

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

Operating profit in 2016 was 12.7% (12.5%) of sales. This means that the operating margin improved by 0.2 percentage points compared with 2015.

The operating margin has been 11.9% on average over the past five years.





Heating products that create a cosy atmosphere

Cosy heat sources

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.

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. Our products already comply with the future Ecodesign Directive with lower emission levels. They have modern combustion technology which ensures high efficiency and considerably lower emissions of particles than older stove products.

Successful product portfolio

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

- Free-standing stoves, in steel or cast iron
- Heat-retaining products
- Inserts with a choice of surrounds, including in steel and stone and for inclusion in masonry
- Accessories such as floor panels, wood storage and connection pipes
- Wood-burning inserts for fireplaces
- Chimney systems adapted to the requirements of the specific country

Brands and trademarks

Contura, Premodul, Nordpeis, Lotus, Varde, TermaTech, Stovax, Regency, Gazco, Excalibur, Yeoman, Hampton

Good for the environment and the customer

Reduced environmental impact

Wood is a renewable energy source, and firing with wood or pellets in a stove product is climate-neutral. However, wood firing can cause emissions of harmful particles and our good combustion technology limits these emissions. Our products have state-of-the-art technology producing optimum combustion.

Products that touch the senses

Fire symbolises safety to many and forms the basis of several soft values. A stove spreads heat, is calming and creates a cosy atmosphere. It achieves this with both the visible flames and the design of the stove. A stove is also a supplementary heat source when it is cold and provides peace of mind in a power cut, for example. It should not just be seen as a cost. It is also an investment that adds value to a property.

Modern stoves have higher efficiency and produce lower emissions

The Swedish Energy Agency conducted its biggest stove test to date in 2016. It showed that a modern stove has far lower wood consumption and emissions into the environment than older stoves.

There are more than 1.7 million wood-burning stoves in Sweden*. Many of them are older models. The test showed that wood consumption can be reduced by around 20% and emissions into the environment halved or reduced by up to 85%.

Unburned hydrocarbons and ash affect the environment. They also affect our health. Emissions of unburned hydrocarbons are reduced by 50-85% and emissions of ash are reduced by 60-80% in modern stoves. In the test, modern stoves were compared with two older stoves from the 1980s and 1990s.

More efficient, and lower heating costs

Most of the modern stoves tested have an efficiency of 75-80%, while the older stoves in the test are at 59-66%. The older stoves in the test are relatively large. This means that their output is higher than that of modern stoves, which are slightly smaller.

* Source: Swedish Civil Contingencies Agency

Product development and production for strong brands

Product development, with the focus on performance and design, is ongoing and is essential to our business. 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. Knowledge about technology for efficient combustion is exchanged regularly and naturally within the Business Area. This allows us to retain the flexibility we desire, while responding to regional product requirements and trends. Registration of designs is therefore an important measure to take. Product development expenses correspond to approximately 3% of sales in the Business Area.

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.

Our production units

NIBE Stoves has its own production plants in Sweden, the UK, Poland and Canada.

Most of our steel plate products sold in Europe 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 keep our environmental impact and energy consumption at low levels.

FPI has a corresponding plant in Canada in which the North American brands are produced.

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.

Investments of SEK 42 (34) million were made in production capacity in 2016.

Directives and quality and environmental certification

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.

As modern new stoves have considerably higher efficiency and lower emissions of particles than older products, replacement should quickly have a positive impact on the environment. The future Ecodesign requirements are a step in the right direction for our 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). As a new acquisition, FPI is planned to have certification within two years.

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

Production management

Production is based on forecasts. Seasonal variations on the stove market mean that part of the production volume is put into storage to ensure delivery capacity in the autumn high season.

Coordinated purchases

Purchases of large shared volumes of inputs such as steel plate, castings and ceramic glass are coordinated within the Business Area.

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
- Products already largely adapted to the Ecodesign Directive

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

Driving forces and development on the market

We operate on the consumer durables market. Customers' purchasing decisions are not only rational. They are largely also emotional.

Market drivers

- *Economic climate* and growth in disposable income.
- *Interior design trends.*
- *The growth of the property market,* the level of housebuilding, price trends and property turnover on the market, which is often directly related to willingness to renovate.
- *Seasonal variations* and the weather situation before and during autumn/winter.
- *Energy price trends*, both for fossil fuels such as oil and natural gas and electricity prices. Higher energy prices offer an incentive to buy supplementary heating.
- *The Ecodesign Directive* with lower new thresholds for emissions of hydrocarbons and particles, introduced by 2022; we are already well positioned.
- *Regional restrictions* on the use of wood-fired products on account of emissions of hydrocarbons and particles which may have a negative impact.

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, the Netherlands and North America 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 part 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.

Potential to capture market share

NIBE Stoves operates on the consumer durables market. The addressable market for NIBE Stoves in North America and Europe is estimated to total SEK 30 billion.

Our markets are in Europe, North America, Australia and New Zealand. The main markets are in the Nordic region, Germany, the UK, France, the US, Canada and Australia.

Market position

The market in Europe is very fragmented, with many small and medium-sized producers. There is room for continued consolidation and we see good opportunities to continue to participate actively in this to enhance our market position. With our nine European brands, we currently have the biggest range in Europe in the product segment of freestanding stoves and inserts, with surrounds, designed for both wood and gas.

In North America, this consolidation process has been ongoing for some time, with the result that the market has fewer operators, but the operators are very large and there is generally better profitability. FPI in Canada is one of the leading operators in our industry in North America and has a complete range of products for gas, wood and pellets.

The European market has contracted slightly

Demand for stove products varied greatly between countries in Europe. On big markets such as Germany and France, demand for stove products fell for the third year in a row. At the same time, we enhanced our market position on these contracting markets. In the UK, demand for gas-fired products increased while the market for wood-fired products decreased.

In summary, the total European stove market fell back slightly in 2016.

The reason for lower growth during the high season was mainly the unusually warm weather in Europe in early autumn. General intensification of the debate about the environmental impact of particle emissions from burning wood is also judged to be having a dampening effect in most markets in Europe.

Brighter in the Nordic region

Demand was generally improved on the Nordic markets. In Sweden, demand for stove products continued to develop positively due to increased housebuilding and a generally good economic climate.

Despite signs of a slowdown in the Norwegian economy, the demand for stove products increased due to greater interest in exchanging old fireplaces for products with better combustion and continued high interest in home renovations.

The subsidies introduced in Denmark in late 2015 resulted in a sharp increase in sales, mainly in the first half of 2016. The amount set aside for subsidies was spent some time ago, so the total market is expected to return to previous levels.

Business model

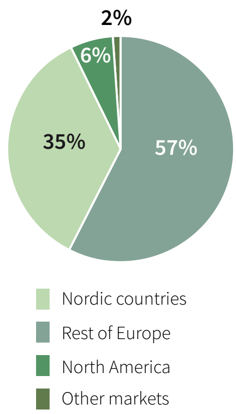
Marketing

Decisions to purchase our products are largely based on how customers experience them. Consequently, in-store displays are an important marketing channel, and a large part of our marketing resources are spent on in-store displays. Other channels are digital advertising, the interior design press and consumer and trade fairs.

Sales channels

Our products reach end customers via a well-developed network of specialist retailers without any wholesaler in-between. The retailers display the products and offer a higher level of service than the DIY sector, which primarily sells low-price products, a segment in which we have only a modest presence. Spare parts and accessories are increasingly sold online.

Sales by geographical region



Administration report

Annual Accounts 2016

Important events during the financial year

Acquisitions

The North American company Heatron Inc. was acquired in the first quarter. It mainly produces foil elements, high power elements and thick film elements for high-tech industries in the North American market. The company has sales of approximately SEK 250 million and employs around 240 people. The company's operations were consolidated under the NIBE Element Business Area as of March 2016.

During the first quarter, the remaining 40% of shares in the British company Stovax Heating Group Ltd were acquired. The company has a market-leading position on the British stove market.

In April, 50% of the shares in Swedish company Air-Site AB were acquired. The company, which has sales of SEK 26 million, is a ventilation knowledge company and was consolidated under the NIBE Climate Solutions Business Area as of April 2016.

The operations of the Italian resistor manufacturer ATE Electronics were acquired in June. The company has sales of SEK 30 million and was consolidated under the NIBE Element Business Area as of June 2016. The acquisition value is still provisional.

The North American company Climate Control Group Inc. was acquired at the beginning of July. The company has sales of approximately SEK 2,300 million, an operating margin of approximately 7.3% and around 1,250 employees. Climate Control Group Inc. is one of North America's leading manufacturers in the field of heating, ventilation and air conditioning for both commercial buildings and detached homes and was consolidated under the NIBE Climate Solutions Business Area as of July 2016. The acquisition value is still provisional.

At the end of September, a conditional agreement on acquisition of parts of the British Enertech Group was made. The operations, which are primarily based in Sweden under the CTC trademark, have sales of just over SEK 800 million with an operating margin of 4.8% and 460 employees. The transaction was approved by the competition authorities in Germany before year-end and in Sweden after year-end. Operations will be consolidated under the NIBE Climate Solutions Business Area as of March 2017.

In early November, the North American element company Omni Control Technology Inc. was acquired. The company has around 40 employees, annual sales of approximately SEK 100 million and an operating margin of just over 13%. Operations were consolidated in the NIBE Element Business Area as of November 2016. The acquisition value is still provisional.

In November, NIBE acquired a 65% stake in the Canadian stove manufacturer, FPI Fireplace Products International Ltd, which has annual sales of some SEK 600 million, an operating margin of 13% and 380 employees. The company's operations were consolidated under the NIBE Stoves Business Area as of November 2016. The acquisition value is still provisional.

In early December, NIBE acquired the operations of North American company Hotwatt Inc., which has annual sales of some SEK 80 million and an operating margin of around zero. Operations were consolidated under the NIBE Element Business Area as of December 2016. The acquisition value is still provisional.

New share issue

Following a resolution at an extraordinary general meeting held on 3 October, a preferential rights issue was implemented where the company's shareholders were offered the opportunity to buy shares at a price of SEK 48 per share. The issue injected SEK 3,024 million into the company less issue expenses of SEK 16 million. The share issue increased the number of shares by 63,002,070, as 7,391,566 new class A shares and 55,610,504 new class B shares were issued. After the issue, the number of shares totals 504,016,622, of which 59,132,590 class A shares (which entitle the holder to ten votes each) and 444,884,032 class B shares (which entitle the holder to one vote each).

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 2017 should be determined per the same principles as those adopted in 2016, with certain changes.

Environmental issues

NIBE has production plants in 18 countries. Their environmental impact mainly consists of:

- use of raw materials such as metals and plastics
- use of natural resources such as energy and water
- generation of waste
- atmospheric emissions and discharges into water
- transport

NIBE complies with national environmental legislation in all the countries in which it has production plants.

Where operations require a permit, results and any failure to comply with permit conditions are reported to the environmental authorities in the country in question and to the Group's sustainability department. No cases of spillage or failure to comply with environmental conditions were reported in 2016.

The Group manages improvements in environmental performance by following performance figures, setting targets and reporting results according to GRI G4. The Group also reports to the Carbon Disclosure Project (CDP). Several of our products have a positive impact on the environment when in use as they help reduce energy consumption, increase use of renewable energy and thus reduce climate impact.

To read more about the Group's targets and performance figures for environmental impact, please see page 22.

Staff issues and human rights

NIBE's staff policy is based on everyone being of equal value and stipulates that everyone must have the same opportunities to advance within the company, irrespective of gender, ethnicity, age or background. We want our employees to see NIBE as a safe, fair employer that ensures a good working environment, good working conditions, diversity and gender equality.

Our policy to respect human rights and prevent discrimination also extends to our suppliers, and we evaluate new suppliers against our requirements. We also follow up on existing suppliers to ensure that they meet our requirements regarding human rights and working conditions.

Our values and well-established code of conduct create a common basis for collaboration, commitment and freedom with responsibility. As part of internal control in the Group, several subsidiaries are evaluated every year to ensure that everyone applies the same principles and that working conditions are good.

To read more about our employees and responsible purchasing, please see pages 26 and 27.

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 in previous years, the effects of economic trends, currency concerns, volatile energy prices and political turbulence in some parts of the world are hard to predict, but we remain cautiously positive about the year overall.

Ownership

NIBE's share capital is divided into 59,132,590 A shares and 444,884,032 B shares. Each A share carries ten votes at General Meetings and each B share carries one vote. For class 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 47% 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 1,696 million
Share premium reserve	SEK 4,751 million
Net profit for the year	SEK 1,102 million
Total	**SEK 7,549 million**

The Board of Directors proposes issuing a dividend to shareholders of SEK 0.88 per share, equivalent to a total payout of SEK 444 million. A total of SEK 7,105 million will be carried over in the accounts: SEK 4,751 million of this in the share premium reserve and SEK 2,354 million as profit brought forward.

The Board of Directors deems that the proposed dividend is reasonable considering the requirements that the nature, scope and risks of the business place on the size of equity and the company's and the Group's consolidation needs, liquidity and financial position. This must 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 100 - 103 is not part of the Administration Report.

Five-year review

Income statement (in millions of SEK)	2016	2015	2014	2013	2012
Net sales	15,348	13,243	11,033	9,834	9,192
Cost of goods sold	– 9,817	– 8,461	– 7,106	– 6,462	– 6,032
Gross profit	**5,531**	**4,782**	**3,927**	**3,372**	**3,160**
Selling expenses	– 2,664	– 2,371	– 1,977	– 1,739	– 1,709
Administrative expenses	– 1,042	– 838	– 707	– 580	– 543
Other operating income	155	127	142	126	131
Operating profit	**1,980**	**1,700**	**1,385**	**1,179**	**1,039**
Net financial items	– 109	– 86	– 93	– 62	– 34
Profit after net financial items	**1,871**	**1,614**	**1,292**	**1,117**	**1,005**
Tax	– 495	– 377	– 310	– 259	– 242
Net profit	**1,376**	**1,237**	**982**	**858**	**763**
Net profit for the year attributable to non-controlling interest	–	–	–	–	–
Includes depreciation according to plan as follows	*542*	*480*	*402*	*385*	*368*

Balance sheet (in millions of SEK)	2016	2015	2014	2013	2012
Intangible assets	14,716	10,209	9,731	6,154	5,598
Property, plant and equipment	2,820	2,117	2,078	1,889	1,881
Financial assets	389	467	367	155	152
Total non-current assets	**17,925**	**12,793**	**12,176**	**8,198**	**7,631**
Inventories	2,799	2,115	2,109	1,760	1,685
Current receivables	2,798	1,901	1,844	1,415	1,339
Investments in securities, etc.	160	347	154	3	–
Cash and equivalents	2,342	1,448	1,827	1,591	934
Total current assets	**8,099**	**5,811**	**5,934**	**4,769**	**3,958**
Total assets	**26,024**	**18,604**	**18,110**	**12,967**	**11,589**
Equity	12,129	7,428	6,560	5,575	4,858
Non-current liabilities and provisions					
– non-interest-bearing	2,763	1,605	1,849	1,267	894
– interest-bearing	5,858	7,118	7,558	4,391	4,013
Current liabilities and provisions					
– non-interest-bearing	2,596	2,289	1,849	1,533	1,320
– interest-bearing	2,678	164	294	201	504
Total equity and liabilities	**26,024**	**18,604**	**18,110**	**12,967**	**11,589**

Statement of cash flows (in millions of SEK)	2016	2015	2014	2013	2012
Cash flow before change in working capital	2,045	1,717	1,327	1,255	1,038
Change in working capital	– 274	222	77	– 183	– 53
Cash flow from operating activities	**1,771**	**1,939**	**1,404**	**1,072**	**985**
Investments in existing operations	– 412	– 384	– 308	– 309	– 217
Operating cash flow	**1,359**	**1,555**	**1,096**	**763**	**768**
Acquisition of businesses	– 4,357	– 171	– 2,648	– 166	– 226
Cash flow after investments	**– 2,998**	**1,384**	**– 1,552**	**597**	**542**
Financing	3,998	– 1,302	2,095	271	– 366
Shareholders' dividends	– 369	– 298	– 259	– 220	– 221
Cash flow for the year	**631**	**– 216**	**284**	**648**	**– 45**
Cash and equivalents at start of year	1,795	1,981	1,594	934	1,007
Exchange difference in cash and equivalents	76	30	103	12	– 28
Cash and equivalents at end of year	**2,502**	**1,795**	**1,981**	**1,594**	**934**

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 8,140 million to SEK 15,348 million. This was achieved by means of a proactive acquisition strategy. Around 30 acquisitions of companies and business combinations were implemented.

Average growth during the five-year period was 13.5%. Organic growth accounted for a rise in Group sales of 2.8% and acquired growth for 10.7% 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.

During the five-year period, NIBE Climate Solutions' average operating margin was 14.7%. NIBE Element's operating margin was an average of 8.9% during the period, while NIBE Stoves' average operating margin was 11.9%.

The Group's operating margin over the five-year period averaged 12.4% and return on equity averaged 16.3%.

Balance sheet over the past five years

Over the past five years, total assets rose from SEK 11,745 million to SEK 26,024 million.

Intangible assets

Intangible assets consist mainly of goodwill, trademarks/brands and market positions that have arisen on the acquisition of companies and operations. 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 922 million over the most recent five-year period. Of this increase, approximately 36% was added through acquisitions, and the remaining 64% through investments in existing businesses. These investments were implemented largely in the Group's facilities in Markaryd, Sweden, where the biggest of the production facilities for NIBE Climate Solutions 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 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 4,871 million to SEK 8,536 million over the past five years. This increase is attributable to new borrowing, primarily to finance the Group's major acquisitions in 2014 and 2016.

The Group's target is for the equity/assets ratio not to fall below 30%. Over the past five years this ratio averaged 41.9%.

Non-interest-bearing liabilities

Non-current, non-interest-bearing liabilities and provisions consist mainly of deferred tax, warranty provisions and additional considerations. These grew from SEK 937 million to SEK 2,763 million over the past five years, chiefly due to 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 1,131 million over the past five years, from SEK 1,465 million to SEK 2,596 million, approximately 82% 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 less current liabilities, amounted to an average of approximately 17% of sales over the five-year period.

Investments in existing operations

On average, investments in existing operations over the past five years corresponded to approximately 74% of depreciation according to plan. The explanation for this moderate level is a combination of the Group's organic growth and the fact that most 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 because the investment rate in existing operations was moderate, while considerable attention was paid to the Group's day-to-day operating capital.

Acquisition of businesses

During the period, NIBE Industrier AB pursued an aggressive acquisition strategy. Twenty-nine companies and business combinations were taken over during the past five years: eight of these are now within the NIBE Climate Solutions Business Area, nineteen in NIBE Element and two in NIBE Stoves. In 2012 and 2013, the pace of acquisition was relatively slow, though it increased again in 2014, among other things with the acquisition of the listed WaterFurnace Renewable Energy Inc. in North America. The pace of acquisition was lower in 2015, increasing last year with acquisitions that included the North American Climate Control Group Inc. The objective is to continue to pursue an aggressive acquisition strategy in the future.

Financing

A preferential rights issue was held in 2016. After transaction costs, this injected SEK 3,008 million into the company. See also Note 25. Otherwise, capital requirements over the past five years – for takeovers, investments in existing operations, and working capital for organic expansion and share dividends – were largely financed by the company's own internally generated cash flows and by traditional bank loans. In 2015, bank financing was partially replaced by bond loans.

Shareholders' dividends

NIBE Industrier AB aims to pay share dividends of 25 – 30% of net profit for the year after tax. Over the most recent five-year period, share dividends varied between 28.9% and 32.2% of the year's profit after tax.

Consolidated income statement

(in millions of SEK)		2016	2015
Net sales	*Note 3*	15,348	13,243
Cost of goods sold		– 9,817	– 8,461
Gross profit		**5,531**	**4,782**
Selling expenses		– 2,664	– 2,371
Administrative expenses	*Note 5*	– 1,042	– 838
Other operating income	*Note 10*	155	127
Operating profit	*Notes 3 –10*	**1,980**	**1,700**
Profit from financial items			
Profit from participations in associates and joint ventures	*Note 23*	4	4
Financial income	*Note 12*	103	53
Financial expenses	*Note 13*	– 216	– 143
Profit after net financial items		**1,871**	**1,614**
Tax	*Note 15*	– 495	– 377
Net profit		**1,376**	**1,237**
Profit for the year attributable to			
Parent shareholders		1,376	1,237
Non-controlling interest		–	–
Net profit		**1,376**	**1,237**
Includes depreciation according to plan as follows:		*542*	*480*
Average number of shares		*469,382,260*	*462,455,387*
Net profit per share before and after dilution in SEK		*2.93*	*2.67*
Proposed dividend per share in SEK		*0.88*	*0.80*

Statement of comprehensive income

		2016	2015
Net profit		**1,376**	**1,237**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains and losses in retirement benefit plans	*Note 26*	– 30	– 8
Tax attributable to other comprehensive income	*Note 15*	6	2
		– 24	**– 6**
Items that may be reclassified to profit or loss			
Cash flow hedges		19	– 2
Hedging of net investment		– 89	– 373
Exchange differences		839	229
Tax attributable to other comprehensive income	*Note 15*	– 59	81
		710	– 65
Total other comprehensive income		686	– 71
Total comprehensive income		**2,062**	**1,166**
Total recognised income attributable to			
Parent shareholders		2,062	1,166
Non-controlling interest		–	–
Total comprehensive income		**2,062**	**1,166**

Comments on the income statement

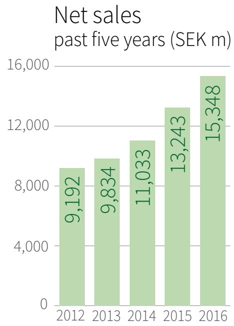
Net sales

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

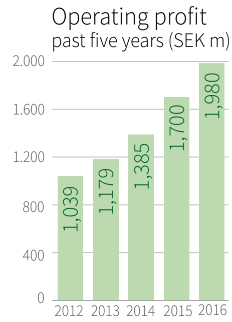
Group net sales increased during the year by SEK 2,105 million (15.9%) to SEK 15,348 million (SEK 13,243 million).

Group net sales outside Sweden amounted to SEK 13,100 million (SEK 11,181 million), an increase of SEK 1,919 million (17.2%). This means that net sales abroad accounted for 85.4% (84.4%) of total net sales. Group net sales on the Swedish market increased by 9.0% to SEK 2,248 million (SEK 2,062 million).

Acquired sales growth during the year totalled SEK 1,663 million (12.6%), which means that organic sales increased by SEK 442 million or 3.3%.



Net sales rose by 15.9% in 2016

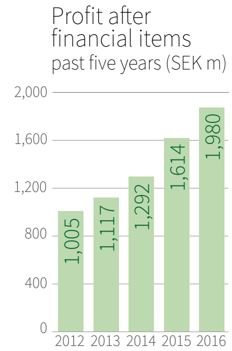


Operating profit rose by 16.5% in 2016

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 1,980 million, an increase of 16.5% on last year's SEK 1,700 million. The operating margin was 12.9% compared with 12.8% in the preceding year. Operating profit for the year was charged with acquisition expenses of SEK 60 million, compared with SEK 10 million last year, which were recognised as administrative expenses in the consolidated income statement.



Profit after net financial items rose by 15.9% in 2016

Profit after net financial items

Profit after financial items rose by 15.9% to SEK 1,871 million (SEK 1,614 million) to yield a profit margin of SEK 12.2% (12.2%). Consolidated net financial items amounted to SEK –109 million (–86). The Group's interest-bearing liabilities at year-end amounted to SEK 8,536 million, against SEK 7,282 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

Tax expense for the year was SEK 495 million (SEK 377 million), which gives an effective tax rate of 26.5% (23.4%). The increase is primarily due to higher tax rates in North America, where we increased our operations considerably during the year.

Performance per Business Area during the year

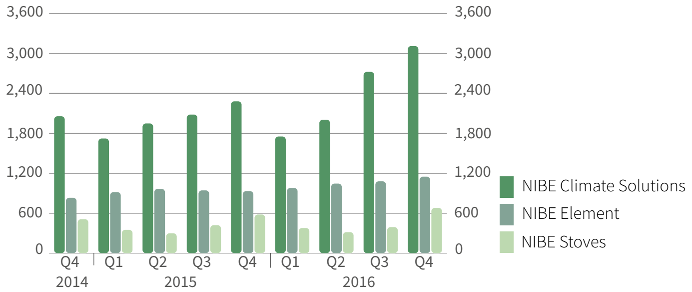
Quarterly data

Consolidated income statement (in millions of SEK)	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4
Net sales	3,042	3,301	4,135	4,870	2,950	3,165	3,396	3,732
Operating expenses	– 2,744	– 2,896	– 3,525	– 4,203	– 2,687	– 2,799	– 2,892	– 3,165
Operating profit	**298**	**405**	**610**	**667**	**263**	**366**	**504**	**567**
Net financial items	– 30	– 28	– 38	– 13	– 35	– 22	– 18	– 11
Profit after net financial items	**268**	**377**	**572**	**654**	**228**	**344**	**486**	**556**
Tax	– 67	– 98	– 154	– 176	– 58	– 75	– 112	– 132
Net profit	**201**	**279**	**418**	**478**	**170**	**269**	**374**	**424**

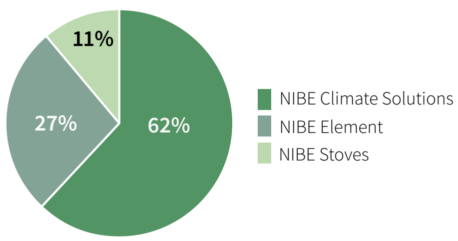
Net sales – by Business Area	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4
NIBE Climate Solutions	1,752	2,004	2,722	3,110	1,722	1,948	2,081	2,280
NIBE Element	979	1,045	1,079	1,149	917	966	943	932
NIBE Stoves	378	316	392	680	351	299	421	581
Elimination of Group transactions	– 67	– 64	– 58	– 69	– 40	– 48	– 49	– 61
Group total	**3,042**	**3,301**	**4,135**	**4,870**	**2,950**	**3,165**	**3,396**	**3,732**

Operating profit – by Business Area	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4
NIBE Climate Solutions	180	307	443	466	172	286	365	386
NIBE Element	101	124	139	109	80	88	95	79
NIBE Stoves	33	17	52	121	20	10	59	117
Elimination of Group transactions	– 16	– 43	– 24	– 29	– 9	– 18	– 15	– 15
Group total	**298**	**405**	**610**	**667**	**263**	**366**	**504**	**567**

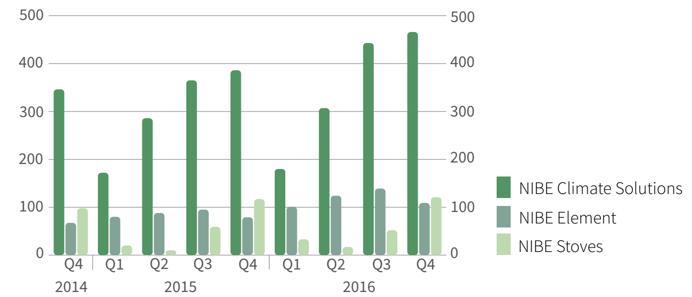
Sales by business area
Past 9 quarters (in millions of SEK)



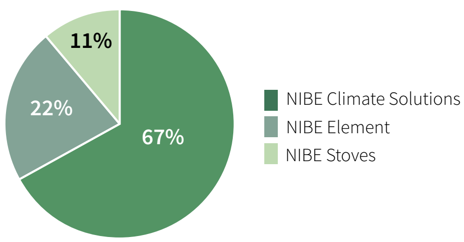
Business area contributions to sales



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



Business area contributions to profit



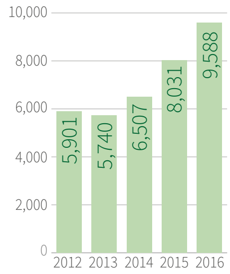
NIBE Climate Solutions

Net sales for the year amounted to SEK 9,588 million, compared with SEK 8,031 million for 2015. The increase in sales was SEK 1,557 million (19.4%), with acquired sales accounting for SEK 1,171 million (14.6%), which means that organic growth was SEK 386 million (4.8%). During the past five years, sales increased from SEK 4,988 million to SEK 9,588 million.

Operating profit increased from SEK 1,209 million to SEK 1,396 million, which represents growth in profits of 15.5% and an operating margin of 14.6% (15.1%) for the year. Over the past five years, the operating margin averaged 14.7%.

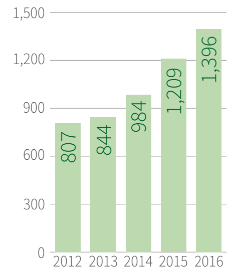
Several of NIBE Climate Solutions' main heat pump markets in Europe grew to some extent during the year. The North American market recovered at the end of the year after a weak start.

Net sales
(SEK m)



Net sales rose by 19.4% in 2016

Operating profit
(SEK m)



Operating profit rose by 15.5% in 2016

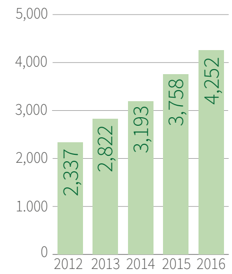
NIBE Element

Net sales for the year amounted to SEK 4,252 million, compared with SEK 3,758 million for 2015. The increase in sales was SEK 494 million (13.1%), with acquired sales accounting for SEK 371 million (9.9%), which means that organic growth was SEK 123 million (3.2%). During the past five years, sales increased from SEK 2,124 million to SEK 4,252 million.

Operating profit increased from SEK 342 million to SEK 473 million, which represents growth in profit of 38.3% and an operating margin of 11.1% (9.1%) for the year. Over the past five years, the operating margin averaged 8.9%.

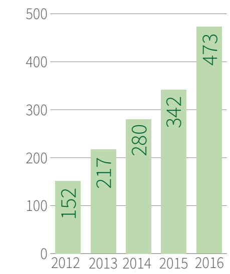
Demand for NIBE Element's products grew overall during the year, and this is the main reason for the healthy organic growth. However, growth in demand varied between markets and product segments due to business environment factors such as currency trends and raw material prices.

Net sales
(SEK m)



Net sales rose by 13.1% in 2016

Operating profit
(SEK m)



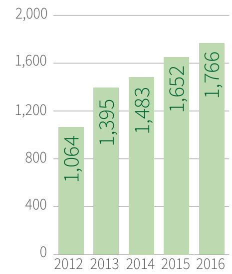
Operating profit rose by 38.3% in 2016

NIBE Stoves

Net sales for the year amounted to SEK 1,766 million, compared with SEK 1,652 million for 2015. Of the SEK 114 million (6.9%) in growth, SEK 121 million (7.3%) was acquired, which means that organic sales fell by SEK 7 million (-0.4%). During the past five years, sales increased from SEK 1,153 million to SEK 1,766 million.
Operating profit increased from SEK 206 million to SEK 223 million, which represents growth in profits of 8.3% and an operating margin of 12.7% (12.5%) for the year. Over the past five years, the operating margin averaged 11.9%.

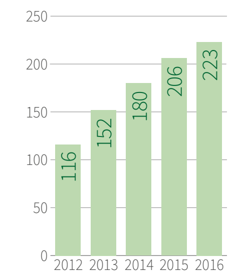
The fall in organic sales should be seen against the background of reduced demand on the market in most product segments.

Net sales
(SEK m)



Net sales rose by 6.9% in 2016

Operating profit
(SEK m)



Operating profit rose by 8.3% in 2016

Consolidated balance sheet

Assets

(in millions of SEK)		31 Dec 2016	31 Dec 2015
NON-CURRENT ASSETS			
Intangible assets			
Market positions	*Note 16*	1,863	1,112
Brands and trademarks	*Note 17*	1,901	1,237
Goodwill	*Note 17*	10,571	7,539
Other intangible assets	*Note 18*	381	321
Total intangible assets		**14,716**	**10,209**
Property, plant and equipment			
Land and buildings	*Note 19*	1,578	1,191
Machinery and equipment	*Note 20*	1,117	825
Construction in progress	*Note 21*	125	101
Total property, plant, and equipment		**2,820**	**2,117**
Financial assets			
Participations in associates and joint ventures	*Note 23*	18	10
Investments held as non-current assets		7	6
Deferred tax assets	*Note 15*	322	428
Other long-term receivables	*Note 24*	42	23
Total financial assets		**389**	**467**
TOTAL NON-CURRENT ASSETS		17,925	12,793
CURRENT ASSETS			
Inventories			
Raw materials and consumables		1,307	952
Work in progress		198	136
Finished products and goods for resale		1,294	1,027
Total inventories		**2,799**	**2,115**
Current receivables			
Accounts receivable		2,424	1,627
Current tax assets		146	77
Other receivables		107	90
Prepaid expenses and accrued income		121	107
Total current receivables		**2,798**	**1,901**
Investments in securities, etc.		**160**	**347**
Cash and equivalents		**2,342**	**1,448**
TOTAL CURRENT ASSETS		8,099	5,811
TOTAL ASSETS		26,024	18,604

Equity and liabilities

(in millions of SEK)		31 Dec 2016	31 Dec 2015
EQUITY	*Note 25*		
Share capital		79	69
Contributed capital		4,818	1,820
Other reserves		693	– 17
Profit brought forward		6,539	5,556
Equity attributable to parent		**12,129**	**7,428**
TOTAL EQUITY		12,129	7,428
NON-CURRENT LIABILITIES AND PROVISIONS			
Provisions for pensions	*Note 26*	425	361
Provisions for taxes	*Note 15*	1,063	849
Guarantee risk reserve	*Note 27*	623	448
Other provisions, non-interest-bearing	*Note 27*	251	254
Liabilities to credit institutions	*Note 7*	3,535	4,875
Bond loans	*Note 28*	1,922	1,902
Other liabilities, non-interest-bearing	*Note 29*	802	34
TOTAL NON-CURRENT LIABILITIES AND PROVISIONS		8,621	8,723
CURRENT LIABILITIES AND PROVISIONS			
Liabilities to credit institutions	*Note 30*	2,678	164
Accounts payable		1,140	835
Advance payments from customers		28	18
Current tax liability		89	91
Other liabilities	*Note 31*	333	613
Accrued expenses and deferred income	*Note 32*	1,006	732
TOTAL CURRENT LIABILITIES AND PROVISIONS		5,274	2,453
TOTAL EQUITY AND LIABILITIES		26,024	18,604

GROUP

Changes in equity

(in millions of SEK)	Share capital	Contribut-ed capital	Other reserves 1)	Profits brought forward	Equity attributable to parent	Total equity
Equity 31 Dec 2014	**69**	**1,820**	**48**	**4,623**	**6,560**	**6,560**
Net profit for the year				1,237	1,237	1,237
Other comprehensive income for the year			– 65	– 6	– 71	– 71
Comprehensive income for the year			– 65	1,231	1,166	1,166
Dividend				– 298	– 298	– 298
Equity 31 Dec 2015	**69**	**1,820**	**– 17**	**5,556**	**7,428**	**7,428**
Private placement	10	3,014			3,024	3,024
Transaction cost, new issue		– 16			– 16	– 16
Net profit for the year				1,376	1,376	1,376
Other comprehensive income for the year			710	– 24	686	686
Comprehensive income for the year			710	1,352	2,062	2,062
Dividend				– 369	– 369	– 369
Equity 31 Dec 2016	**79**	**4,818**	**693**	**6,539**	**12,129**	**12,129**

1) Other reserves

(in millions of SEK)	Cash flow hedges	Hedging of net investments	Exchange differences	Total other reserves
Other reserves 31 Dec 2014	**– 10**	**– 214**	**272**	**48**
Change during the year	– 2	– 373	229	– 146
Tax	– 1	82	–	81
Other reserves 31 Dec 2015	**– 13**	**– 505**	**501**	**– 17**
Change during the year	19	– 89	839	769
Tax	– 4	21	– 76	– 59
Other reserves carried forward, 31 Dec 2016	**2**	**– 573**	**1,264**	**693**

Comments on the balance sheet

Total assets

Consolidated total assets rose by SEK 7,420 million (39.9%) during the year from SEK 18,604 million in the preceding year to SEK 26,024 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 most currencies in which the Group has assets and liabilities.

Working capital

Consolidated working capital excluding cash and bank balances increased by SEK 1,274 million (73.8%) during the year from SEK 1,727 million in the preceding year to SEK 3,001 million. This is primarily due to an increase in inventories and current receivables.

In relation to net sales, working capital increased from 13.0% to 19.6%. The increase is primarily due to the acquisitions made during the year. As acquired entities' balance sheets are included in full, whereas their income statements are included from the time of acquisition, the ratio is misleading.

Equity ratio and returns

A new share issue was held during the year (see Note 25), which had a significant impact on the ratios relating to consolidated equity. The Group's equity ratio at the end of the year was 46.6% (39.9%). Equity totalled SEK 12,129 million (SEK 7,428 million).

The Group's return target is a return on equity of at least 20% in the long term. The return on equity in 2016 was 14.9% (18.0%). The return on capital employed was 11.8% (12.1%). These ratios are also misleading because of the acquisitions made during the year.

Interest-bearing liabilities

The Group's interest-bearing liabilities at year-end amounted to SEK 8,536 million (SEK 7,282 million). The increase of SEK 1,254 million is primarily due to the Group's liabilities to credit institutions having increased during the year to finance the acquisitions made. Since one of the Group's credit agreements expires in 2017, the liabilities covered by the agreement were recognised as current liabilities to credit institutions.

Consolidated net debt, defined as interest-bearing liabilities less cash and equivalents and short-term investments, increased during the year by SEK 547 million from SEK 5,487 million to SEK 6,034 million.

Consolidated statement of cash flows

(in millions of SEK)	2016	2015
OPERATING ACTIVITIES		
Operating profit	1,980	1,700
+ depreciation/amortisation & impairment charged to this profit	548	480
+ capital losses / – capital gains	– 9	– 2
+/– other items not affecting cash flow	45	–
Total	**2,564**	**2,178**
Interest received and similar items	106	57
Interest paid and similar items	– 214	– 141
Tax paid	– 411	– 377
Cash flow before change in working capital	**2,045**	**1,717**
Change in working capital		
Change in inventories	– 145	– 9
Change in current receivables	– 45	– 45
Change in current liabilities	– 84	276
Cash flow from operating activities	**1,771**	**1,939**
INVESTING ACTIVITIES		
Investment in machinery and equipment	– 192	– 193
Investment in buildings and land	– 43	– 24
Investment in construction in progress	– 111	– 88
Investment in other intangible assets	– 96	– 83
Sale of land and buildings	24	–
Sale of machinery and equipment	10	8
Change in non-current receivables and other securities	– 4	– 4
Investments in existing operations	**– 412**	**– 384**
OPERATING CASH FLOW	**1,359**	**1,555**
Acquisition of companies 1)	– 4,357	– 171
Cash flow from investing activities	**– 4,769**	**– 555**
CASH FLOW AFTER INVESTMENTS	**– 2,998**	**1,384**
FINANCING ACTIVITIES		
New share issue	3,008	–
Amortisation of non-current loans	– 611	– 3,044
New loans taken out	1,601	1,742
Shareholders' dividend	– 369	– 298
Cash flow from financing activities	**3,629**	**– 1,600**
Cash flow for the year	**631**	**– 216**
Cash and equivalents at start of year	1,795	1,981
Exchange difference in cash and equivalents	76	30
Cash and equivalents at end of year	**2,502**	**1,795**

[1] For further information about the acquisition of companies, please see Note 35.

Comments on the statement of cash flows

Cash flow from operating activities

Consolidated cash flow after changes in working capital amounted to SEK 1,771 million (SEK 1,939 million).

Investments

Investment in Group acquisitions of subsidiary companies/lines of business totalled SEK 4,357 million (SEK 171 million). Other investment totalled SEK 412 million (SEK 384 million) net, allocated as follows:

(in millions of SEK)	2016	2015
Machinery and equipment	182	185
Properties	19	24
Construction in progress	111	88
Other non-current assets	100	87
Total	**412**	**384**

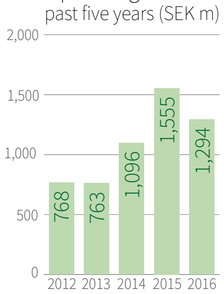
Consequently, cash flow after investing activities was SEK –2,998 million (SEK 1,384 million). Operating cash flow – i.e. after investments, but excluding acquisitions of operations/subsidiaries – was SEK 1,359 million (SEK 1,555 million).

(in millions of SEK)	2016	2015
Floating rate bank loans	6,172	5,039
Floating rate bond loans	1,150	1,150
Fixed rate bond loans	772	752
Utilised portion of overdraft facilities with floating interest rate	41	–
Provisions for pensions	401	341
Total interest-bearing liabilities	**8,536**	**7,282**
Unutilised overdraft facilities	424	400
Other unutilised credit	1,888	2,812
Total credit available	**10,848**	**10,494**

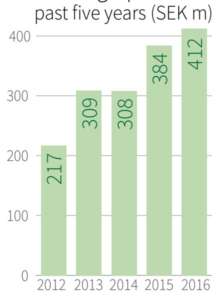
The Group's interest-bearing credit

Total consolidated interest-bearing liabilities at year-end amounted to SEK 8,536 million (SEK 7,282 million). The average interest expense for total interest-bearing liabilities was 1.4% (1.4%). Consolidated net liabilities, which consist of interest-bearing liabilities less cash and equivalents and short-term investments, totalled SEK 6,034 million (SEK 5,487 million).

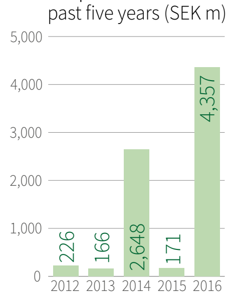
Operating cash flow
past five years (SEK m)



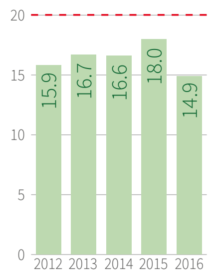
Investments in existing operations
past five years (SEK m)



Investments/ Acquisitions
past five years (SEK m)



Return on equity
past five years (%)



Key ratios

		2016	2015	2014	2013	2012
Net sales	(in millions of SEK)	15,348	13,243	11,033	9,834	9,192
Growth	%	+ 15.9	+ 20.0	+ 12.2	+ 7.0	+ 12.9
Operating profit	(in millions of SEK)	1,980	1,700	1,385	1,179	1,039
Profit after net financial items	(in millions of SEK)	1,871	1,614	1,292	1,117	1,005
EBITDA margin	%	16.4	16.5	16.2	15.9	15.3
Operating margin	%	12.9	12.8	12.6	12.0	11.3
Profit margin	%	12.2	12.2	11.7	11.4	10.9
Net investments in non-current assets *	(in millions of SEK)	5,156	531	3,098	912	478
Operating cash flow	(in millions of SEK)	1,359	1,555	1,096	763	768
Cash and equivalents *	(in millions of SEK)	2,926	2,195	2,735	2,372	1,710
Working capital, excluding cash and bank balances, relative to net sales *	%	19.6	13.0	19.1	16.7	18.5
Equity	(in millions of SEK)	12,129	7,428	6,560	5,575	4,858
Return on equity *	%	14.9	18.0	16.6	16.7	15.9
Equity/assets ratio	%	46.6	39.9	36.2	43.0	41.9
Proportion of risk-bearing capital	%	50.7	44.5	40.8	47.2	46.5
Capital employed	(in millions of SEK)	20,665	14,710	14,411	10,167	9,376
Return on capital employed *	%	11.8	12.1	12.1	12.4	11.8
Return on total assets *	%	9.4	9.6	9.6	9.9	9.5
Capital turnover	times	0.69	0.72	0.71	0.80	0.79
Interest-bearing liabilities/Equity	%	70.4	98.0	119.7	82.3	93.0
Net debt/EBITDA *	times	2.4	2.5	3.3	1.9	2.5
Interest coverage ratio *	times	9.6	12.3	7.6	12.4	11.0
Average number of employees	no.	11,869	10,545	9,726	8,983	8,006

* Key ratios with calculation specified on pages 66 – 67.

Definitions – key ratios

Growth
Percentage change in net sales compared with previous year.

EBITDA 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.

Operating cash flow
Cash flow after investments but before acquisition of companies/operations.

Equity
Taxed equity plus untaxed reserves less tax.

Return on equity
Profit after net financial items less 22% standard tax (26.3% in 2012) as a percentage of average equity.

Equity/assets ratio
Equity as a percentage of balance sheet total.

Proportion of risk-bearing capital
Equity, including non-controlling interest and deferred tax liability, as a percentage of balance sheet total.

Capital employed
Total assets less non-interest-bearing liabilities and deferred tax.

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

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

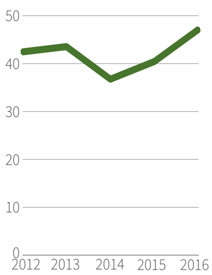
Capital turnover
Net sales divided by average balance sheet total.

Interest-bearing liabilities/Equity
Interest-bearing liabilities as a percentage of equity.

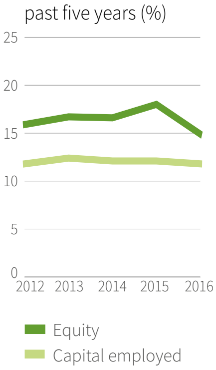
Net debt/EBITDA
Interest-bearing net debt (financial liabilities less financial assets) divided by earnings before depreciation/amortisation.

Interest coverage ratio
Profit after net financial items plus financial expenses divided by financial expenses.

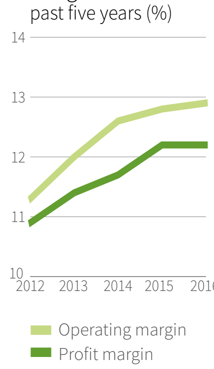
Equity/assets ratio
past five years (%)



Returns
past five years (%)



Margins
past five years (%)



Alternative performance measures

Alternative performance measures are financial measures that are used by the company's management and by investors to evaluate the Group's profit and financial position using calculations that cannot be directly derived from the financial statements. The alternative performance measures provided in this annual report may be calculated using methods that differ from those used to produce similar measures that are used by other companies.

Net investments in non-current assets

(in millions of SEK)	2016	2015	2014	2013	2012
Acquisition of non-current assets	5,185	539	3,136	941	499
Disposal of non-current assets	– 29	– 8	– 38	– 29	– 21
Net investments in non-current assets	**5,156**	**531**	**3,098**	**912**	**478**

Cash and equivalents

(in millions of SEK)	2016	2015	2014	2013	2012
Cash and bank balances	2,342	1,448	1,827	1,591	934
Current investments	160	347	154	3	–
Unutilised overdraft facilities	424	400	754	778	776
Cash and equivalents	**2,926**	**2,195**	**2,735**	**2,372**	**1,710**

Working capital, excluding cash and bank balances

(in millions of SEK)	2016	2015	2014	2013	2012
Inventories	2,799	2,115	2,109	1,760	1,685
Current receivables	2,798	1,901	1,844	1,415	1,339
Current liabilities and provisions, non-interest-bearing	– 2,596	– 2,289	– 1,849	– 1,533	– 1,320
Working capital, excluding cash and bank balances	**3,001**	**1,727**	**2,103**	**1,642**	**1,704**
Net sales	15,348	13,243	11,033	9,834	9,192
Working capital, excluding cash and bank balances, relative to net sales, %	**19.6**	**13.0**	**19.1**	**16.7**	**18.5**

Return on equity

(in millions of SEK)	2016	2015	2014	2013	2012
Profit after net financial items	1,871	1,614	1,292	1,117	1,005
Standard rate tax, %	22.0	22.0	22.0	22.0	26.3
Profit after net financial items, after tax	1,459	1,259	1,008	871	741
Equity at start of year	7,428	6,560	5,575	4,858	4,472
Equity at end of year	12,129	7,428	6,560	5,575	4,858
Average equity	9,779	6,994	6,068	5,217	4,665
Return on equity, %	**14.9**	**18.0**	**16.6**	**16.7**	**15.9**

Return on capital employed

(in millions of SEK)	2016	2015	2014	2013	2012
Profit after net financial items	1,871	1,614	1,292	1,117	1,005
Financial expenses	216	143	194	98	100
Profit before financial expenses	2,087	1,757	1,486	1,215	1,105
Capital employed at start of year	14,710	14,411	10,167	9,376	9,338
Capital employed at end of year	20,665	14,710	14,411	10,167	9,376
Average capital employed	17,687	14,561	12,289	9,771	9,357
Return on capital employed, %	11.8	12.1	12.1	12.4	11.8

Return on total assets

(in millions of SEK)	2016	2015	2014	2013	2012
Profit after net financial items	1,871	1,614	1,292	1,117	1,005
Financial expenses	216	143	194	98	100
Profit before financial expenses	2,087	1,757	1,486	1,215	1,105
Total assets at start of year	18,604	18,110	12,967	11,589	11,745
Total assets at end of year	26,024	18,604	18,110	12,967	11,589
Average total assets	22,314	18,357	15,538	12,278	11,667
Return on total assets, %	9.4	9.6	9.6	9.9	9.5

Net debt/EBITDA

(in millions of SEK)	2016	2015	2014	2013	2012
Non-current liabilities and provisions, interest-bearing	5,858	7,118	7,558	4,391	4,013
Current liabilities and provisions, interest-bearing	2,678	164	294	201	504
Cash and bank balances	– 2,342	– 1,448	– 1,827	– 1,591	– 934
Current investments	– 160	– 347	– 154	– 3	–
Net debt	6,034	5,487	5,871	2,998	3,583
Operating profit	1,980	1,700	1,385	1,179	1,039
Depreciation/amortisation and impairment	542	480	402	385	368
EBITDA	2,522	2,180	1,787	1,564	1,407
Net debt/EBITDA, times	2.4	2.5	3.3	1.9	2.5

Interest coverage ratio

(in millions of SEK)	2016	2015	2014	2013	2012
Profit after net financial items	1,871	1,614	1,292	1,117	1,005
Financial expenses	216	143	194	98	100
Interest coverage ratio, times	9.6	12.3	7.6	12.4	11.0

Parent

Income statement

(in millions of SEK)		2016	2015
Net sales	*Note 3*	7	8
Administrative expenses	*Note 5*	– 64	– 70
Operating profit	*Notes 3–10*	**– 57**	**– 62**
Profit from financial items			
Profit from participations in Group companies	*Note 11*	584	843
Profit from participations in associates and joint ventures	*Note 23*	4	2
Financial income	*Note 12*	169	93
Financial expenses	*Note 13*	– 226	– 127
Profit after net financial items		**474**	**749**
Appropriations	*Note 14*	772	119
Tax	*Note 15*	– 144	– 6
Net profit		**1,102**	**862**
Net profit attributable to Parent shareholders		1,102	862

Statement of comprehensive income

Net profit		**1,102**	**862**
Items that may be reclassified to profit or loss			
Cash flow hedges		9	– 9
Hedging of net investment		–	– 369
Tax attributable to other comprehensive income	*Note 15*	– 1	83
Total other comprehensive income		**8**	**– 295**
Total comprehensive income		**1,110**	**567**
Parent shareholders		1,110	567
Total comprehensive income		**1,110**	**567**

Statement of cash flows

(in millions of SEK)	2016	2015
OPERATING ACTIVITIES		
Operating profit	– 57	– 62
Interest received and similar items	169	95
Interest paid and similar items	– 228	– 125
Tax paid	– 5	– 1
Cash flow before change in working capital	**– 121**	**– 93**
Change in working capital		
Change in current receivables	– 351	– 66
Change in current liabilities	– 292	45
Cash flow from operating activities	**– 764**	**– 114**
INVESTING ACTIVITIES		
Change in non-current receivables and other securities	1,185	– 139
Cash flow from investing activities	**1,185**	**– 139**
OPERATING CASH FLOW	**421**	**– 253**
Investments in operations	– 3,311	– 33
Cash flow from investing activities	**– 2,126**	**– 172**
CASH FLOW AFTER INVESTMENTS	**– 2,890**	**– 286**
FINANCING ACTIVITIES		
New share issue	3,008	–
Profit from participations in Group companies	1,418	972
Amortisation of non-current loans	– 1,433	– 2,844
New loans taken out	–	1,911
Shareholders' dividend	– 369	– 298
Cash flow from financing activities	**2,624**	**– 259**
Cash flow for the year	– 266	– 545
Cash and cash equivalents at start of year	266	811
Cash and equivalents at end of year	–	**266**

PARENT
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 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**
Effect of change in accounting policy 1)			499		– 499	
New share issue	10			3,014		3,024
Transaction cost, new issue				–16		–16
Comprehensive income for the year			8		1,102	1,110
Dividend					– 369	– 369
Equity 31 Dec 2016	**79**	**75**	**–**	**4,751**	**2,798**	**7,703**

1) Following a rule change in the Swedish Financial Reporting Board's recommendation RFR 2 'Accounting for legal entities', accumulated exchange losses that were recognised in the fair value reserve at the start of the year were reclassified during the year to profit brought forward.

Balance sheet
Assets

(in millions of SEK)		31 Dec 2016	31 Dec 2015
NON-CURRENT ASSETS Financial assets			
Shares in subsidiaries	*Note 22*	11,736	8,410
Participations in associates and joint ventures	*Note 23*	7	7
Receivables from Group companies		–	1,185
Investments held as non-current assets		6	4
Deferred tax assets	*Note 15*	2	144
Other non-current receivables	*Note 24*	21	5
TOTAL NON-CURRENT ASSETS		11,772	9,755
CURRENT ASSETS Current receivables			
Receivables from Group companies		581	248
Other receivables		34	7
Prepaid expenses and accrued income		5	14
Total current receivables		620	269
Cash and equivalents		–	266
TOTAL CURRENT ASSETS		620	535
TOTAL ASSETS		12,392	10,290

Balance sheet
Equity and liabilities

(in millions of SEK)		31 Dec 2016	31 Dec 2015
EQUITY Restricted equity	*Note 25*		
Share capital		79	69
Statutory reserve		75	75
Total restricted equity		154	144
Non-restricted equity			
Fair value reserve		–	– 507
Share premium reserve		4,751	1,753
Profit brought forward		2,798	2,564
Total non-restricted equity		7,549	3,810
TOTAL EQUITY		7,703	3,954
UNTAXED RESERVES			
Tax allocation reserve		1	1
NON-CURRENT LIABILITIES AND PROVISIONS			
Provisions for pensions	*Note 26*	7	6
Other provisions, non-interest-bearing	*Note 27*	208	198
Liabilities to credit institutions	*Note 7*	–	2,752
Liabilities to Group companies		2,332	1,003
Bond loans	*Note 28*	1,922	1,902
Other liabilities, non-interest-bearing	*Note 29*	40	–
TOTAL NON-CURRENT LIABILITIES AND PROVISIONS		4,509	5,861
CURRENT LIABILITIES AND PROVISIONS			
Liabilities to credit institutions		–	98
Accounts payable		5	3
Liabilities to Group companies		158	2
Current tax liability		2	4
Other liabilities	*Note 31*	1	346
Accrued expenses and deferred income	*Note 32*	13	21
TOTAL CURRENT LIABILITIES AND PROVISIONS		179	474
TOTAL EQUITY AND LIABILITIES		12,392	10,290

Comments on parent

Operations
Parent activities comprise Group executive management functions and certain shared Group functions.

Operating profit
The parent's sales refer in their entirety to sales to Group companies, and amounted to SEK 7 million (SEK 8 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 increased from SEK 10,290 million to SEK 12,392 million during the year. The principal reason for this is the investments made during the year in acquisitions of companies, which were financed by a new share issue. At the beginning of the year, the parent transferred all its receivables from subsidiaries and all its liabilities to credit institutions to the wholly owned subsidiary NIBE Treasury AB. The parent's bank balances were also transferred, so at year-end cash and equivalents totalled SEK 0 million compared with SEK 266 million at the start of the year. The parent's non-current interest-bearing liabilities now consist of bond loans and liabilities to NIBE Treasury AB. Interest-bearing liabilities at year-end amounted to SEK 4,254 million (SEK 5,755 million), and the average interest rate on these liabilities amounted to 1.0% during the year. At year-end, most of the parent's liabilities were in currencies other than the Swedish krona, as set out in Note 7.

Following a rule change in the Swedish Financial Reporting Board's recommendation RFR 2 'Accounting for legal entities', the parent no longer recognises exchange rate fluctuations in loans and provisions for additional considerations directly in equity in the fair value reserve. These exchange rate fluctuations are now recognised in net financial items in the income statement instead. The accumulated exchange losses of SEK 499 million after tax that were recognised in the fair value reserve at the start of the year were reclassified to profit brought forward; see Note 25. Deferred tax assets of SEK 141 million attributable to the accumulated exchange losses at the start of the year were recognised as a deferred tax expense; see Note 15.

Risks and risk management

As a global player, NIBE faces both 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, 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 systematic approach to risk management. The risk analyses for all companies are updated every year in a joint Group system called NICS, and the compiled results are used at board level to decide on priority measures.

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.

The supply chain

Most of the components in the products marketed by the Group's three Business Areas are manufactured by several suppliers in Europe and elsewhere in the world.

Suppliers may harm NIBE's reputation if they fail to follow internationally agreed principles for human rights, working conditions, environmental protection, ethical business conduct and/or social responsibility, or if they fail to comply with national legislation in these areas.

NIBE evaluates suppliers against internationally agreed principles, quality requirements and their delivery capacity.

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

Price risks

The Group's materials consist mainly of metals that are priced in US dollars and quoted on the London Metal Exchange, LME. To avoid overdependence on specific currencies and markets, purchasing procedures have been largely globalised. In 2016, purchases of raw materials such as nickel, copper and aluminium were partially hedged through forward contracts.

Other operating expenses follow general 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 several registered designs and registered trademarks. As far as we are aware, we have not infringed any third-party patents.

Insurance 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 1,000,000.

Recall of products

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. The risks are minimised by means of systematic quality control work and inspection procedures. Most Group companies have ISO 9001 certification. 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.

Climate change

Extreme weather conditions in the form of storms, flooding and extreme heat or cold represent a risk of damage to property and entail an increased risk of damage to the environment in the form of spills, unplanned discharges and leakage. They also create a risk that production will be interrupted and ability to deliver will fall. Risks of damage and loss can be minimised using risk analyses and preventive measures and by being prepared.

NIBE has global insurance cover for major losses caused by natural disasters.

Environmental risks

Handling materials and chemicals in our production plants entails a risk of damage to the environment for which the Group will be held liable.

The Group can be held liable for contaminated land and the impact on groundwater in properties caused by previous owners.

In our opinion, the risks are minimised by means of systematic environmental work and due diligence when acquiring companies.

Influx of new expertise

NIBE's future success depends largely on its ability to recruit, retain, develop and replace qualified officers and other key individuals. In our opinion, our strategic HR work counteracts this risk.

Sensitivity analysis

The Group is exposed to some risk factors that affect earnings trends. Several of these risks are beyond the Group's control. The table below sets out a few changes and illustrates their effect on consolidated results. The impact of the changes is calculated based on the figures in the 2016 balance sheet and income statement.

	Basis for calculation		Change		Impact
Net sales (margin constant)	15,348 (in millions of SEK)	+/–	1.0 %		63 (in millions of SEK)
Operating margin (volume constant)	15,348 (in millions of SEK)	+/–	1.0 %		153 (in millions of SEK)
Material costs	6,230 (in millions of SEK)	+/–	1.0 %		62 (in millions of SEK)
Personnel costs	3,858 (in millions of SEK)	+/–	1.0 %		39 (in millions of SEK)
Interest-bearing liabilities (interest constant)	8,536 (in millions of SEK)	+/–	10.0 %		12 (in millions of SEK)
Interest rate % (interest-bearing liability constant)	1.4 %	+/–	1.0	percentage point	85 (in millions of SEK)

Risk area	Risk description	Compensating factors	Opportunities
Working environment	Accidents resulting in personal injury. Interruption in production due to incidents involving inadequate safety.	Systematic working environment efforts with risk analyses of tasks, machines and materials. Procedures for reporting incidents and investigating fundamental causes.	A good working environment promotes productivity and creates more efficient workplaces with better well-being and higher motivation.
Distribution	Disruptions at the distribution level can have a negative impact on customers. Increased carbon dioxide emissions due to higher freight volumes.	The distribution channels are checked regularly. Procedures are in place for following up and taking any required action. Coordination and efficient utilisation of transportation reduces emissions.	Improvement in customer relations. More efficient and more environmentally-friendly transportation.
Acquisitions	The integration process and the synergy effects take longer than expected. Impairment needs. Unforeseen events and discoveries in the acquired companies.	The Group has well-proven procedures for examining potential acquisitions. Integration and synergy are achieved through very close cooperation with the acquired companies.	Acquisitions contribute to expansion with greater know-how, a wider product range and greater geographical presence. Acquisitions provide coordination gains and contribute to sector structuring.
Intellectual property	Patents, registered designs and registered trademarks. Infringement of others' patents.	Procedures and training for greater information security and knowledge in how to manage intellectual property rights. Clear contracts to prevent disputes.	Protection of intangible assets adds value and is a competitive advantage.
IT	Hacking of data systems, theft of business-critical data or sabotage of critical data systems by viruses.	Strict IT policies for user authorisation, software/hardware-related protection mechanisms and clear instructions for use.	Good IT security contributes to efficiency and stability.
Climate	Extreme weather conditions lead to damage to property and the environment.	Risk analyses, preventive measures and preparedness. Insurance cover for natural disasters.	Good preparedness lays better foundations for continuity and is thus a competitive advantage.
Expertise	A shortage of top-level expertise or leadership expertise that leads to poorer product and business development.	Strategic HR work to recruit, retain, develop and replace qualified officers and other key individuals.	Successful recruitment, development and retention of expertise enhances innovation, business development and growth.
Corruption	Lower trust in the Group. High costs and litigation.	All employees at risk undergo training in anti-corruption. A whistleblower function exists. Business partners sign an anti-corruption clause as part of their contract. Good transaction procedures.	Good business principles ensure stable operations and trust among employees, customers and public authorities. An ethical, reliable image generates competitive advantages.
Suppliers	Dependence on individual suppliers. Suppliers' departures from ethical business principles may have a negative impact on the Group's reputation.	NIBE works to ensure redundancy for critical components and materials. Suppliers are monitored continuously against the business principles and values that all business partners must follow, and any non-compliance must be remedied.	Exploit the size of the Group to be a priority customer. Enhance supplier relations with regular follow-ups and discussions to promote high quality and sustainability.
Market	Complexity due to wide geographical distribution. Large macroeconomic fluctuations. Changes in energy taxes, subsidies and energy legislation. National differences in product requirements.	Huge global market. Frequent monitoring by market and product group, along with flexible manufacturing, facilitates rapid action.	Higher sales due to increased global presence. Contributing to a sustainable society through our high-tech, sustainable products. Continued long-term and stable relationships with the industry.
Price	The end customer chooses the low-price range. Changes in exchange rates which have a negative impact on the Group. Material prices.	Marketing that demonstrates 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. The risk of much higher prices for metals can be counteracted with forward contracts.	Focus on a brand with high quality and sustainable products. Changes in raw material prices often coincide with greater demand, and this can be offset through higher sales.
Product development	More stringent standards from national or global legislation affecting energy, emissions and substances. Rapid technological development.	Product development adapted to markets, legislation and sustainability. Modern test facilities and top-level expertise. Life cycle analyses.	Increased collaboration within the Group to enhance knowledge and innovation. Become the market leader with a unique product portfolio that meets market demand for performance and sustainability.
Social unrest	Political instability or labour disputes can cause production stoppages that, in turn, lead to compensation claims.	Continuous monitoring of statutory compliance, procedures and policies, and constructive negotiations with employee representatives.	Being an open, honest employer with a high level of statutory compliance and healthy values will ensure well-being, motivation and efficiency.
Manufacturing	The Group is hit by production stoppages due to external circumstances.	Production plants are subject to risk assessments and constant improvement with ongoing maintenance and new investments. Sound procedures in the production process in relation to quality, the working environment and the external environment.	High degree of continuous improvement benefits the production process and safety. Switch production to another similar operation within the Group as required.

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 Climate Solutions, NIBE Element and NIBE Stoves.

The Group has more than 13,000 employees and conducts business activities in 22 countries in Europe, North America, Australia and Asia. The legal structure of the Group comprises several 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 Nasdaq Nordic. Its activities consist of Group-wide functions, such as financing, currency transactions, acquisitions, new business starts, financial control and policy matters.

These consolidated financial statements were approved for publication by the Board on 23 March 2017.

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 2016 have had no significant effect on the Group's financial statements.

Several 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 2016 financial year.

IFRS 9 – Financial Instruments

The categories for financial assets in IAS 39 are replaced by two categories in which measurement is at fair value or amortised cost. Most of the rules for classification and valuation of financial liabilities coincide with the previous rules in IAS 39. The standard has been adopted by the EU and will enter force on 1 January 2018. NIBE deems that the standard will not have any significant impact on the Group's financial reports.

IFRS 15 Revenue from Contracts with Customers

The standard contains new principles for recognition of revenue and includes stricter requirements for disclosures. IFRS 15 has been adopted by the EU and will enter force on 1 January 2018. NIBE is in the process of evaluating the effects of IFRS 15. However, this work has not yet progressed far enough to provide information on quantitative effects.

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. IFRS 16 enters force on 1 January 2019 and the EU is expected to adopt the standard in the fourth quarter of 2017. NIBE has not yet evaluated the effects of IFRS 16.

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 will be applied when the annual report for 2017 is prepared, provided it is adopted by the EU. The EU is expected to adopt the standard during the second quarter of 2017.

None of the other IFRS or IFRIC interpretations that have not yet entered 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 compared with the previous year, except for exchange differences on loans that hedge net investments in foreign currency, which in the parent are recognised in the income statement instead of as previously in the fair value reserve. This change has been applied retroactively.

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 more than 12 months after the closing date. Current assets and current liabilities including any relevant provision and allocations are items that are expected to be recovered or paid 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. An acquisition that does not involve 100% of a subsidiary results in a non-controlling interest. Where the holder of the remaining interest has an option to sell it to NIBE, or NIBE has an obligation to buy, NIBE has decided to employ the Anticipated Acquisition Method (AAM), which means that 100% of the subsidiary is considered to have been acquired at the time of acquisition. This also means that a liability equivalent to the present value of the estimated future purchase price is recognised. Consequently, no non-controlling interest is recognised with this type of acquisition transaction. 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 based on 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 consolidated 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 paid and the actual acquired proportion of the carrying amount of the subsidiary's net assets is recognised in equity. Gains or losses on disposal to non-controlling interests are also recognised in equity.

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 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, which means that net income is 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.

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 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 due to the differences in risk and opportunities associated with the various product groups. The reports correspond to the internal reports submitted to company management. See 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. During the financial year, products and services worth SEK 2 million (SEK 1 million) were purchased from companies in which Melker Schörling has a significant influence.

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 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 the section on 'Hedge accounting' in Note 7 'Financial instruments and risk management'.

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 the section on 'Translation risks' in Note 7 'Financial instruments and risk management'. Following a rule change in the Swedish Financial Reporting Board's recommendation RFR 2 'Accounting for legal entities' during the year, the parent no longer recognises exchange rate fluctuations in loans to hedge net investments in the fair value reserve. These exchange rate fluctuations are now recognised in net financial items instead.

Interest rate risk hedging

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 remeasured 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 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 several 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 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 based on 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, computer programs, 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:

Market positions	7 – 11%
Other 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 expenses for product development within each Business Area. During the development phase, several 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 are 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, contingent considerations attributable to acquisitions made after 1 July 2014 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 observable 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 inputs that are not observable in the market

Listed securities are valued according to level 1 while currency derivatives, interest rate derivatives and raw material derivatives are valued according to level 2. Contingent considerations concerning acquisitions of participations that resulted in a business combination come under level 3 in the valuation hierarchy.

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 apart from 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 (per 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 subgroup includes derivatives with positive fair value, excluding derivatives that are identified, effective hedging instruments and short-term 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. This category also includes the present value of liabilities that will be paid for minority shareholders' shares in connection with application of AAM. 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 are expected to have a short 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 and effective hedging instruments. The second category includes contingent considerations attributable to acquisitions made after 1 July 2014. 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. If 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 due to 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 to be paid. Contingent considerations for shares and participations acquired before 1 July 2014 are recognised as provisions. Guarantee risk provision is recognised on the date of sale of the products to which the guarantee refers, and is estimated based on 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 through 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 corresponding 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 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 considered.

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 based on 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 that 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 several 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.

Additional considerations

The fair value of additional considerations is normally based on expected earnings trends in acquired operations in future years. Additional considerations include both contingent considerations for already acquired shares and considerations for future acquisitions of minority shareholders' shares in connection with the application of AAM. If the earnings trend differs from the expected trend, this will affect the carrying amount of additional considerations and, thus, the NIBE Group's performance.

Note 3

INFORMATION ABOUT THE BUSINESS AREAS

	CLIMATE SOLUTIONS		ELEMENT		STOVES		ELIMINATIONS		TOTAL	
(in millions of SEK)	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Sales										
Total net sales	11,092	9,326	5,046	4,497	1,968	1,795	– 2,758	– 2,375	15,348	13,243
Internal net sales	– 1,504	– 1,295	– 794	– 739	– 202	– 143	2,500	2,177	–	–
External net sales	**9,588**	**8,031**	**4,252**	**3,758**	**1,766**	**1,652**	**– 258**	**– 198**	**15,348**	**13,243**
Earnings										
Profit per Business Area	1,396	1,209	473	342	223	206	–	–	2,092	1,757
Unallocated costs									– 112	– 57
Operating profit									1,980	1,700
Financial income									107	57
Financial expenses									– 216	– 143
Tax for the year									– 495	– 377
Net profit for the year									**1,376**	**1,237**
Other information										
Assets	18,103	13,107	4,294	3,360	3,274	1,814	– 12,328	– 10,834	13,343	7,447
Unallocated assets									12,681	11,157
Total assets									**26,024**	**18,604**
Liabilities	2,357	1,468	828	738	387	265	– 976	– 182	2,596	2,289
Unallocated liabilities									11,299	8,887
Total liabilities									**13,895**	**11,176**
Investments	239	232	125	118	42	34				
Depreciation	362	311	122	114	59	56				

SEK 2,248 million (SEK 2,062 million) of consolidated net sales relates to customers in the Swedish market, and SEK 3,940 million (SEK 2,452 million) relates to customers in the US. Of the Group's non-current assets, SEK 949 million (SEK 900 million) is in Sweden, SEK 7,614 million (SEK 4,037 million) in the US and Mexico and SEK 5,234 million (SEK 5,026 million) in Germany and Switzerland. 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

	Group		Parent	
(in millions of SEK)	2016	2015	2016	2015
Net sales	15,348	13,243	7	8
Change in inventories	81	– 58	–	–
Other operating income	155	127	–	–
	15,584	**13,312**	**7**	**8**
Raw materials and consumables	– 6,312	– 5,416	–	–
Other external costs	– 2,892	– 2,496	– 38	– 46
Personnel costs	– 3,858	– 3,220	– 26	– 24
Depreciation	– 542	– 480	–	–
Operating profit	**1,980**	**1,700**	**– 57**	**– 62**

Note 5

REMUNERATION OF AUDITORS

Group	2016			2015		
(in millions of SEK)	KPMG	Other auditors	Total Group	KPMG	Other auditors	Total Group
Audit engagements	8	2	10	8	1	9
Other audit-related fees	2	–	2	2	–	2
Tax consulting	1	3	4	1	2	3
Other services	18	4	22	2	5	7
Total	**29**	**9**	**38**	**13**	**8**	**21**

During the year, the parent paid audit expenses of SEK 1 million (SEK 1 million) and expenses for other services of SEK 12 million (SEK 2 million).

Note 6

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

Salaries and other remuneration

(in millions of SEK)	2016	2015
Parent	16	15
Subsidiaries	3,164	2,564
Group total	**3,180**	**2,579**

	2016		2015	
(in millions of SEK)	Social security contributions	of which pension expenses	Social security contributions	of which pension expenses
Parent	10	3	9	3
Subsidiaries	611	155	529	126
Group total	**621**	**158**	**538**	**129**

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 5 million). The corresponding amount for the Group is SEK 5 million (SEK 5 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

	2016		2015	
(in thousands of SEK)	Salaries and other remuneration	Retirement benefit contributions	Salaries and other remuneration	Retirement benefit contributions
Hans Linnarson, Chair	550	–	450	–
Helene Richmond	275	–	225	–
Georg Brunstam	275	–	225	–
Eva-Lotta Kraft	275	–	225	–
Anders Pålsson	275	–	225	–
Gerteric Lindquist, CEO	4,896	960	4,100	959
Other senior executives 4 (4) individuals	14,107	5,171	12,987	3,769
Group total	**20,653**	**6,131**	**18,437**	**4,728**

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 in 2016 and the Board proposes that the same principles continue to apply for 2017 with certain changes.

The company shall offer competitive remuneration on market terms 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 income base 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 four months' salary (in 2016, it was restricted to three months' salary, which is the only change proposed). 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.

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)		2016 Board, CEO and senior executives	2016 Other employees	2015 Board, CEO and senior executives	2015 Other employees
Parent		13	5	10	6
Subsidiaries in Sweden		8	470	8	439
Norway		–	137	–	127
Finland		–	155	–	148
Denmark[1]	(2 and 2)	–	333	–	328
France		–	25	–	23
Germany[1]	(1 and 1)	–	193	–	179
Poland		–	170	–	152
Czech Republic[1]	(1 and 1)	–	78	–	70
Italy		–	17	–	11
The Netherlands		–	26	–	25
Belgium		–	2	–	2
UK[1]	(3 and 5)	–	131	–	130
Spain		–	20	–	19
Russia		–	10	–	12
Austria		–	27	–	24
Switzerland[1]	(2 and 1)	–	382	–	380
China		–	89	–	90
Malaysia		–	1	–	1
Australia		–	7	–	6
Mexico		–	151	–	124
Canada		–	7	–	–
USA[1]	(0 and 3)	–	725	–	266
Group total		**21**	**3,161**	**18**	**2,562**

[1] of which bonus in millions of SEK

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 2016, the premium corresponded to 14% 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. Under the Group's policy, no further pension premium payments are made if employment continues after the age of 65.

Average number of employees and gender distribution

	2016 Number of employees	2016 Of which men	2015 Number of employees	2015 Of which men
Parent	8	4	9	5
Subsidiaries in Sweden	1,283	1,061	1,207	1,000
Norway	230	191	216	176
Finland	426	337	428	339
Denmark	570	421	576	429
France	48	37	48	38
Germany	498	416	493	415
Poland	2,114	1,099	1,917	806
Czech Republic	736	392	649	356
Italy	55	33	40	24
The Netherlands	52	43	52	43
Belgium	1	1	1	1
UK	369	288	359	275
Spain	65	48	63	45
Russia	155	112	157	110
Austria	51	38	46	33
Switzerland	485	399	485	388
China	958	520	956	509
Malaysia	18	6	19	6
Australia	17	10	19	9
Mexico	2,217	932	2,231	991
Canada	55	46	–	–
USA	1,458	973	574	382
Group total	**11,869**	**7,407**	**10,545**	**6,380**

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

	2016 Number	2016 Of which men	2015 Number	2015 Of which men
Board of Directors	6	4	6	4
Senior management team				
Parent	2	2	2	2
Subsidiaries	3	3	3	3
Group	**5**	**5**	**5**	**5**

Note 7

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.

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 due to 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 2016 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.

	Group		Parent	
Currency	Net flow in (+) / out (-)	Weakening by 1%	Net flow in (+) / out (-)	Weakening by 1%
CHF	26	–	– 1	–
CZK	– 6	–	–	–
DKK	5	–	–	–
EUR	137	1	– 3	–
GBP	88	1	–	–
NOK	145	1	–	–
PLN	– 95	– 1	–	–
USD	121	1	– 3	–
CNY	– 3	–	–	–
HKD	– 15	–	–	–
RUB	5	–	–	–
MXN	– 210	– 2	–	–
Total	198		– 7	

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 year-end 2016, the Group held net assets in foreign currencies as stated below, allowing for financing. Net assets also include assets other than those classed as financial instruments.

Currency	Net assets	Currency hedging	2016
AUD	57	–	57
CAD	547	–	547
CHF	4,656	– 932	3,724
CZK	405	– 38	367
DKK	920	– 101	819
EUR	881	– 40	841
GBP	822	– 113	709
HKD	48	–	48
MYR	3	–	3
MXN	73	–	73
NOK	545	– 108	437
PLN	474	–	474
RUB	128	–	128
USD	6,027	– 536	5,491
Total	15,586	– 1,868	13,718

If the Swedish krona falls in value by 1% against the named currencies, the Group's equity would be strengthened by SEK 137 million (SEK 88 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 156 million (SEK 110 million).

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

At the end of 2016, the Group had outstanding currency forward contracts in accordance with the adjacent table. 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 536 million (SEK 258 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 2016 represents an unrealised exchange loss of SEK 11 million.

The item 'Other receivables' in the consolidated balance sheet includes derivatives with positive fair values of SEK 17 million (SEK 8 million). The item 'Other liabilities' includes derivatives with negative fair values of SEK 20 million (SEK 21 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 2016	Unrealised gain/loss 31 Dec 2015
CHF	–	–	1	1	8.84	8.91	–	–
DKK	3	10	3	6	1.30	1.29	–	–
EUR	6	7	7	9	9.55	9.57	–	1
GBP	1	1	1	1	11.06	11.18	–	– 9
NOK	18	20	17	22	1.07	1.05	1	–
PLN	– 2	– 1	– 1	– 1	2.17	2.17	–	–
USD	8	1	1	1	8.40	9.10	– 7	1
HKD	10	19	12	11	1.18	1.17	–	–
MXN	– 74	– 42	– 28	–	0.47	0.44	– 5	– 5
Total							– 11	– 12
Of which taken to income on the closing date							– 8	1
Of which recognised in other comprehensive income on the closing date							– 3	– 13

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 in net financial items. At the end of the year, the parent had loans and provisions in foreign currency as listed below.

Currency	2016	2015
CAD	543	–
CHF	864	817
CZK	70	67
DKK	100	105
EUR	281	39
GBP	504	565
NOK	108	93
USD	127	492
Total	**2,597**	**2,178**

If the Swedish krona rises in value by 1% against the named currencies, the parent's equity is strengthened by SEK 26 million (SEK 22 million). If the Swedish krona falls in value by 1% against the named currencies, the reverse applies.

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)	2016	2015
Accounts receivable, wholly or partly impaired		
– overdue by less than 3 months	37	41
– overdue by more than 3 months	32	38
Accounts receivable which have not been impaired		
– overdue by less than 3 months	519	279
– overdue by more than 3 months	61	35
Total overdue accounts receivable	**649**	**393**
Provision for bad debt losses	– 39	– 47
Total accounts receivable overdue but not impaired	**610**	**346**

Provision for bad debt losses

(in millions of SEK)	2016	2015
Provisions brought forward	47	49
Provisions in acquired companies	6	–
Established bad debt losses	– 16	– 11
Reversed provisions	– 11	– 3
Provisions for the year	12	14
Translation differences	1	– 2
Provisions carried forward	**39**	**47**

Profit for the year has been charged with SEK 11 million (SEK 16 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.

Gains and losses on financial instruments

	Group		Parent	
(in millions of SEK)	2016	2015	2016	2015
Exchange gains and exchange losses on currency derivatives used for hedge accounting				
- recognised in profit or loss	– 20	– 24	–	–
- recognised in other comprehensive income	10	3	9	– 9
Gains and losses on raw materials derivatives used in hedge accounting				
– recognised in profit or loss	– 6	– 11	–	–
– recognised in other comprehensive income	9	– 5	–	–
Exchange gains and exchange losses in other financial assets and liabilities	27	26	– 1	24
Change in value, bond loans	– 20	– 2	– 20	– 2
Change in value, interest swap	16	6	16	6
Bad debt losses on accounts receivable	– 11	– 16	–	–
Total	**5**	**– 23**	**4**	**19**

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 because 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 2016 (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	–	–	–	–	14,716	14,716	
Property, plant and equipment	–	–	–	–	2,820	2,820	
Participations in associates and joint ventures	–	–	–	–	18	18	
Securities held as non-current assets	–	–	7	–	–	7	7
Deferred tax assets	–	–	–	–	322	322	
Other long-term receivables	21	–	–	21	–	42	42
Inventories	–	–	–	–	2,799	2,799	
Accounts receivable	2,424	–	–	–	–	2,424	2,424
Tax assets	–	–	–	–	146	146	
Other receivables	88	–	–	19	–	107	107
Prepaid expenses and accrued income	–	–	–	–	121	121	
Investments in securities, etc.	–	160	–	–	–	160	160
Cash and equivalents	2,342	–	–	–	–	2,342	2,342
Total assets	**4,875**	**160**	**7**	**40**	**20,942**	**26,024**	

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	
Participations in associates and joint ventures	–	–	–	–	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**	

Equity and liabilities 31 Dec 2016 (in millions of SEK)	Financial liabilities valued at accrued cost	Derivatives used for hedge accounting	Financial liabilities valued at fair value via income statement	Non-financial items	Total carrying amount	Fair value
Equity	–	–	–	12,129	12,129	
Provisions	–	–	–	2,362	2,362	
Non-current liabilities*	6,211	–	48	–	6,259	6,259
Current liabilities to credit institutions	2,678	–	–	–	2,678	2,678
Accounts payable	1,140	–	–	–	1,140	1,140
Advance payments from customers	28	–	–	–	28	28
Tax liabilities	–	–	–	89	89	
Other liabilities	281	20	32	–	333	333
Accrued expenses and deferred income	1,006	–	–	–	1,006	1,006
Total equity and liabilities	**11,344**	**20**	**80**	**14,580**	**26,024**	

* Of which SEK 1,621 million refers to loans in foreign currencies to hedge net investment in foreign operations

Equity and liabilities 31 Dec 2015 (in millions of SEK)	Financial liabilities valued at accrued cost	Derivatives used for hedge accounting	Financial liabilities valued at fair value via income statement	Non-financial items	Total carrying amount	Fair value
Equity	–	–	–	7,428	7,428	
Provisions	–	–	–	1,912	1,912	
Non-current liabilities*	6,779	–	32	–	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	9,112	29	32	9,431	18,604	

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

Hedge accounting

In 2016, 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 was swapped from fixed to variable. The swap is a fair value hedge, and the fair value on the balance sheet date was SEK 22 million.
- Price hedging of raw materials through raw materials derivatives. See Note 2 for details. At the end of 2016, outstanding contracts maturing in Q1 2017 totalled SEK 19 million, with SEK 2 million in unrealised gains that are recognised among other receivables.
- Hedge accounting through financing net investments in foreign operations in foreign currency, which 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 58 and 68.

Capital risk

The term ‘capital risk’ refers to the risk that the Group’s ability to continue doing business may be inhibited due to a shortage of capital. The Group assesses the day-to-day risk based on 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 41.9%. The Group can 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 62 and 69). The covenants set by the Group’s external creditors were met by good margins.

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 also means that it is exposed to cash flow risk.

The Group’s interest-bearing liabilities at year-end amounted to SEK 8,536 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 85 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 4,254 million. A change in the interest rate of 1% on constant liabilities would affect parent profit by SEK 43 million.

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.

Group 31 Dec 2016			Due date structure of financial liabilities			
(in millions of SEK)	Nominal amount	Total	< 1 year	1–2 years	3–4 years	> 5 years
Non-current liabilities to credit institutions	3,535	3,689	–	3,689	–	–
Bond loans	1,922	2,011	–	–	2,011	–
Other non-current liabilities	30	30	–	30	–	–
Additional considerations	804	804	32	13	35	724
Current liabilities to credit institutions	2,678	2,696	2,696	–	–	–
Accounts payable	1,140	1,140	1,140	–	–	–
Advance payments from customers	28	28	28	–	–	–
Derivatives used for hedge accounting	20	20	20	–	–	–
Other current liabilities	281	281	281	–	–	–
Accrued expenses and deferred income	1,006	1,006	1,006	–	–	–
Financial leasing liabilities	4	4	2	2	–	–
Total financial liabilities	11,448	11,709	5,205	3,734	2,046	724

Group 31 Dec 2015			Due date structure of financial liabilities			
(in millions of SEK)	Nominal amount	Total	< 1 year	1–2 years	3–4 years	> 5 years
Non-current liabilities to credit institutions	4,875	5,001	–	3,670	1,331	–
Bond loans	1,902	2,030	–	–	422	1,608
Other non-current liabilities	2	2	–	2	–	–
Additional considerations	369	369	337	–	32	–
Current liabilities to credit institutions	164	165	165	–	–	–
Accounts payable	835	835	835	–	–	–
Advance payments from customers	18	18	18	–	–	–
Derivatives used for hedge accounting	29	29	29	–	–	–
Other current liabilities	247	247	247	–	–	–
Accrued expenses and deferred income	732	732	732	–	–	–
Financial leasing liabilities	4	4	1	3	–	–
Total financial liabilities	9,177	9,432	2,364	3,675	1,785	1,608

Parent 31 Dec 2016			Due date structure of financial liabilities			
(in millions of SEK)	Nominal amount	Total	< 1 year	1–2 years	3–4 years	> 5 years
Non-current liabilities to Group companies	2,332	2,356	–	2,356	–	–
Bond loans	1,922	2,011	–	–	2,011	–
Additional considerations	40	40	–	–	–	40
Current liabilities to Group companies	158	160	160	–	–	–
Accounts payable	5	5	5	–	–	–
Other current liabilities	1	1	1	–	–	–
Accrued expenses and deferred income	13	13	13	–	–	–
Total financial liabilities	4,471	4,586	179	2,356	2,011	40

Parent 31 Dec 2015			Due date structure of financial liabilities			
(in millions of SEK)	Nominal amount	Total	< 1 year	1–2 years	3–4 years	> 5 years
Non-current liabilities to credit institutions	2,752	2,838	–	1,507	1,331	–
Non-current liabilities to Group companies	1,003	1,059	–	1,059	–	–
Bond loans	1,902	2,030	–	–	422	1,608
Additional considerations	335	335	335	–	–	–
Current liabilities to credit institutions	98	99	99	–	–	–
Current liabilities to Group companies	2	2	2	–	–	–
Accounts payable	3	3	3	–	–	–
Derivatives used for hedge accounting	9	9	9	–	–	–
Other current liabilities	2	2	2	–	–	–
Accrued expenses and deferred income	21	21	21	–	–	–
Total financial liabilities	6,127	6,398	471	2,566	1,753	1,608

Note 8

LEASING

During the year, Group expenses relating to finance leases totalled SEK 1 million (SEK 1 million). Leasing charges amounting to SEK 130 million (SEK 124 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:

	Finance leases			Operating leases
(in millions of SEK)	Payments	Interest	Present value	Nominal value
Due for payment within 1 year	2	–	2	113
Due for payment within 2–5 years	2	–	2	251
Due for payment within 6 years or more	–	–	–	78
Total	4	–	4	442

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

Note 10

OTHER OPERATING INCOME

	Group		Parent	
(in millions of SEK)	2016	2015	2016	2015
Profit on sale of non-current assets	14	3	–	–
Exchange gains	91	79	–	–
Other	50	45	–	–
Total	155	127	–	–

Note 11

PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

	Group		Parent	
(in millions of SEK)	2016	2015	2016	2015
Dividend	–	–	646	853
Impairment of participations in subsidiaries	–	–	– 62	– 10
Total	–	–	584	843

Note 12

FINANCIAL INCOME

	Group		Parent	
(in millions of SEK)	2016	2015	2016	2015
Interest income, Group companies	–	–	–	20
Interest income, other	4	5	–	1
Exchange gains	97	42	169	68
Other financial income	2	6	–	4
Total	103	53	169	93

Note 13

FINANCIAL EXPENSES

	Group		Parent	
(in millions of SEK)	2016	2015	2016	2015
Interest expense, Group companies	–	–	37	1
Interest expense, other	111	109	15	82
Exchange losses	94	30	170	44
Other financial expense	11	4	4	–
Total	216	143	226	127

Note 14

APPROPRIATIONS

	Group		Parent	
(in millions of SEK)	2016	2015	2016	2015
Group contributions received	–	–	772	119

Note 15

TAX

	Group		Parent	
(in millions of SEK)	2016	2015	2016	2015
Current tax for the year	360	424	1	6
Current tax attributable to preceding years	2	1	2	–
Deferred tax	133	– 48	141	–
Total	495	377	144	6

Tax in respect of items recognised in other comprehensive income

	Group		Parent	
(in millions of SEK)	2016	2015	2016	2015
Defined-benefit pensions	– 6	– 2	–	–
Market valuation of currency forward contracts	2	2	1	– 2
Market valuation of raw materials forward contracts	2	– 1	–	–
Currency hedge	–	– 82	–	– 81
Current tax attributable to exchange differences	76	–	–	–
Current tax attributable to foreign net investment	– 21	–	–	–
Total	53	– 83	1	– 83

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

	Group		Parent	
(in millions of SEK)	2016	2015	2016	2015
Pre-tax profit	1,871	1,614	1,246	868
Tax at current rate	412	355	274	191
Non-deductible expenses	41	28	11	3
Non-taxable earnings	– 25	– 25	–	–
Dividends from subsidiaries	–	–	– 143	– 188
Adjusted tax for preceding years	2	1	2	–
Deficit deductions not carried forward	10	2	–	–
Change in tax rate for deferred tax	–	– 8	–	–
Effect of foreign tax rates	55	24	–	–
Recognised tax expense	**495**	**377**	**144**	**6**

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 268 million (SEK 259 million) for the Group. The due dates for deficit deductions are within the following intervals:

	Group	
(in millions of SEK)	2016	2015
Due for payment within 1–5 years	23	29
Due for payment within 6–10 years	74	84
Due for payment in 10 years or more	4	12
No due date	167	134
Total	**268**	**259**

Tax rate

The applicable tax rate was calculated based on the tax rate that applies to the parent, which is 22.0% (22.0%). See also page 59.

Temporary differences

Temporary differences arise if 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

	Group		Parent	
(in millions of SEK)	2016	2015	2016	2015
Deficit deductions	20	21	–	–
Hedging of net investment in foreign operations	–	142	–	141
Provisions for pension obligations	74	62	–	–
Provisions for guarantee obligations	144	122	–	–
Other	84	81	2	3
Total	**322**	**428**	**2**	**144**

(in millions of SEK)	Deficit deductions	Hedging net investment in foreign operations	Provisions for pension obligations	Provisions for guarantee obligations	Other	Total
Amount at start of year	21	142	62	122	81	428
Acquired companies	–	–	–	2	9	11
Recognised as income	– 3	– 142	3	10	– 10	– 142
Recognised in other comprehensive income	–	–	6	–	– 3	3
Translation difference	2	–	3	10	7	22
Amount at end of year	**20**	**–**	**74**	**144**	**84**	**322**

Deferred tax liabilities

	Group		Parent	
(in millions of SEK)	2016	2015	2016	2015
Untaxed reserves	33	33	–	–
Temporary differences in non-current assets	969	782	–	–
Other	61	34	–	–
Total	**1,063**	**849**	**–**	**–**

(in millions of SEK)	Untaxed reserves	Temporary differences in non-current assets	Other	Total
Amount at start of year	33	782	34	849
Acquired companies	1	133	26	160
Recognised as income	–	– 8	– 1	– 9
Recognised in other comprehensive income	–	–	1	1
Translation difference	– 1	62	1	62
Amount at end of year	**33**	**969**	**61**	**1,063**

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

	Group	
(in millions of SEK)	2016	2015
Cost		
Opening cost	1,499	1,411
Investment for the year	806	11
Translation differences	131	77
Closing accumulated cost	**2,436**	**1,499**
Amortisation		
Opening amortisation	387	258
Amortisation for the year	156	122
Translation differences	30	7
Closing accumulated amortisation	**573**	**387**
Closing carrying amount	**1,863**	**1,112**

'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 2016	2015
Cost		
Opening cost	1,237	1,177
Investment for the year	557	–
Translation differences	109	60
Closing accumulated cost	**1,903**	**1,237**
Amortisation		
Amortisation for the year	2	–
Closing accumulated amortisation	**2**	**–**
Closing carrying amount	**1,901**	**1,237**
Carrying amount per Business Area		
NIBE Climate Solutions	1,641	1,133
NIBE Element	49	24
NIBE Stoves	211	80
Total	**1,901**	**1,237**

Goodwill (in millions of SEK)	Group 2016	2015
Cost		
Opening cost	7,621	7,179
Investment for the year	2,406	137
Translation differences	629	305
Closing accumulated cost	**10,656**	**7,621**
Amortisation		
Opening amortisation	82	84
Translation differences	3	– 2
Closing accumulated amortisation	**85**	**82**
Closing carrying amount	**10,571**	**7,539**
Carrying amount per Business Area		
NIBE Climate Solutions	7,999	5,999
NIBE Element	1,379	1,082
NIBE Stoves	1,193	458
Total	**10,571**	**7,539**

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 2016 (2015)

Assumptions	Cash-generating unit: NIBE Climate Solutions	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 (13.0)	15.0 (15.0)	18.0 (18.0)
Discount rate before tax, %	6.5 (6.4)	7.7 (7.1)	7.1 (7.1)

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

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, computer programs, licences, etc.

(in millions of SEK)	Group 2016	2015
Cost		
Opening cost	673	587
Cost in acquired companies	36	–
Investment for the year	96	84
Sales and retirements	– 11	– 3
Reclassifications	22	4
Translation differences	26	1
Closing accumulated cost	**842**	**673**
Amortisation		
Opening amortisation	349	278
Sales and retirements	– 10	– 2
Amortisation for the year	86	79
Reclassifications	22	– 1
Translation differences	11	– 5
Closing accumulated amortisation	**458**	**349**
Impairment		
Opening impairment	3	3
Closing accumulated impairment	**3**	**3**
Closing carrying amount	**381**	**321**

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

(in millions of SEK)	Group 2016	2015
Cost of goods sold	69	70
Selling expenses	3	1
Administrative expenses	14	8
Total	**86**	**79**

Other intangible assets consist primarily (SEK 257 million) of capitalised development costs. The Group's principles for capitalisation are described in Note 2. Capitalised development costs are amortised during estimated useful lives. In 2016, these were between 4 and 6 years.

Note 19

LAND AND BUILDINGS

	Group	
(in millions of SEK)	2016	2015
Cost		
Opening cost	1,798	1,777
Cost in acquired companies	346	3
Investment for the year	43	31
Sales and retirements	– 40	– 1
Reclassifications	26	4
Translation differences	68	– 16
Closing accumulated cost	**2,241**	**1,798**
Amortisation		
Opening amortisation	607	559
Amortisation for the year	61	62
Sales and retirements	– 22	– 1
Translation differences	12	– 13
Closing accumulated amortisation	**658**	**607**
Impairment		
Impairment for the year	5	–
Closing accumulated impairment	**5**	**–**
Closing carrying amount	**1,578**	**1,191**
of which, land	271	216
Closing carrying amount, land and buildings in Sweden	343	294

Note 20

MACHINERY AND EQUIPMENT

	Group		Parent	
(in millions of SEK)	2016	2015	2016	2015
Cost				
Opening cost	2,748	2,573	1	1
Cost in acquired companies	236	3	–	–
Investment for the year	192	206	–	–
Sales and retirements	– 75	– 39	–	–
Reclassifications	41	58	–	–
Translation differences	97	– 53	–	–
Closing accumulated cost	**3,239**	**2,748**	**1**	**1**
Depreciation				
Opening depreciation	1,920	1,786	1	1
Sales and retirements	– 69	– 33	–	–
Depreciation for the year	238	217	–	–
Reclassifications	– 22	–	–	–
Translation differences	51	– 50	–	–
Closing accumulated depreciation	**2,118**	**1,920**	**1**	**1**
Impairment				
Opening impairment	3	3	–	–
Impairment for the year	1	–	–	–
Closing accumulated impairment	**4**	**3**	**–**	**–**
Closing carrying amount	**1,117**	**825**	**–**	**–**

Note 21

CONSTRUCTION IN PROGRESS

	Group	
(in millions of SEK)	2016	2015
Cost		
Opening cost	101	76
Expenses during the year	111	88
Re-allocations during the year	– 89	– 66
Translation differences	2	3
Closing accumulated cost	**125**	**101**

Note 22

SHARES IN SUBSIDIARIES

	Prop. of equity	No. of shares	Carrying amount in millions of SEK
ABK AS	50%	250	183
Akvaterm Oy	100%	2,000	65
Air-Site AB	50%	1,000	55
Backer BHV AB	100%	37,170	186
Backer EHP Inc.	100%	100	217
Druzstevni z. Drazice - strojírna sro	100%	7	199
Eltwin A/S	100%	500	125
JSC Evan	100%	8,631	131
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 Climate Solutions GmbH	100%	100	0
NIBE Energy Systems WFE AB	100%	100	3,785
NIBE Energy Systems France SAS	100%	100	0
NIBE Stoves Canada Corp.	100%	100	543
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	4,860
Springfield Wire de Mexico S.A. de C.V.	100%	10,000	42
Stovax Heating Group Ltd	100%	198,900	491
TermaTech A/S	100%	500	62
Varde Ovne A/S	100%	4,009	11
Wiegand S.A. de C.V.	100%	15,845,989	21
			11,736

(in millions of SEK)	2016	2015
Cost		
Opening cost	8,466	8,400
Investment for the year	3,399	86
Reduced considerations	– 11	– 20
Closing accumulated cost	**11,854**	**8,466**
Impairment		
Opening impairment	56	46
Impairment for the year	62	10
Closing accumulated impairment	**118**	**56**
Closing carrying amount	**11,736**	**8,410**

Shares owned via subsidiaries	Proportion of capital	No. of shares
ait-deutschland GmbH	100.00%	
ait-värmeteknik-sverige AB	100.00%	1,000
ait Schweiz AG	100.00%	250
Askoma AG	100.00%	200,000
Askoma SDN BHD	100.00%	500,000
ATE-Electronics S.r.l.	100.00%	
Backer Alpe S. de R.L. de C.V.	100.00%	
Backer Calesco France SARL	100.00%	12,429
Backer ELC AG	100.00%	34,000
Backer Elektro CZ a.s.	100.00%	
Backer Eltop s.r.o.	100.00%	
Backer Facsa S.L.	100.00%	34,502
Backer Fer s.r.l.	100.00%	
Backer Heating Technologies Co. Ltd	100.00%	
Backer Heating Technologies Inc	100.00%	100
Backer Hotwatt Inc.	100.00%	100
Backer HTV Co. Ltd	100.00%	100
Backer Marathon Inc.	100.00%	100
Backer OBR Sp. z o.o.	100.00%	10,000
Backer-Springfield Dongguan Co. Ltd	100.00%	
Backer-Wilson Elements Pty Ltd	51.00%	
Backer Wolff GmbH	100.00%	
ClimaCool Corp.	100.00%	1,000
Climate Control Group Inc.	100.00%	10,000
ClimateCraft Inc.	100.00%	1,000
ClimateMaster Inc.	100.00%	1,000
Danotherm Electric A/S	100.00%	1,000
Eltwin Sp. z.o.o.	100.00%	100
E. Braude Corrosion Control Ltd	100.00%	5,000
E. Braude (London) Ltd	100.00%	80,000
Enertech Global LLC	100.00%	
Fireplace Products Australia Pty Ltd	100.00%	1
Fireplace Products US Inc.	100.00%	1,000,000
FPI Fireplace Products International Ltd.	65.00%	901,498
FPI US Holding Inc.	100.00%	50,000
Gazco Ltd	100.00%	30,000
Heatrod Elements Ltd	100.00%	68,000
Heatron Inc.	100.00%	1,200,000
Høiax AS	100.00%	1,000
Hyper Engineering Pty Ltd	100.00%	25,000
Hyper Technology and Trading Comp.	100.00%	1,000
International Environmental Corp.	100.00%	300
KKT Chillers Inc.	100.00%	1,000
Kuldemesteren AS	100.00%	1,000
KNV Energietechnik GmbH	100.00%	

Shares owned via subsidiaries	Proportion of capital	No. of shares
Koax Corp.	100.00%	50
KVM-Genvex A/S	100.00%	2,500
Lund & Sörensen 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 Beteiligungenverwaltungs GmbH	100.00%	
NIBE-BIAWAR Sp. z o.o.	100.00%	83,962
NIBE Energietechniek 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
Omni Control Technology Inc.	100.00%	200,000
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
Skarabrae AB	100.00%	500
Stovax Ltd	100.00%	190,347
Stovax D1 Ltd	100.00%	1,000
Stovax Group Ltd	100.00%	397,800
Structurgruppen AB	100.00%	1,000
Termorad Sp. Z.o.o.	100.00%	80,000
ThermaClime Technologies Inc.	100.00%	10,000
Vølund Varmeteknik A/S	100.00%	1,000
WaterFurnace International Hong Kong Ltd	100.00%	27,300,000
WaterFurnace International Inc.	100.00%	100
WaterFurnace Renewable Energy Corp.	100.00%	14,666,765

Details of subsidiaries	Corporate ID	Registered office	Country
ABK AS	959 651 094	Oslo	Norway
Akvaterm Oy	1712852-9	Kokkola	Finland
Air-Site AB	556725-5780	Lindome	Sweden
ait-deutschland GmbH	HRB 2991	Bayreuth	Germany
ait-värmeteknik-sverige AB	556936-5033	Helsingborg, Sweden	Sweden
ait Schweiz AG	CH-100 3 017 337-2	Altishofen	Switzerland
Askoma AG	CHE 101 048 895	Thunstetten	Switzerland
Askoma SDN BHD	489344-W	Johor Bahru	Malaysia
ATE-Electronics S.r.l.	9518750964	Giaveno	Italy
Backer Alpe S. de R.L. de C.V.	BAL0805266BA	Mexico City	Mexico
Backer BHV AB	556053-0569	Hässleholm	Sweden
Backer Calesco France SARL	91379344781	Lyon	France
Backer EHP Inc.	99-0367868	Murfreesboro	USA
Backer ELC AG	CH-400 3 033 814-4	Aarau	Switzerland
Backer Elektro CZ a.s.	60469617	Hlinsko	Czech Republic
Backer ELTOP s.r.o.	44795751	Miretice	Czech Republic
Backer Facsa S.L.	B-62.928.361	Aiguafreda	Spain
Backer FER s.r.l.	REA: 173478	Sant´Agostino (Ferrara)	Italy
Backer Heating Technologies Co. Ltd	440301503227017	Shenzhen	China
Backer Heating Technologies Inc	36-4044600	Chicago	USA
Backer Hotwatt Inc.	81-4435368	Wilmington	USA
Backer HTV Co. Ltd	1101832398	Tan Kim	Vietnam
Backer Marathon Inc.	47-3075187	Del Rio	USA
Backer OBR Sp. z o.o.	8358936	Pyrzyce	Poland
Backer-Springfield Dongguan Co. Ltd	441900400000302	Dongguan City	China
Backer-Wilson Elements Pty Ltd	ACN 100 257 514	Burwood	Australia
Backer Wolff GmbH	HRB 27026	Dortmund	Germany
ClimaCool Corp.	73-1409358	Oklahoma City	USA
Climate Control Group Inc.	73-1415062	Oklahoma City	USA
ClimateCraft Inc.	73-1207959	Oklahoma City	USA
ClimateMaster Inc.	93-0857025	Oklahoma City	USA
Danotherm Electric A/S	10 12 60 61	Rødovre	Denmark
DZD Strojírna s.r.o.	45148465	Benátky nad Jizerou	Czech Republic
E. Braude Corrosion Control Ltd	1282499	Sandhurst	UK
E. Braude (London) Ltd	585474	Sandhurst	UK
Eltwin A/S	13 99 24 44	Risskov	Denmark
Eltwin Sp. z.o.o.	394767	Stargard	Poland
Enertech Global LLC	45-2301710	Greenville	USA
Fireplace Products Australia Pty Ltd	117 303 554	Hallam	Australia
Fireplace Products US Inc.	601374460	Blaine	USA
FPI Fireplace Products International Ltd.	BC0161829	Richmond	Canada
FPI US Holding Inc.	1998-000339453	Cheyenne	USA
Gazco Ltd	2228846	Exeter	UK
Heatrod Elements Ltd	766 637	London	UK
Heatron Inc.	43-1126014	Leavenworth	USA
Høiax AS	936 030 327	Fredrikstad	Norway
Hyper Engineering Pty Ltd	ACN 148 010 520	Victoria	Australia
Hyper Technology and Trading Comp.	1939789	Hong Kong	China
International Environmental Corp.	73-0754306	Oklahoma City	USA
JSC Evan	1065260108517	Nizhniy Novgorod	Russia
Jevi A/S	12 85 42 77	Vejle	Denmark
Kaukora Oy	0138194-1	Raisio	Finland
KKT Chillers Inc.	83-0486747	Elk Grove	USA
KNV Energietechnik GmbH	78375h	Schörfling	Austria
Koax Corp.	73-1284158	Oklahoma City	USA
Kuldemesteren AS	995 267 942	Oslo	Norway
KVM-Genvex A/S	21387649	Haderslev	Denmark
Lotus Heating Systems A/S	26 11 04 75	Langeskov	Denmark
Loval Oy	0640930-9	Lovisa	Finland
Lund & Sörensen AB	556731-8562	Mölndal	Sweden
Lund & Sørensen A/S	25 64 75 99	Vejle	Denmark
Lund & Sørensen Electric Heating Equipment Accessory Co Ltd	120000400007673	Tianjin	China

Details of subsidiaries	Corporate ID	Registered office	Country
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	Helsinge	Denmark
Meyer Vastus AB, Oy	0215219-8	Monninkylä	Finland
Motron A/S	26 41 80 97	Risskov	Denmark
myUptech AB	556633-8140	Markaryd	Sweden
Naturenergi IWABO AB	556663-0355	Bollnäs	Sweden
NIBE AB	556056-4485	Markaryd	Sweden
NIBE Beteiligungenverwaltungs GmbH	295717d	Vienna	Austria
NIBE-BIAWAR Sp. z o.o.	50042407	Bialystok	Poland
NIBE Climate Solutions GmbH	HRB 733204	Celle	Germany
NIBE Energietechniek B.V.	20111793	Willemstad	The Netherlands
NIBE Energy Systems France SAS	501 594 220	Reyrieux	France
NIBE Energy Systems Inc	99 03 68 191	Wilmington	USA
NIBE Energy Systems Ltd	5764 775	Sheffield	UK
NIBE Energy Systems Oy	9314276	Helsinki	Finland
NIBE Energy Systems WFE AB	556982-3262	Markaryd	Sweden
NIBE Foyers France S.A.S.	491 434 965	Lyon	France
NIBE Kamini LLC	1105 0100 00303	Dubna	Russia
NIBE Stoves Canada Corp.	BC1093578	Richmond	Canada
NIBE Systemtechnik GmbH	HRB 5879	Celle	Germany
NIBE Treasury AB	556108-0259	Markaryd	Sweden
Nordpeis AS	957 329 330	Lierskogen	Norway
Norske Backer AS	919 799 064	Kongsvinger	Norway
Northstar Poland Sp. z o.o.	570844191	Trzcianka	Poland
Omni Control Technology Inc.	04-3142926	Whitinsville	USA
RPN-Hall Oy	1712854-5	Kokkola	Finland
SAN Electro Heat A/S	42 16 59 13	Graested	Denmark
Schulthess Group AG	CH-020 7 000 720-2	Zürich	Switzerland
Schulthess Maschinen AG	CH-020 3 923 223-4	Zürich	Switzerland
Schulthess Maschinen GmbH	FN 125340z	Vienna	Austria
Shel NIBE Manufacturing Co Ltd	866 531	Hong Kong	China
Sinus-Jevi Electric Heating B.V.	37106129	Medemblik	The Netherlands
Skarabrae AB	559064-4281	Markaryd	Sweden
Springfield Wire de Mexico S.A. de C.V.	SWM710722KW3	Nuevo Laredo	Mexico
Stovax Ltd	1572550	Exeter	UK
Stovax D1 Ltd	4826958	Exeter	UK
Stovax Group Ltd	7127090	Exeter	UK
Stovax Heating Group Ltd	8299613	Exeter	UK
Structurgruppen AB	556627-5870	Kungsbacka	Sweden
TermaTech A/S	27 24 52 77	Hasselager	Denmark
Termorad Sp. Z.o.o.	0000542990	Radom	Poland
ThermaClime Technologies Inc.	73-1553910	Oklahoma City	USA
Varde Ovne A/S	21 55 49 79	Gram	Denmark
Vølund Varmeteknik A/S	32 93 81 08	Videbæk	Denmark
WaterFurnace International Hong Kong Ltd	1775445	Hong Kong	China
WaterFurnace International Inc.	35-18737995	Fort Wayne	USA
WaterFurnace Renewable Energy Corp.	BC 100 6504	Toronto	Canada
Wiegand S.A. de C.V.	RFC WIE850624H79	Nuevo Laredo	Mexico

Note 23

PARTICIPATIONS IN ASSOCIATES AND JOINT VENTURES

Parent (in millions of SEK)						
Name	Corporate ID number	Registered office	Prop. of capital	No. of shares	Dividend	Carrying amount
Produktionskonsult Väst AB	556713-5206	Gothenburg	50.0%	600	4	7
Total					4	7

Group (in millions of SEK)							
Name	Corporate ID number	Registered office	Prop. of capital	No. of shares	Profit participation	Proportion of equity	Carrying amount
Produktionskonsult Väst AB	556713-5206	Gothenburg	50.0%	600	4	5	10
Shanghai Canature Fireplace Products Ltd.	9131 0115 7721 1410 65H	Shanghai, China	25.0%	–	–	8	8
WaterFurnace Shenglong HVACR Climate Solutions Ltd.	3302 0040 0074 4449	Ningbo, China	49.0%	–	–	2	–
Total					4	15	18

The holdings in WaterFurnace Shenglong HVACR Climate Solutions and Shanghai Canature Fireplace Products are joint ventures.

	Group	
(in millions of SEK)	2016	2015
Book value at start of year	10	30
Book value in acquired companies	8	–
Dividend received	– 4	– 2
Share in profits for the year	4	4
Impairment for the year	–	– 22
Book value at end of year	18	10

Note 24

OTHER NON-CURRENT RECEIVABLES

	Group		Parent	
(in millions of SEK)	2016	2015	2016	2015
Market value, interest swap	21	5	21	5
Other	21	18	–	–
Total	42	23	21	5

Note 25

EQUITY

A 4:1 split was implemented during the year following a resolution at the Annual General Meeting. Following a resolution at an extraordinary general meeting held on 3 October, a preferential rights issue was also implemented where the company's shareholders were offered the opportunity to buy shares at a price of SEK 48 per share. The issue injected SEK 3,024 million into the company less issue expenses of SEK 16 million. Because of the issue, the number of shares increased by 63,002,070 and totalled 504,016,622 at year-end, distributed as follows.

	Quota value (SEK)	Class A shares	Class B shares	Total
At start of year	0.625	13,060,256	97,193,382	110,253,638
Redesignation	0.625	– 125,000	125,000	–
Split 4:1	0.15625	38,805,768	291,955,146	330,760,914
New share issue	0.15625	7,391,566	55,610,504	63,002,070
At end of year	0.15625	59,132,590	444,884,032	504,016,622

Because of the discount granted on the share price in connection with the issue, all historical ratios for the NIBE share were recalculated for the dilution effect. Each A share entitles the holder to ten votes at the Annual General Meeting, and each B share to 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. All shares carry the same entitlement to dividends. 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 47% of the votes, the other Melker Schörling, with around 20% of the votes. At the end of 2016 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.

Proposal for appropriation of profits

The financial resources at the disposal of the Annual General Meeting are:	
Profit brought forward	SEK 1,696 million
Share premium reserve	SEK 4,751 million
Net profit for the year	SEK 1,102 million
Total	SEK 7,549 million

The Board of Directors proposes issuing a dividend of SEK 0.88 per share for a total pay-out of SEK 444 million, and that SEK 7,105 million be carried over, of which SEK 4,751 million to the share premium reserve and SEK 2,354 million to profit brought forward.

The Board of Directors considers that the proposed dividend is reasonable as regards the requirements that the nature, scope and inherent risks of the business operations make of the size of equity and the company's and the Group's consolidation needs, liquidity and financial position. This must 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.

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 2016 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 12 million (2015: SEK 9 million). Alecta's surplus can be distributed to the policyholders and/or the insured. At year-end 2016 Alecta's surplus in the form of the collective funding ratio was 149% (2015: 153%). 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 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 2016	Switzerland	Sweden
Discount rate on 1 January	0.85%	3.00%
Discount rate on 31 December	0.35%	2.25%
Expected salary increases	1.00%	3.00%
Expected inflation	0.60%	2.00%

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%

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	– 79	+ 65
Expected salary increases - 0.25 percentage points	– 5	– 5
Expected inflation - 0.25 percentage points	+ 48	– 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.

(SEK m)	2016 Funded plans	Unfunded plans	Total
Reconciliation of pension obligations			
Present value at start of year	939	97	1,036
Costs related to employment	37	6	43
Interest on obligations	8	3	11
Contributions from employees	24	–	24
Pensions paid	– 51	– 3	– 54
Actuarial gains (–), losses (+) during the period	38	7	45
Adjustments	– 10	–	– 10
Translation differences	55	–	55
Present value at end of year	**1,040**	**110**	**1,150**
Reconciliation of plan assets			
Fair value at start of year	675	–	675
Interest income on plan assets	6	–	6
Actuarial gains (+), losses (–) during period	17	–	17
Contributions paid in	25	–	25
Contributions from employees	24	–	24
Adjustments	– 10	–	– 10
Pensions paid	– 51	–	– 51
Translation differences	39	–	39
Fair value at end of year	**725**	**–**	**725**
Provisions for pensions			
Retirement benefit obligations, present value	1,040	110	1,150
Plan assets, fair value	– 725	–	– 725
Provisions for pensions	**315**	**110**	**425**
Pension costs recognised in profit or loss			
Costs related to employment	37	6	43
Interest on obligations	8	3	11
Interest income on plan assets	– 6	–	– 6
Pension costs, defined-benefit plans	**39**	**9**	**48**
Pension costs, defined-contribution plans			110
Total pension costs in profit or loss			**158**
Pension costs recognised in other comprehensive income			
Actuarial gains (–), losses (+) in respect of:			
– changed financial assumptions	66	10	76
– changed demographic assumptions	– 18	– 4	– 22
– experience-based adjustments	– 10	1	– 9
– difference between actual yield and yield per discount rate on plan assets	– 17	–	– 17
– special employer's contribution	–	2	2
Pension costs in other comprehensive income	**21**	**9**	**30**
Reconciliation of provisions for pensions			
Opening balance	264	97	361
Pension costs, defined-benefit plans	39	9	48
Actuarial differences	21	7	28
Pensions paid	–	– 3	– 3
Contributions paid in	– 25	–	– 25
Translation differences	16	–	16
Closing balance	**315**	**110**	**425**
For 2017, expected pension costs for defined-benefit plans are	41	4	45
Composition of plan assets			
Shares	42		
Interest-bearing securities	561		
Property, etc.	122		
Total plan assets	**725**		

Parent

The parent's recognised pension liabilities amount to SEK 7 million (SEK 6 million) and are calculated in accordance with the Pension Obligations Vesting Act and not IAS19.

(in millions of SEK)	2015 Fund-ed plans	Unfund-ed plans	Total
Reconciliation of pension obligations			
Present value at start of year	897	91	988
Costs related to employment	36	4	40
Settlement, previous years	– 24	–	– 24
Interest on obligations	12	3	15
Contributions from employees	24	–	24
Benefits paid	– 67	– 2	– 69
Actuarial gains (–), losses (+) during the period	11	–	11
Adjustments	– 10	–	– 10
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
Interest income on plan assets	9	–	9
Actuarial gains (+), losses (–) during period	3	–	3
Contributions paid in	24	–	24
Contributions from employees	24	–	24
Pensions paid	– 67	–	– 67
Adjustments	– 10	–	– 10
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			
Costs related to employment	12	4	16
Interest on obligations	12	3	15
Interest income on plan assets	– 9	–	– 9
Pension costs, defined-benefit plans	**15**	**7**	**22**
Pension costs, defined-contribution plans			107
Total pension costs in profit or loss			**129**
Pension costs recognised in other comprehensive income			
Actuarial gains (–), losses (+) in respect of:			
– changed financial assumptions	45	–	45
– difference between actual yield and yield according to discount rate on plan assets	– 3	–	– 3
– 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	15	7	22
Actuarial differences	8	–	8
Pensions paid	–	– 2	– 2
Contributions paid in	– 24	–	– 24
Translation differences	17	1	18
Closing balance	**264**	**97**	**361**
Composition of plan assets			
Shares	22		
Interest-bearing securities	544		
Property, etc.	109		
Total plan assets	**675**		

Note 27

OTHER PROVISIONS

(in millions of SEK)	Guaran-tee risk reserve	Other	Total Group	Par-ent
Amount on 31 Dec 2014	**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 on 31 Dec 2015	**448**	**254**	**702**	**198**
Provisions in acquired companies	95	4	99	–
Provisions during the year	121	47	168	15
Amount utilised during the year	– 60	– 19	– 79	– 2
Reversals in provisions	– 16	– 7	– 23	– 3
Reclassifications	–	– 32	– 32	–
Translation differences	35	4	39	–
Amount on 31 Dec 2016	**623**	**251**	**874**	**208**

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 based on the cost history of these commitments. Other provisions consist primarily of provisions for additional considerations. It is anticipated that these will be largely settled within three years. In certain cases, there is no upper limit to the amount of the additional considerations. Most are recognised in the parent's balance sheet.

Note 28

BOND LOANS

	Group		Parent	
(in millions of SEK)	2016	2015	2016	2015
Loan of SEK 750 million at a fixed rate of 1.8% that falls due in May 2020	772	752	772	752
Loan at a variable rate of Stibor + 130 points that falls due in May 2020	750	750	750	750
Loan at a variable rate of Stibor + 120 points that falls due in June 2019	400	400	400	400
Total	**1,922**	**1,902**	**1,922**	**1,902**

Note 29

OTHER LIABILITIES, NON-INTEREST-BEARING

(in millions of SEK)	Additional considerations	Other	Total Group	Parent
Amount on 31 Dec 2014	**–**	**2**	**2**	**–**
Entered as liabilities during the year	32	–	32	
Amount on 31 Dec 2015	**32**	**2**	**34**	**–**
Liabilities in acquired companies	–	26	26	–
Entered as liabilities during the year	731	–	731	40
Reversed during the year	– 22	–	– 22	–
Translation differences	31	2	33	–
Amount on 31 Dec 2016	**772**	**30**	**802**	**40**

The size of the additional considerations is dependent on the future profit trends of the acquired units. The amounts specified are based on expected profit trends. In certain cases, there is no upper limit to the amount of the additional considerations. The expected amounts are revalued on a current basis. For 2016, these revaluations had no net impact on the Group's profit. Liabilities recognised for the parent concern expected additional considerations in their entirety.

Note 30

LIABILITIES TO CREDIT INSTITUTIONS

Since one of the Group's credit agreements expires in 2017, the liabilities covered by the agreement were recognised as current liabilities.

Current liabilities to credit institutions also include overdraft facilities. Credit facilities granted in the Group totalled SEK 465 million (SEK 517 million). The Group's overdraft facility was reduced during the year by SEK 52 million. The parent has no overdraft facility.

Note 31

OTHER LIABILITIES

There are estimated additional considerations of SEK 32 million (SEK 337 million) in the Group that are due for payment within one year. The corresponding figure for the parent is SEK 0 million (SEK 335 million).

Note 32

ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent	
(in millions of SEK)	2016	2015	2016	2015
Accrued salaries	286	234	4	3
Accrued payroll overheads	89	75	3	2
Other items	631	423	6	16
Amount at end of year	**1,006**	**732**	**13**	**21**

Note 33

PLEDGED ASSETS

	Group		Parent	
(in millions of SEK)	2016	2015	2016	2015
Floating charges	136	14	–	–
Real estate mortgages	49	46	–	–
Receivables	70	62	7	5
Total pledged assets	**255**	**122**	**7**	**5**

Note 34

CONTINGENT LIABILITIES

	Group		Parent	
(in millions of SEK)	2016	2015	2016	2015
Pension commitments not entered under liabilities or provisions	2	2	–	–
Contingent liabilities on behalf of other Group companies	–	–	4,321	690
Total contingent liabilities	**2**	**2**	**4,321**	**690**

Soil contamination exists at three of the Group's production plants in Denmark and the Czech Republic. No contingent liabilities were recognised for this as it is deemed extremely unlikely that any of this could entail significant costs if the Group were held liable.

The parent's contingent liabilities mainly concern surety to credit institutions for subsidiaries' borrowings.

Note 35

ACQUISITION OF BUSINESSES

An acquisition that does not involve 100% of a subsidiary results in a non-controlling interest. Where the holder of the remaining interest has an option to sell it to NIBE, or NIBE has an obligation to buy, NIBE has decided to employ the Anticipated Acquisition Method (AAM), which means that 100% of the subsidiary is considered to have been acquired at the time of acquisition. Consequently, no non-controlling interest is recognised with this type of acquisition transaction.

Climate Control Group Inc.

At the end of June 2016, NIBE acquired 100% of the shares in Climate Control Group Inc. (CCG) and six of its wholly owned subsidiaries from the listed US Group LSB Industries Inc. The price paid was approximately USD 364 million (SEK 3,115 million translated at the average rate for USD as at 31 December) in cash on a cash-free and debt-free basis. CCG was consolidated under the NIBE Climate Solutions Business Area as from July 2016. The acquisition value is still provisional.

CCG, which has annual sales of approximately SEK 2,300 million with an operating margin of 7.3% and around 1,250 employees, develops, manufactures and markets air conditioning, ventilation, heating and heat pump systems and products for cooling applications, primarily for commercial properties but also for single-family homes. The products are mainly sold under its own brands, but are also available as OEM products for other HVAC producers.

The acquisition means expansion of the Business Area through:

– stronger presence on the North American market for indoor climate comfort
– access to the commercial property segment in North America
– top-level technical expertise and new HVAC products

The consideration consists of the following (in millions of SEK)	Group 2016
Fair value of net assets acquired	1,682
Goodwill	1,433
Consideration	**3,115**
Cash and cash equivalents in acquired companies	– 37
Effect on the Group's cash and cash equivalents	**3,078**

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

Net assets acquired are as follows	Group	
(in millions of SEK)	Fair values	Acquired carrying amounts
Market positions	552	–
Brands and trademarks	404	–
Other intangible assets	13	30
Property, plant and equipment	422	201
Financial assets	4	–
Current receivables	432	435
Inventories	212	217
Cash and equivalents	37	37
Provisions	– 61	–
Liabilities	– 333	– 405
Net assets acquired	**1,682**	**515**

Acquired current receivables comprise SEK 435 million, of which SEK 432 million is expected to be settled.

Other acquisitions

The North American company Heatron Inc. was acquired in the first quarter. It mainly produces foil elements, high power elements and thick film elements for high-tech industries in the North American market. The company has sales of approximately SEK 250 million and employs around 240 people. The company's operations were consolidated under the NIBE Element Business Area as of March 2016.

During the first quarter, the remaining 40% of shares in the British company Stovax Heating Group Ltd were acquired. The company has a market-leading position on the British stove market.

In April, 50% of the shares in Swedish company Air-Site AB were acquired. The company, which has sales of SEK 26 million, is a ventilation knowledge company and was consolidated under the NIBE Climate Solutions Business Area as of April 2016.

The operations of the Italian resistor manufacturer ATE Electronics were acquired in June. The company has sales of SEK 30 million and was consolidated under the NIBE Element Business Area as of June 2016. The acquisition value is still provisional.

At the end of September, a conditional agreement on acquisition of parts of the British Enertech Group was made. The transaction was approved by the competition authorities in Germany before year-end and in Sweden after year-end – see Note 36 for further details.

In early November, the North American element company Omni Control Technology Inc. was acquired. The company has around 40 employees, annual sales of approximately SEK 100 million and an operating margin of just over 13%. Operations were consolidated in the NIBE Element Business Area as of November 2016. The acquisition value is still provisional.

In November, NIBE acquired a 65% stake in the Canadian stove manufacturer, FPI Fireplace Products International Ltd, which has annual sales of some SEK 600 million, an operating margin of 13% and 380 employees. The company's operations were consolidated under the NIBE Stoves Business Area as of November 2016. The acquisition value is still provisional.

In early December, NIBE acquired the operations of North American company Hotwatt Inc., which has annual sales of some SEK 80 million and an operating margin of around zero. Operations were consolidated under the NIBE Element Business Area as of December 2016. The acquisition value is still provisional.

The consideration consists of the following	Group	
(in millions of SEK)	2016	2015
Initial considerations	995	111
Additional considerations	634	36
Total consideration	**1,629**	**147**
Fair value of net assets acquired	656	53
Goodwill	973	94
Consideration	**1,629**	**147**
Cash and cash equivalents in acquired companies	– 43	–
Additional considerations paid	327	60
Additional considerations not yet paid	– 634	– 36
Effect on the Group's cash and cash equivalents	**1,279**	**171**

The size of the additional considerations 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 2016, 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 45 million (SEK 6 million).

Net assets acquired are as follows	Group	
(in millions of SEK)	Fair values	Acquired carrying amounts
Market positions	254	–
Brands and trademarks	154	–
Other intangible assets	23	–
Property, plant and equipment	157	87
Financial assets	14	13
Current receivables	187	187
Inventories	224	225
Cash and equivalents	43	43
Provisions	– 158	– 8
Liabilities	– 242	– 152
Net assets acquired	656	395

Acquired current receivables comprise SEK 187 million, all of which is expected to be settled.

Note 36

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

In February, 50% of the shares in the Canadian heat pump company CGC Group of Companies Inc. were acquired. The company has around 80 employees, annual sales of approximately SEK 120 million and an operating margin of 19%. Operations were consolidated under the NIBE Climate Solutions Business Area as of February 2017.

Enertech Group

The majority of the British Enertech Group, which has several well-known brands such as the Swedish CTC, was also acquired in February, following approval by the competition authorities in Sweden and Germany. The entities acquired, which have around 460 employees, have annual sales of just of SEK 800 million with an operating margin of 4.8%. Operations were consolidated under the NIBE Climate Solutions Business Area as of March 2017.

The consideration consists of the following (in millions of SEK)	Group
Fair value of net assets acquired	123
Goodwill	222
Consideration	**345**
Cash and cash equivalents in acquired companies	– 103
Effect on the Group’s cash and cash equivalents	**242**

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 SEK 3 million.

Net assets acquired are as follows	Group	
(in millions of SEK)	Fair values	Acquired carrying amounts
Market positions	26	–
Brands and trademarks	26	–
Property, plant and equipment	61	75
Current receivables	126	128
Inventories	125	180
Cash and equivalents	103	103
Provisions	– 137	– 67
Liabilities	– 207	– 207
Net assets acquired	123	212

Acquired current receivables comprise SEK 128 million, of which SEK 126 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 2017

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 2017. 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 11 May 2017.

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

Opinions

We have audited the annual report and consolidated financial statements of NIBE Industrier AB (publ) for the 2016 financial year. The annual report and consolidated financial statements of the company are included in the printed version of this document on pages 54 - 96.

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 2016 and of its financial performance and its cash flow 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 2016 and of its financial performance and cash flow in accordance with International Financial Reporting Standards (IFRS), 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.

Basis for our opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility under these standards is described in further detail in the 'Auditor's responsibility' section. We are independent of the parent and the Group in accordance with generally accepted auditing standards in Sweden and have fulfilled our ethical responsibility under these standards.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual report and consolidated financial statements for the current period. These matters were addressed in the context of our audit of, and our opinion on, the annual report and consolidated financial statements as a whole, but we do not provide a separate opinion on these matters.

Valuation of goodwill

See Note 17 and the accounting policies on page 73 of the annual report and consolidated financial statements for detailed information and a description of this matter.

Description of the matter

As at 31 December 2016, the Group had goodwill of SEK 10,571 million, representing 41% of total assets.

Every year, goodwill must be subject to at least one impairment test which contains both complexity and significant features of assessments from the Group management.

Under the existing rules, the test must be performed using a specific technique in which the management makes future assessments of the business's internal and external conditions and plans. Examples of such assessments are future receipts and payments, which require assumptions about future market conditions, among other things, and thus indirectly about how competitors may be expected to act. Another important assumption is the discount rate that should be used to show that future assessed receipts are subject to risk and are thus worth less than cash and equivalents that are directly available to the Group.

Response in the audit

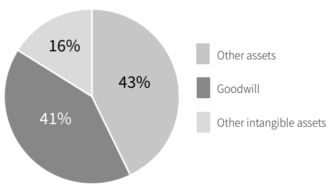
We have studied the company's impairment tests to assess whether they were performed in accordance with the technique prescribed. We have also assessed the reasonableness of the future receipts and payments and the assumed discount rates by studying and evaluating the management's written documentation and plans. We have also interviewed the management and evaluated previous years' assessments in relation to actual outcomes.

We included our own valuation specialists in the audit team to ensure experience and expertise in this matter, primarily for assumptions linked to external markets and competitors and assessment of the company's assumptions for future receipts and payments.

It has also been an important part of our work to evaluate how changes in assumptions may affect the valuation, i.e. a critical evaluation of the Group's sensitivity analysis.

We have also checked the completeness of the information in the annual report and assessed whether the information matches the assumptions applied by the company in its impairment test and whether the information is extensive enough to understand the assessments made by the company management.

Group assets



Acquisition analyses

See Note 35 and the accounting policies on pages 72–73 of the annual report and consolidated financial statements for detailed information and a description of this matter.

Description of the matter

Several acquisitions were made within the Group during the year. The acquisition of Climate Control Group Inc (CCG) and its six subsidiaries is the most significant. The companies were acquired from the listed US Group LSB Industries Inc.

Newly acquired operations must be recognised in the consolidated financial statements, which requires the preparation of an acquisition analysis. The preparation of this analysis involves acquired assets and liabilities being identified and having amounts allocated to them that correspond to their fair values on the acquisition date, whether they were previously recognised or not.

Preparation of this analysis also requires access to knowledge of the methods to be used in the analysis and knowledge of the circumstances in the acquired business that give rise to the values to be recognised in the Group.

The acquisition analysis requires assessments by the Group management of the assets that are to be recognised in the financial statements (intangible assets can be particularly difficult to assess here) and the values allocated to them in the financial statements. These assessments affect the Group's future earnings, partly dependent on whether depreciable or non-depreciable assets are recognised in the financial statements. The value that remains after all assets and liabilities have been assessed and valued is recognised as goodwill. This goodwill is not subject to depreciation but is subject to impairment testing at least once a year.

Response in the audit

We have analysed acquisition analyses to assess whether they were prepared using the correct methods. We included valuation specialists in our team who have experience of the methods and valuations used for acquisitions. In our work, we focused in part on the intangible assets and on whether the techniques used by the Group management to allocate values to these assets in the financial statements are compatible with the rules and established valuation techniques.

Other important parts of our work involved assessing whether the assets included in the acquisition analysis exist and whether all assets, especially intangible assets, were included. This assessment was based in part on inspection of contracts made and reports prepared by the external consultants engaged by the Group to prepare basic data and calculations for the acquisition analyses.

We have also checked the completeness of the information in the annual report and assessed whether the information matches the information used by the Group in its acquisition analysis and whether the information is extensive enough to understand the assessments made by the company management.

Responsibilities of the Board of Directors and the Managing Director

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 IFRS, as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual report and consolidated financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's and the Group's ability to continue as a going concern. Where appropriate, they disclose circumstances that may affect the company's ability to continue doing business and to apply a going concern assumption. However, a going concern assumption is not applied if the Board of Directors and the Managing Director intend to liquidate the company or cease business operations or have no realistic alternative to doing one of these.

Auditor's responsibility

Our objective is to obtain reasonable assurance that the annual report and consolidated financial statements do not contain any material misstatement, whether due to fraud or error, and to submit an auditor's report that contains our opinions. Reasonable assurance is a high level of assurance, but is no guarantee that an audit performed in accordance with ISA and generally accepted auditing standards in Sweden will always detect material misstatement if such exists. Misstatements may arise due to fraud or error and are regarded as material if, individually or together, they may reasonably be expected to affect the financial decisions that users make based on the annual report and consolidated financial statements.

As part of an audit in accordance with ISA, we employ our professional judgement and assume a professionally sceptical attitude throughout the audit. In addition:

- We identify and assess the risks of material misstatements in the annual report and consolidated financial statements, whether they are due to fraud or error, design and conduct audit procedures in part based on these risks and obtain audit evidence that is adequate and appropriate as a basis for our opinions. The risk of not detecting a material misstatement due to fraud is higher than that of a material misstatement due to error as fraud may involve collusion, falsification, intentional omissions, incorrect information or non-performance of internal controls.
- We gain an understanding of the part of the company's internal control that is of importance to our audit to design audit procedures that are appropriate to the circumstances but not to provide an opinion on the effectiveness of the internal control.
- We evaluate the suitability of the accounting policies applied and the reasonableness of the Board of Directors' and the Managing Director's estimates in the financial statements and associated information.
- We draw a conclusion about the suitability of the Board of Directors and the Managing Director applying a going concern assumption in the preparation of the annual report and consolidated financial statements. We also draw a conclusion, based on the audit evidence obtained, about whether there is any material uncertainty factor relating to events or circumstances that may lead to significant doubt about the company's and the Group's ability to continue their business operations. If we draw the conclusion that there is a material uncertainty factor, we must draw attention, in the auditor's report, to the information in the annual report and consolidated financial statements about the material uncertainty factor or, if such information is inadequate, we must modify our opinion about the annual report and consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or circumstances may mean that a company and a Group are no longer able to continue to do business.
- We evaluate the overall presentation, structure and content of the annual report and consolidated financial statements, including any disclosures, and whether the annual report and consolidated financial statements present the underlying transactions and events in such a way that they present a fair view.
- We obtain adequate, appropriate audit evidence relating to the financial information for the entities or business activities within the Group to provide an opinion on the consolidated financial statements. We are responsible for the management, monitoring and performance of the consolidated audit. We bear sole responsibility for our opinions.

We must inform the Board of Directors about matters including the planned scope, focus and date of the audit. We must also provide information about significant observations during the audit, including any significant deficiencies in the internal control that we have identified.

We must also provide the Board of Directors with a statement to the effect that we have met relevant ethical requirements regarding independence and mention all relationships and other circumstances that may reasonably affect our independence and, where appropriate, take remedial action.

Of the matters communicated to the Board of Directors, we determine which of them were the most important to the audit of the annual report and consolidated financial statements, including the risks of material misstatements considered to be the most significant, and which therefore represent the matters that are especially important to the audit. We describe these matters in the auditor's report unless laws or other statutes prevent disclosure of the matter or where, in extremely rare cases, we deem that a matter should not be communicated in the auditor's report because the negative consequences of doing so would reasonably be expected to be greater than the public interest of this communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual report and consolidated financial statements, we have examined the administration by the Board of Directors and the Managing Director of NIBE Industrier AB (publ) for the 2016 financial year and the proposed appropriation of the company's profit or loss.

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.

Basis for our opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility under these standards is described in further detail in the 'Auditor's responsibility' section. We are independent of the parent and the Group in accordance with generally accepted auditing standards in Sweden and have fulfilled our ethical responsibility under these standards.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriation of the company's profit or loss. Proposing a dividend involves, among other things, an assessment of whether the dividend is reasonable in view of the requirements that the nature, scope and inherent risks of the business operations of the company and the Group make of the size of the equity, consolidation needs, liquidity and financial position as a whole of the company and the Group.

The Board of Directors is responsible for the organisation of the company and management of the company's affairs. Among other things, this involves continuously assessing the company's and the Group's financial situation and ensuring that the company's organisation is such that the company's accounts, asset management and other financial affairs are subject to adequate control.

The Managing Director is responsible for ongoing management in accordance with the guidelines and instructions issued by the Board of Directors and for taking the measures necessary to ensure that the company's accounts are completed in accordance with the law and the company's assets are managed adequately.

Auditor's responsibility

Our objective regarding our audit of the management of the company, and thus our opinion on discharge from liability, is to obtain audit evidence to be able to assess, with a reasonable level of assurance, whether any Board member or the Managing Director has, in any material respect:

- taken any action or been guilty of any negligence that that may lead to the company being liable for damages, or
- in any other way acted in breach of the Swedish Companies Act, the Swedish Annual Accounts Act or the company's Articles of Association.

Our objective regarding the audit of the proposed appropriation of the company's profit or loss, and thus our opinion on this, is to assess, with a reasonable level of assurance, whether the proposal is compatible with the Swedish Companies Act.

Reasonable assurance is a high level of assurance, but is no guarantee that an audit performed in accordance with generally accepted auditing standards in Sweden will always detect actions or negligence that may lead to the company being liable for damages or find a proposal for appropriation of the company's profit or loss is not compatible with the Swedish Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we employ our professional judgement and assume a professionally sceptical attitude throughout the audit. Our examination of the company's management and the proposed appropriation of the company's profit or loss is based primarily on our audit of the accounts. Any additional audit procedures performed are based on our professional judgement regarding risk and materiality. This means that we focus the examination on actions, matters and conditions that are material to the business operations and where departures and non-compliance would be of importance to the company's situation. We review and test decisions made, decision data, actions taken and other matters that are relevant to our opinion on discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriation of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence to be able to assess whether the proposal is in accordance with the Companies Act.

Markaryd, Sweden, 30 March 2017

KPMG AB
Dan Kjellqvist
Authorised Public Accountant

Corporate governance report

Hans Linnarson
Chairman of the Board

Corporate governance in NIBE Industrier AB (publ) (NIBE) occurs via 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), Nasdaq Stockholm's listing agreement, 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.

Ownership

NIBE has its registered office in Markaryd, Sweden, and the company's shares have been listed on Nasdaq Stockholm since 1997.

NIBE class B shares have also had a secondary listing on the SIX Swiss Exchange since August 2011. On 30 December 2016, NIBE had 34,486 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 22% of the capital and 47% of the voting rights, followed by Melker Schörling, who holds 11% of the capital and 20% of the voting rights, and seven institutional investors with a total of 20% of the capital and 10% of the voting rights, one of whom represents previous shareholders in Schulthess Group AG. Together these ten constellations of investors hold a total of 53% of the capital in the company and 77% 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 12 May 2016 in Markaryd, was attended by 384 shareholders. Those present represented 53% 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 2016 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 2017 AGM and is restricted to a maximum of 10% of the number of shares issued at the time of the AGM.

An extraordinary general meeting was also held on 3 October 2016. The reason for the extraordinary general meeting was to approve the Board's decision of 30 August 2016 to hold a new share issue with preferential rights for NIBE shareholders and to pass a resolution to amend the Articles of Association concerning the limits of the share capital and the number of shares in order to be able to hold the new share issue. The preferential rights issue was fully subscribed and resulted in an injection of SEK 3,024 million into NIBE, increasing the share capital from SEK 69 million to SEK 79 million.

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 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 influence 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 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 2016 comprised Hans Linnarson (Chair), Georg Brunstam, Eva-Lotta Kraft, Anders Pålsson, Helene Richmond and Gerteric Lindquist (CEO of the NIBE Group). Apart from 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 apart from the CEO are independent of the company. Please see page 104 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 because 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, and is responsible for ensuring that other members of the Board receive the necessary information to enable them to hold highly relevant discussions 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 2016 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 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 full Board.

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 in 2016

The agenda includes several standing items, which are considered at every meeting.

Status report	Report of significant events affecting operations that have not been listed in the written report that has been circulated.
Financial report	Review of the financial information circulated.
Investments	Decisions regarding investments exceeding SEK 10 million, based on the data circulated.
Legal processes	Review of new or ongoing legal processes, 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.
Internal control	Report on the internal control work.

Every ordinary board meeting focuses on one principal topic of discussion

February

Financial statements The meeting in February considers the financial statements for the preceding year. The company auditor presents his comments to the entire Board of Directors on this occasion.

May

Inaugural meeting Following the AGM, the Board of Directors holds its inaugural meeting, at which the Board discusses the rules of procedure and determines who has authority to sign for the company.

August

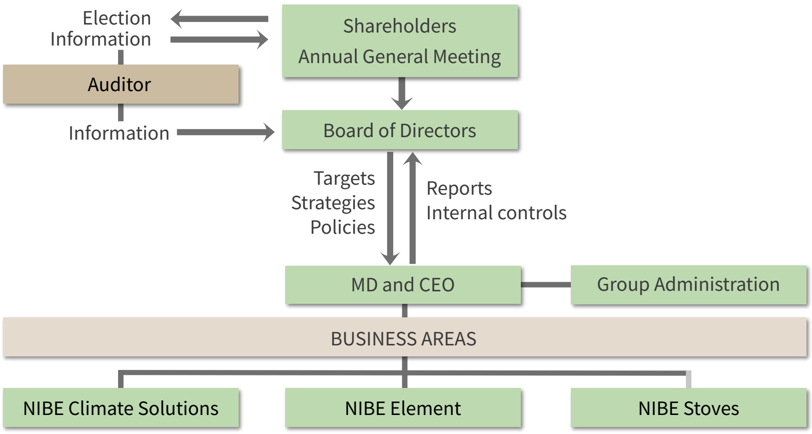
Strategy In August, the Board holds strategic discussions over two working days.

November

Auditor's review In November, the company's auditor gives his view on the interim figures for the period January to September.

December

Budget At the end of the year, the Board discusses the Group's budget for the coming year.



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 duties 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 has 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.

Management of the Group's sustainability work

The Group's working group for sustainability reports to the Sustainability Council, which consists of the working group, the Managing Director, the CFO and the Business Area Directors.

A large proportion of the work is governed by national legislation, for example environmental legislation and labour law, but we are also under an obligation to comply with regional and international law and voluntary undertakings such as the Global Compact.

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 Directors in each area.

The Group's working group for sustainability regularly visits the companies in the Group to monitor compliance with common policies and guidelines. The working group is also responsible for the work at a strategic level and reports on sustainability issues to the Boards of Directors at Group and Business Area level.

Remuneration, 2016

The 2016 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 if 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.

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 Group's policy, no further pension premium payments are made if employment continues after the age of 65.

Internal controls of financial reporting in 2016

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 regarding 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 2016, 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 (internal audit) (item 7.3 in the Code).

External auditors

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

The registered public accounting firm KPMG AB has held the position of the company's auditors since the AGM in 2013. Dan Kjellqvist has been auditor in charge since the AGM in 2016.

The engagement partner has continual access to the approved minutes of company Board meetings and the monthly reports that the Board receives.

The auditor in charge reports his observations from the audit and his assessment of the company's internal controls to the full Board.

Over and above normal auditing duties, KPMG AB assists 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 2016 on pages 100 - 103, and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance report, and based on 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, 30 March 2017

KPMG AB
Dan Kjellqvist
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 HP Tronic AB, director of Zinkteknik AB, Plastinject AB, Nordiska Plast AB, LWW Group AB and Eolusvind 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	Several 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 Director and member of the Group Management Team of Trelleborg AB, MD of Trioplast AB and various appointments within the Perstorp Group.
Fees	SEK 550,000	No fee payable	SEK 275,000
Present at Board meetings	15/15	15/15	15/15
Shareholding in NIBE Industrier AB	914 B shares	6,877,988 A shares and 16,290,011 B shares	1,828 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, Xano Industrier AB and Försvarshögskolan (the Swedish Defence University).	Chairman of the Board of GARO AB and Lammhults Design Group AB. Director of Midway Holding AB and Trioplast AB.	Sales and Marketing Director, Cooper Roller Bearings Co. Ltd, a company in the SKF Group.
Experience	Senior positions at companies in the manufacturing industry and medical technology, as well as research institutes, including Regional Director at Alfa Laval and Head of Division and Vice-President at Siemens Elema. Previous directorships include Biotage, Munters, Siemens, Svolder and ÅF.	More than 30 years' experience in international industrial companies, including MD and CEO of Hilding Anders and Divisional Director at Trelleborg AB and in PLM/Rexam. Worked at Gambro and the E.on Group.	Considerable experience of international sales and solid industrial experience from several different positions at SKF.
Fees	SEK 275,000	SEK 275,000	SEK 275,000
Present at Board meetings	15/15	15/15	15/15
Shareholding in NIBE Industrier AB	4,571 B shares	22,857 B shares	9,142 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	6,877,988 A shares and 16,290,011 B shares	17,371 B shares

Group management

Business Area Directors

	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 Director at NIBE Climate Solutions	Business Area Director at NIBE Element and MD of Backer BHV AB.	Business Area Director at NIBE Stoves
Shareholding	509,005 B shares	1,718,125 A shares and 2,867,840 B shares	505,142 B shares

Auditor

	DAN KJELLQVIST born 1954
Elected	2016
Training and education	Authorised Public Accountant
Position	Auditor in charge
Accounting firm	KPMG AB

Group companies

NORDIC REGION

SWEDEN

NIBE Industrier AB	MARKARYD
NIBE AB	MARKARYD
Air-Site AB	LINDOME
ait-värmeteknik-sverige AB	HELSINGBORG
Backer BHV AB	SÖSDALA
Backer Calesco	KOLBÄCK
Lund & Sörensen AB	MÖLNDAL
METRO THERM AB	KALMAR
myUpTech AB	MARKARYD
Naturenergi IWABO AB	BOLLNÄS
NIBE Energy Systems WFE AB	MARKARYD
NIBE Treasury AB	MARKARYD
Skarabrae AB	MARKARYD
Structurgruppen AB	KUNGSBACKA

DENMARK

Danotherm Electric A/S	RØDOVRE
Eltwin A/S	RISSKOV
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
NIBE Wind Components	ESBJERG
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
Kuldemesteren AS	OSLO
Nordpeis AS	LIERSKOGEN
Norske Backer AS	KONGSVINGER

EUROPE

FRANCE

Backer Calesco France Sarl	LYON
NIBE Energy Systems France SAS	REYIEUX
NIBE Foyers France SAS	REVENTIN

ITALY

ATE-Electronics S.r.l.	GIAVENO
Backer FER s.r.l.	S. AGOSTINO
REBA Div. Resistor	MILAN

THE NETHERLANDS

NIBE Energietechniek B.V.	OOSTERHOUT
Sinus-Jevi Electric Heating B.V	MEDEMBLIK

POLAND

Backer OBR Sp. z o.o.	PYRZYCE
Eltwin Sp. z.o.o.	STARGARD
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

UK

E. Braude Corrosion Control Ltd	SANDHURST
E. Braude (London) Ltd	SANDHURST
Gazco Ltd	EXETER
Heatrod Elements Ltd	MANCHESTER
NIBE Energy Systems Ltd	CHESTERFIELD
Stovax D1 Ltd	EXETER
Stovax Group Ltd	EXETER
Stovax Heating Group Ltd	EXETER
Stovax Ltd	EXETER

CZECH REPUBLIC

Backer Elektro CZ a.s.	HLINSKO
DZ Drazice – Strojírna s.r.o.	B. NAD JIZEROU
Backer-ELTOP s.r.o.	MIRETICE

GERMANY

ait-deutschland GmbH	KASENDORF
Backer Wolff GmbH	DORTMUND
NIBE Climate Solutions GmbH	CELLE
NIBE Systemtechnik GmbH	CELLE

AUSTRIA

KNV Energietechnik GmbH	SCHÖRFLING
NIBE Beteiligungenverwaltungs GmbH	VIENNA
Schulthess Maschinen GmbH	VIENNA

OTHER COUNTRIES

AUSTRALIA

Backer-Wilson Elements Pty Ltd	BURWOOD
Fireplace Products Australia Pty Ltd	HALLAM
Hyper Engineering Pty Ltd	VICTORIA

CANADA

FPI Fireplace Products International Ltd.	DELTA
NIBE Stoves Canada Corp.	DELTA
WaterFurnace Renewable Energy Corp.	TORONTO

CHINA

Backer Heating Technologies Co. Ltd	SHENZHEN
Backer-Springfield	DONGGUAN
Hyper Technology and Trading Comp.	HONG KONG
Lund & Sörensen Electric H. Equipment Acc. Co. Lt	TIANJIN
Shel NIBE Man. Co. Ltd	SHENZHEN
WaterFurnace International Hong Kong Ltd	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 Hotwatt Inc.	DANVERS, MA
Backer Marathon Inc	DEL RIO, TX
ClimaCool Corp.	OKLAHOMA CITY, OK
Climate Control Group Inc.	OKLAHOMA CITY, OK
ClimateCraft Inc.	OKLAHOMA CITY, OK
ClimateMaster Inc.	OKLAHOMA CITY, OK
Enertech Global LLC	GREENVILLE, IL
Fireplace Products US Inc.	BLAINE, WA
FPI US Holding Inc.	CHEYENNE, WY
Heatron Inc.	LEAVENWORTH, KS
International Environmental Corp.	OKLAHOMA CITY, OK
KKT Chillers Inc.	ELK GROVE, IL
Koax Corp.	OKLAHOMA CITY, OK
NIBE Energy Systems Inc	MURFREESBORO, TN
Omni Control Technology Inc.	WHITINSVILLE, MA
ThermaClime Technologies Inc.	OKLAHOMA CITY, OK
WaterFurnace International Inc	FORT WAYNE, IN

VIETNAM

Backer HTV Co. Ltd	TAN KIM

For further information about Group companies or operations, please visit www.nibe.com.

NIBE Industrier AB (publ) · Box 14 · SE-285 21 MARKARYD Sweden · Tel +46 433 27 30 00 www.nibe.com · Corporate ID number: 55 63 74 - 8309

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.

ÅRV SE 1712 NIAB 2017 100137
Production: NIBE Industrier AB Photos: NIBE, Lucky Look/Alamy, Magnus Neale and others Printed by: Trydells AB, Laholm, Sweden.