2010
ANNUAL REPORT

NISCAYAH

CONTENTS

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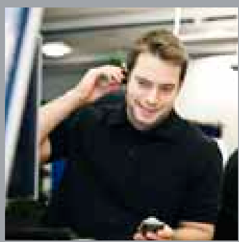
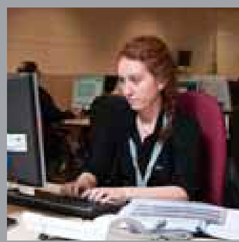
Niscayah Group AB (publ) is a world-leading security company specialized in technical security services. Niscayah offers complete security solutions for customers with high security demands within segments such as bank and post, retail, utilities, transport and logistics and gas stations. Niscayah has approximately 5,300 employees and has operations in 14 countries in Europe and in the US.

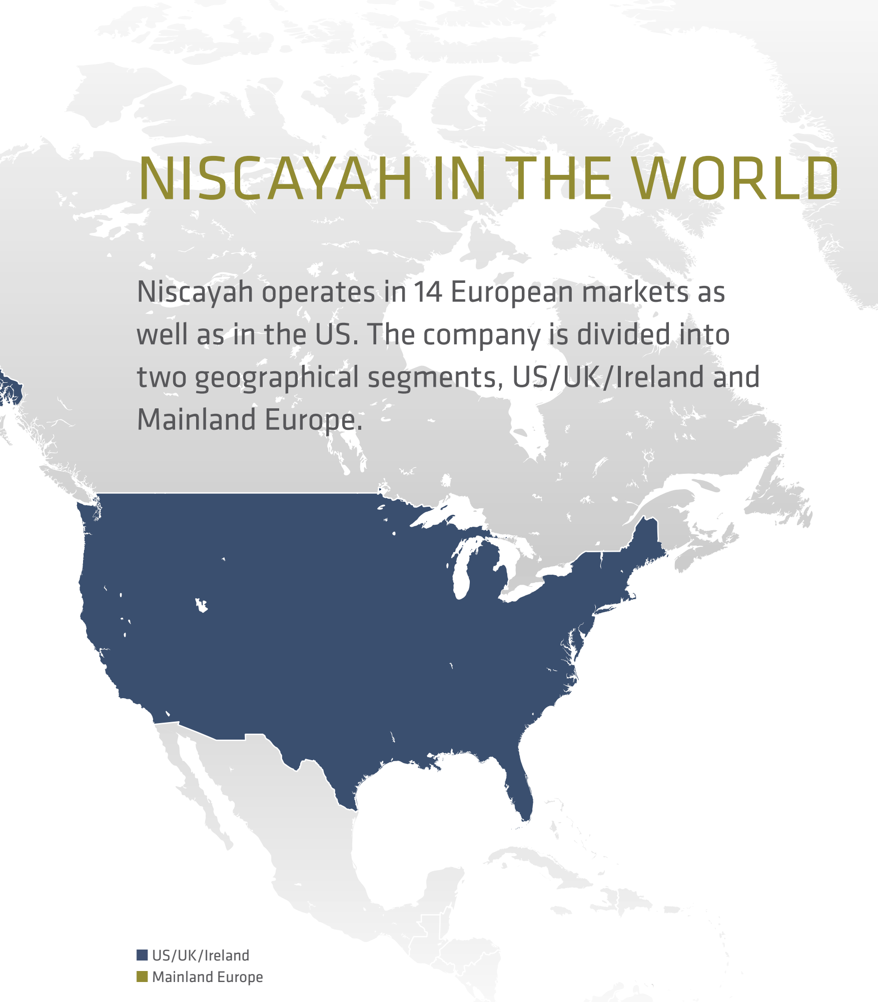



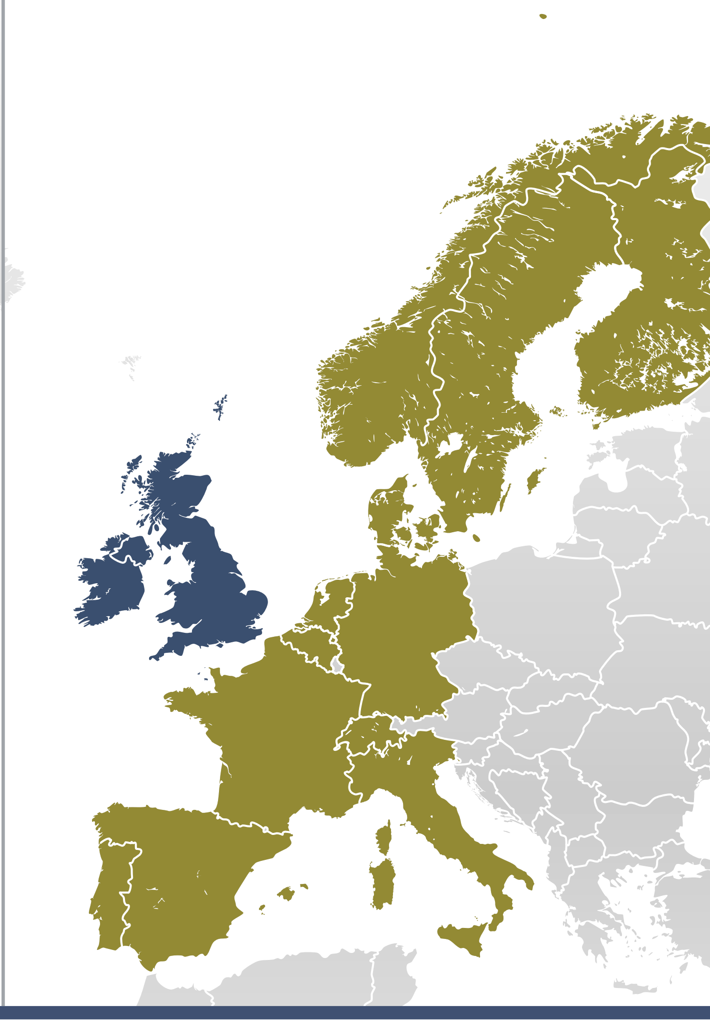
THE YEAR IN BRIEF

6,624	SALES AMOUNTED TO MSEK 6,624 (7,621).
+4 %	ORGANIC GROWTH WITHIN SERVICES WAS 4 PERCENT (–1).
6.1 %	THE OPERATING MARGIN (EBITA), EXCLUDING RESTRUCTURING COSTS, AMOUNTED TO 6.1 PERCENT (6.9).
200	A RESTRUCTURING PROGRAM WAS INTRODUCED DURING THE FIRST QUARTER AND RESTRUCTURING COSTS OF MSEK 200 WERE CHARGED. ANTICIPATED ANNUAL SAVINGS AMOUNT TO MSEK 180.
5,295	THE AVERAGE NUMBER OF EMPLOYEES AMOUNTED TO 5,295 (5,578).
0.30	PROPOSED DIVIDEND OF SEK 0.30 (0.30) PER SHARE.

NISCAYAH IN THE WORLD

Niscayah operates in 14 European markets as well as in the US. The company is divided into two geographical segments, US/UK/Ireland and Mainland Europe.





NISCAYAH 2010	US/UK/IRELAND	MAINLAND EUROPE	NISCAYAH GROUP[1]
SALES, MSEK	1,505	5,054	6,624
SHARE OF GROUP SALES[1]	23 %	76 %	–
SALES SERVICES, MSEK	597	2,589	3,186
SHARE SERVICES	40 %	51 %	48 %
EBITA[2], MSEK	57	440	405
EBITA MARGIN[2], %	3,8	8,7	6,1
CAPITAL EMPLOYED, MSEK	803	1,639	2,765
OPERATING CAPITAL EMPLOYED, MSEK	75	211	556
AVERAGE NUMBER OF EMPLOYEES	1,083	4,134	5,295

[1] The group's overall figures also cover other operations which are not included in the geographical segments.
[2] Excluding restructuring costs for 2010 amounting to MSEK 200 in Q1, apportioned as MSEK 30 for US/UK/Ireland and MSEK 170 for Mainland Europe.

THE LONG-TERM WORK ON IMPROVEMENTS HAS STARTED

2010 was an eventful year for Niscayah. The market conditions were still challenging, particularly in the Southern areas of Europe, and we implemented significant cost savings. At the same time, we developed a new strategic direction and the work on long-term improvements began.

Niscayah has a unique position on the market for technical security systems and extensive knowledge within security solutions. We develop and package solutions based on the best alternatives that are available on the market, independent of manufacturer. Systems management and services from the group's security centers account for a substantial share of sales. We are particularly strong within the segments bank, post and retail. Many of the leading companies in Europe and the US may be found on our customer list.

Strategy for growth

During the year, we developed a new strategic direction based on our strengths which will serve as a platform for the work on improvements in the coming years. In summary, the direction may be condensed into three cornerstones:

- **Specialize the operations towards customer segments where** Niscayah has a distinct advantage and where the company is or can become market-leading. Through greater specialization we will get closer to our customers and can provide more knowledge and value.
- **Package customer solutions and make them clear** so that they have a high value and service content for the customer, become easier to sell and more cost efficient to produce.
- **Develop a common operational model** in Niscayah, with common work practices, for example in sales and production. In this way, we can boost efficiency, ensure delivery quality to our customers and meet the demands of international customers cost-effectively. Regular follow up and clear allocation of responsibilities are also important components.

Implementation has commenced

We are now working on developing the company in accordance with the three cornerstones. The first step has involved getting the right leaders in place. During the past year, a number of new Country Presidents were appointed and certain central functions in the company were also strengthened. We will work on implementing the strategy over the coming years and on developing Niscayah into a sales-driven service company with a more distinct and better offering to our customers and with higher profitability.

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The development during 2010

2010 was a demanding year, characterized by challenging market conditions, particularly in the southern parts of Europe and in the countries within the US/UK/Ireland segment. Our organic growth amounted to –7 percent during the year, but improved gradually during the quarters. The organic growth in the fourth quarter amounted to –3 percent.

We have continued to focus on increasing sales of services and the organic growth within services amounted to 4 percent in 2010. The share of services represented 48 percent of the total sales during the year.

Restructuring program

We realized early in 2010 that the market conditions would continue to be challenging. We decided during the first quarter to carry out a restructuring program with the aim of aligning our costs to the prevailing market situation. The measures within the program included reducing the number of employees by approximately 350, increased centralization of the operations and closure of a number of unprofitable local offices. We achieved savings of MSEK 70 during 2010 and when fully implemented the savings will amount to MSEK 180 on an annual basis. After the completion of the restructuring program during the first quarter 2011, we will work on improving efficiency and making savings as part of the day-to-day operations.

Strong financial position

Although we compensated for a weak market situation through cost savings, we have had a sharp focus on the cash flow at the same time. In 2010, the operating cash flow, excluding the restructuring program, amounted to MSEK 502 corresponding to 124 percent of the operating profit (EBITA). We also reduced the net debt during the year to MSEK 995 (1,093).

We are convinced that the market for technical security systems will develop strongly in the long-term.

Good market potential in the long-term

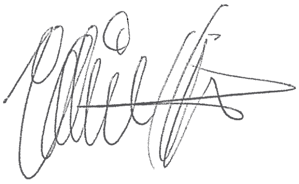
Even though we continue to see challenges in our markets in the short-term, we are convinced that the market for technical security systems will develop strongly in the long-term. Several factors are driving the trend. Among other things, the risks and threats are increasing in complexity at the same time as most modern companies and organizations are expected to offer openness and accessibility. In addition, more shall be produced with fewer resources, which means that undesired operational disruptions often have significant consequences. This creates new opportunities for Niscayah to offer complete solutions. An example is the video surveillance system that Coca-Cola Enterprises ordered during the year. The system shall be utilized at Coca-Cola Enterprises' production facilities in France, Belgium, the UK and the Netherlands and is expected to contribute to increased quality and security.

The technology within the industry is developing continually and driving the trend. For instance, the cameras are becoming increasingly sophisticated and can react to various abnormalities and automatically attract the attention of our operators. The retail chain Clas Ohlson has taken note of this and entered into an agreement with Niscayah during the year regarding an advanced video surveillance service. The agreement means that we are delivering a system to Clas Ohlson's stores in the UK which can measure customer flows in the stores, so that staffing and store design can be adapted to the number of customers, and according to how they move in the stores.

Using new technology, we can also perform significantly more services from our security centers, for example controlling access control systems remotely. In addition, the opportunities are continually increasing to develop new, cost efficient security services based on technological solutions.

Change for success

I want to take this opportunity to thank our customers for their continued confidence. I would also like to thank our almost 5,300 employees for their great efforts during the year. By actively participating in the work on improvements we can all contribute to developing Niscayah into a more successful company, with additional new and more satisfied customers and higher profitability.



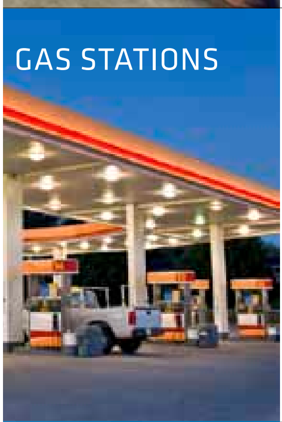
Håkan Kirstein, President and CEO

NISCAYAH'S CUSTOMER GROUPS

With unique competence within technical security services as well as a good understanding of the customer's area of operation and risk profile, the grounds for offering the right security solution to the customer are created, based on their specific needs. Niscayah is continually developing the offerings towards a greater specialization for the customer groups.

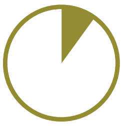
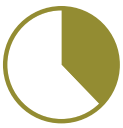
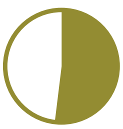
	CUSTOMER GROUP	OFFERING
BANK AND POST	**Banks, post** and other financial companies continually handle a considerable amount of valuable assets, which implies a security risk in the business. Security issues are often highly prioritized in order to ensure good security for personnel and to minimize costly operational disruptions. Many companies have advanced technical security systems in order to prevent crime and disruptions, but also to provide support in the event of incidents. The systems are often of high quality and reliability is highly prioritized.	**Niscayah's offering** includes complete integrated security systems adapted to banking offices, ATM surveillance systems, positioning systems for secure transport, assault alarms and training of security personnel and security managers. The systems are often connected to Niscayah's alarm centers in order to rapidly request the correct action in the event of an incident and ensure continual operational supervision. Bank and post is Niscayah's largest customer group and the company is market-leading within this segment in a number of European markets.
RETAIL	**Retail businesses** are characterized by a continual flow of goods and cash, and often by a relatively high employee turnover. In many cases the profit margins on the goods sold are low for which reason high sales and uninterrupted business activities are requirements for a well-functioning business. This means that a good level of security is important for minimizing disruptions and theft and for ensuring a safe environment for the staff.	**Niscayah's offering** for retail aims to deliver a safe and secure environment for staff while at the same time, the systems shall contribute to preventing theft, wastage and other crimes. Services such as alarm monitoring and function control are offered from Niscayah's security centers. Another common service for retail is administration of access control systems. Niscayah also offers more advanced systems for retail, for example, video surveillance systems which can indicate how customers move in different store environments and measure customer flows at different points in time.

NISCAYAH'S CUSTOMER GROUPS (CONT'D.)

	CUSTOMER GROUP	OFFERING
	**Supply of energy** and telecommunication services are important pillars of a modern functioning society. Companies within these segments often have a large number of units, for example masts for mobile communications and distribution plants for power transmission. These units are often spread over a large geographical area. Sabotage and break-ins can have devastating consequences for the operation and since these units are often unmanned, a well-functioning technical security system is a requirement in order to guarantee a stable and secure operating environment.	**Niscayah offers** complete security systems for utilities with components such as intrusion alarms, video surveillance, access control systems and integration of other operating systems. In order to maintain a high level of security and prevent operational disruptions to systems, the customers' units are often connected to Niscayah's security centers, where monitoring takes place and statistics can be compiled. Niscayah's excellent geographical coverage means that service and maintenance can be performed with relatively short response times.
	**Secure movement** of goods and people is essential in order for the economy to function effectively. Security demands are high in the customer segment transport and logistics since a considerable amount of valuable property is continually in transit. Important factors are to protect goods at all times and always be able to report where the goods and other supplies are located.	**Niscayah offers** complete security solutions for the transport and logistics segment. Basic services include intrusion protection and video surveillance, for example of terminals, airports and ports. Niscayah also offers more advanced solutions such as GPS positioning.
	**Gas stations** are largely designed in a similar way throughout the world and also have the same security requirements. The profit margin on the fuel sold in gas stations is comparatively low and theft of fuel is a major problem. The stations are often open at night which means inconvenient working hours. Therefore it is of great importance that the personnel feel secure with the security system installed and that they can quickly get help if an incident occurs.	**Niscayah offers** a complete system for gas stations which includes components such as intrusion protection, access control and video surveillance. For gas stations, like for retail generally, the systems are designed in order to reduce criminality and make the working environment secure for the staff.
	**Niscayah also operates** in several other customer segments, both within the private sector of the economy and in the public sector. Schools, care units, correctional facilities and defense are examples of important customer groups. Segments can have different security level requirements, but generally speaking, services requested often include video surveillance, access control, intrusion protection and fire alarm services.	**Niscayah offers** a broad spectrum of services to customers with high security needs, such as defense and correctional facilities, but also provides simpler solutions to customers with lower requirements. Niscayah offers operation, service and maintenance as well as installation of the security solutions.

SERVICE OFFERING

Niscayah provides a complete offering of security services – all from design and installation of security systems to service, maintenance and repairs as well as day-to-day operation of systems.

	OFFERING	DEVELOPMENT AND TRENDS
SYSTEM OPERATIONS 10 %[1] 	**Niscayah offers** services for operation and monitoring of security systems. Niscayah's 12 security centers in Europe and in the US are at the core of the offering. Examples of services offered by the centers include alarm monitoring, video surveillance, management of access control systems, fire alarm monitoring and system maintenance.	**The technological development** means that increasing numbers of services may be offered from the security centers. Alarm systems containing cameras can activate camera images in the event of alarm for the operators and a good understanding of the situation can be gained rapidly in this way. The security centers are an important part of Niscayah's offering and often serve as a regular interface in relation to the customer. System management such as fault localization and system updates can also be performed remotely if the customer's alarm system is connected to a security center.
SYSTEM MANAGEMENT 38 %[1] 	**Niscayah offers** a number of different system management services depending on what demands the customer has regarding the accessibility and features of the security system. Niscayah also offers service contracts with an agreed response time or according to a specific functionality requirement in the system. The services may include preventive measures such as checks and regular maintenance, but even fault localization and repairs of security systems when required.	**Niscayah's service offering** is being constantly developed in order to offer good service solutions adapted to the different security requirements in the customer segments. In the case of many customers, Niscayah handles all service and maintenance according to a predetermined time schedule.
IMPLE-MENTATION 52 %[1] 	**Implementation includes** analysis, design and installation of security systems. Components in systems include access control, video surveillance, intrusion protection and fire alarm systems. Niscayah always manages the work in projects, but certain standardized parts of the installation, for example, electrical work and assembly of equipment, can be outsourced to subcontractors. Niscayah can also integrate security systems with the customers' other systems, creating a good overview for the customer.	**Niscayah is working on** segmenting the offering into a more standardized model for smaller and medium-sized customers, while customers with high demands regarding customization and specialization require a more advanced installation offering. The competition is intense on many markets so efficiency and low costs are important competitive advantages.

[1] Share of group sales 2010.

TECHNOLOGY AREAS

Niscayah combines and packages security solutions independently based on the product range of a number of suppliers. The technology areas are video surveillance, intrusion protection, access control and fire alarm systems.

VIDEO SURVEILLANCE

Niscayah offers advanced video surveillance systems which for example can automatically emit an alarm in the event of an abnormality and can be monitored centrally from Niscayah's security center. The systems can also be simpler, where monitoring takes place locally at the customer. Video surveillance is the fastest growing technology area.

INTRUSION PROTECTION

Intrusion alarms often form the basis of a security system. Components include motion detectors, magnetic contacts and vibration detectors. Almost all companies and organizations have some form of intrusion alarm.

ACCESS CONTROL

Access control systems enable an efficient flow of people, while simultaneously maintaining a high level of security. Passes or entry badges can be administered via Niscayah's security centers where access can also be controlled remotely.

FIRE ALARM SYSTEMS

The design of fire alarm systems is often governed by laws and regulations and the systems include fire detectors, sprinkler systems, control units and warning systems. Fire alarm systems include services such as training and workshops.

THE MARKET FOR TECHNICAL SECURITY SOLUTIONS

The market for technical security solutions includes video surveillance systems, products for access control, intrusion protection, fire alarm systems, and integrated security systems, as well as design, installation and maintenance of systems and services for security centers.

The market structure

The market structure is extremely fragmented, with a large number of local companies and major international players such as Tyco, UTC and Siemens, all of them with comparatively low market shares. Niscayah is the second largest player in Europe, after ADT which is owned by Tyco.

Market drivers

The market for technical security systems is expected to grow slightly faster than the economic growth in society generally, driven by increased security needs in society, technological developments, outsourcing, increased service content and greater threats from terrorism and criminality.

The increased vulnerability of society

The market for security systems is partly driven by the increased vulnerability of modern society. Cost effective production and supply systems, combined with the dependence on the availability and reliability of IT systems, means that companies are increasingly vulnerable to interruptions, which by extension can imply lost customers and market shares.

New technology means greater service content

New technology means that security systems can generate more services than traditional alarm monitoring and passive surveillance. For instance, video surveillance systems can measure customer flows and register how customers move in stores. The increasing use of security systems means that more people can see the benefit of the systems, which contributes to higher growth.

Increased specialization and outsourcing

Focus on the core business is a global trend. When individual companies are active on the entire world market it becomes necessary to specialize the business operations towards the areas where the company is most competitive. This results in increased outsourcing. Furthermore, larger companies often choose just to have one supplier for each service, in order to reduce procurement costs and streamline their administration. Many customers request partners who understand their businesses and who can assume complete responsibility for a cohesive security solution.

Criminality and terrorist attacks

Increased criminality makes further demands on the entire global security industry. Criminals develop their methods as the level of technology and security is raised, which means that more sophisticated solutions are required. Threats of terrorist attacks have also raised security requirements both in companies and in organizations.

PLAYERS IN THE SECURITY MARKET

The players in the market for technical security solutions consist of major international companies as well as smaller regional and local players. Technical security for the large companies is often one of many different industrial divisions, and several operate within the entire value chain including product development and manufacturing. Besides being competitors, these companies can also be suppliers and partners to Niscayah.

TYCO – ADT	**ADT** is the American conglomerate Tyco's division for electronic security installations, operation and maintenance. The company is active within several different customer segments. ADT is particularly strong in the US and the UK, but also has operations in several other European markets. Besides ADT, Tyco also operates a significant business as a product manufacturer of security systems.
UTC – CHUBB	**Chubb** is the security systems part of the American company United Technologies Corporation (UTC). UTC is active within a large number of areas such as defense material, engines, elevators and security solutions. Chubb focuses mostly on security systems for banks and the financial sector. The company mainly operates in markets related to the UK. Within UTC, there are also a number of other subsidiaries focused on technical security.
SIEMENS (BUILDING TECHNOLOGIES)	**Siemens Building Technologies** is the German conglomerate Siemens' division for technical infrastructure within security, energy systems and other technology systems related to buildings. The company is a major player within installation of fire alarm systems.
BOSCH SECURITY SYSTEMS	**Bosch Security Systems** is a global manufacturer and distributor of technical security systems. Bosch develops and manufactures video surveillance systems, access control systems, fire alarms and intrusion alarms. Bosch's global sales take place via system integrators, electricians and distributors. The company also conducts its own installation operations on certain markets.
G4S TECHNOLOGY	**G4S Technology** is part of the G4S group and offers integrated security solutions such as access control and video surveillance systems. The customers consist of all from small offices and schools to large multinational organizations throughout the world.
REGIONAL COMPETITORS	**There are a number of** companies that sell security systems on a few markets or that have specialized within a specific customer segment. Companies in this group include Prosegur (Spain), Stanley Black & Decker (Europe, US) and Diebold (US).
LOCAL COMPETITORS	**There are a large number** of local competitors on each market. These can be smaller family-owned businesses which often operate in one or more cities within a country. Companies are often specialized in the installation business and also work as subcontractors to the larger companies.

VALUE CREATION

Niscayah's long-term business goal is to become the leading partner within technical security systems on existing markets, but also in new markets where Niscayah does not have a presence today, in due course. Currently, a considerable part of the company's focus is concentrated on internal improvements. Growth is also expected to assume a greater importance for Niscayah's development in due course.

Revenue model for value creation

Niscayah's revenue model is based on a complete solution where the combination of implementation, system management and system operations creates stable and sustainable growth with good profitability. Of total revenues, approximately 50 percent is currently attributable to implementation, approximately 40 percent derives from system management, while 10 percent of revenue is generated from system operations.

Financial goals

Niscayah has two main financial goals:

- An average yearly sales growth of more than 10 percent, including acquisitions
- An average yearly return on capital employed to exceed 20 percent

During 2010, sales growth amounted to –13 percent (currency-adjusted –7 percent) and return on capital employed, excluding restructuring costs, amounted to 14 percent. The long-term financial goals are target figures over an entire business cycle.

Niscayah's new direction

The work on improvements in Niscayah commenced in 2010 and is aimed at utilizing the synergies that exist within the group and developing Niscayah into a more sales-driven company focused on sales of services. The new direction may be condensed into three cornerstones:

- Specialization towards customer segments
- Solution packaging
- Common operational model

The aim of the initiative is to improve the processes and the structure in the company, and to specialize the operations and the customer offering. When the structure has been developed and the processes have been implemented, Niscayah' s focus will shift to growth.

Specialization towards customer segments

Niscayah has a strong position within certain specialized segments such as bank and retail. For many years, Niscayah has successfully developed a good insight into customers and markets as well as a specialized customer offering. Going forward, Niscayah's operations will be more clearly specialized towards a number of other segments where the group's overall expertise and customer insight will be harnessed globally. An increasingly specialized and segmented customer offering will facilitate a closer relationship with the customers and Niscayah can perform a greater share of the customers' security work.

Solution packaging

Niscayah's customers are increasingly requesting similar security solutions irrespective of what country they are operating in. Going forward, Niscayah will develop and package security solutions to a greater extent which are identical for Niscayah's different markets. Niscayah's expertise will be coordinated between the countries in order to create smart and standardized security solutions based on the customers' needs. These solutions will then be marketed and sold in all countries, however, subject to minor local adaptations.

Common operational model

The third cornerstone is to develop a more structured and standardized model for how the security services are produced and delivered. The aim is to develop a global practice where the best ideas and processes can serve as a guide for improving the company's competitiveness and for offering high quality to the customers. The development work involves simplifying and improving processes and also working in a more systematic way. Areas covered include the sales and production organizations, purchasing and logistics as well as IT systems.

STRATEGY FOR GROWTH

BUILD A SALES-DRIVEN SERVICE COMPANY

CUSTOMER SEGMENTATION	SOLUTION PACKAGING	COMMON OPERATIONAL MODEL
SPECIALIZATION TOWARDS CUSTOMER SEGMENTS EXCHANGE OF KNOWLEDGE BETWEEN THE COUNTRIES	COORDINATION BETWEEN COUNTRIES COST EFFICIENCY IN THE DEVELOPMENT WORK	COST EFFICIENCY ENSURE QUALITY

THE SHARE AND OWNERSHIP

Niscayah Group AB's (publ) share has been listed on NASDAQ OMX Stockholm's Mid Cap list since September 29, 2006. The market value at year-end 2010 was approximately SEK 5 billion.

The share

Niscayah Group AB's share is traded on NASDAQ OMX Stockholm's Mid Cap list under the ticker NISC. The share's average daily turnover during 2010 was MSEK 14.8 (the B share) and the share price at the end of the year was SEK 13.80.

The shareholders

Niscayah Group AB has almost 20,000 shareholders. The ten largest shareholders accounted for approximately 44 percent of the ownership as at December 31, 2010.

Dividend policy

The board of directors applies a dividend policy which implies that the yearly dividend level – adjusted to the company's earnings, financial position and other factors that the board of directors considers relevant – should normally correspond to 40–50 percent of the operation's free cash flow[1].

[1] **The operation's free cash flow** EBITDA adjusted by investments and changes in operating capital employed less financial income and expenses paid and income tax paid.

SHARE DEVELOPMENT SEPTEMBER 2006 – FEBRUARY 2011

Share distribution by order of size

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS	NUMBER OF A SHARES	NUMBER OF B SHARES	HOLDING, %	VOTES, %
1–500	12,961	0	2,184,480	0.60	0.42
501–1,000	2,584	0	2,223,841	0.61	0.43
1,001–5,000	2,970	0	7,564,229	2.07	1.46
5,001–10,000	592	0	4,716,505	1.29	0.91
10,001–15,000	182	0	2,336,418	0.64	0.45
15,001–20,000	134	0	2,478,042	0.68	0.48
20,001–	451	17,142,600	326,412,782	94.11	95.86
Total as at December 31, 2010	**19,874**	**17,142,600**	**347,916,297**	**100.00**	**100.00**

Source: Euroclear Sweden AB

The ten largest owners (owner aligned)

NAME	NUMBER OF A SHARES	NUMBER OF B SHARES	HOLDING, %	VOTES,%
Douglas family via company	12,642,600	31,637,500	12.13	30.44
Melker Schörling AB	4,500,000	20,963,847	6.98	12.70
Swedbank Robur fonder	0	35,645,384	9.76	6.86
Didner & Gerge Fonder Aktiebolag	0	14,052,807	3.85	2.71
SEB Investment Management	0	12,061,108	3.30	2.32
Länsförsäkringar fondförvaltning AB	0	9,602,434	2.63	1.85
Fjärde AP-fonden	0	5,541,788	1.52	1.07
Apoteket AB:s Pensionsstiftelse	0	5,152,955	1.41	0.99
Handelsbanken Fonder	0	4,340,989	1.19	0.84
Avanza Pension	0	4,322,987	1.18	0.83
Total as at December 31, 2010	**17,142,600**	**143,321,799**	**43.95**	**60.61**

Source: Euroclear Sweden AB, owners known to Niscayah

Data per share

	2010	2009
Market price at the end of the period, SEK	13.80	14.85
Profit after tax, SEK	0.33	0.87
Number of outstanding shares	365,058,897	365,058,897
Average number of shares, after buyback	364,457,072	365,058,897
Proposed dividend, SEK	0.30	0.30
Dividend as % of profit after tax	91	34
Highest/lowest price paid, SEK	16.70/9.30	17.90/5.85
Yield, %	2.2	2.0
Net asset value per share, SEK	4.8	5.6
P/E ratio	42	17
Turnover rate, %	60	63
Number of shareholders	19,874	21,367

Share data

Listing: NASDAQ OMX Stockholm's Mid Cap list, since September 29, 2006.
Niscayah A shares: 10 votes per share.
Niscayah B shares: 1 vote per share.
Share capital: SEK 365,058,897 distributed between a total of 365,058,897 shares.

Definitions

Profit after tax: Net profit for the year attributable to shareholders in the parent company in relation to the number of shares.
Dividend as % of profit after tax: The proposed dividend for the year as a percentage share of profit after tax.
Yield: Dividend in relation to the share price at the end of the year.
Net asset value per share: Equity in relation to the number of outstanding shares.
P/E ratio: The share price at the end of the year in relation to earnings per share after tax.
Turnover rate: Turnover during the year in relation to the average market value during the period.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors and CEO of Niscayah AB, corporate identity number 556436-6267, with registered office in Stockholm, hereby submit the financial statements for the fiscal year 2010.

Ownership

The total number of shares in Niscayah Group AB amounts to 365,058,897 shares, distributed between 17,142,600 class A shares, and 347,916,297 class B shares. The number of shareholders at year-end 2010/2011 totaled 19,874 (21,367 previous year-end). The A share carries ten votes and the B share carries one vote. Three owners, Säkl, Investment AB Latour and Melker Schörling AB own all A shares. The B share has been listed on NASDAQ OMX Stockholm's Mid Cap list since September 29, 2006.

Generally regarding the operations

Niscayah Group AB (publ) is a world-leading security company specialized in technical security services. Niscayah offers complete security solutions for customers with high security demands within segments such as bank and post, retail, utilities, transport and logistics and gas stations. Niscayah operates in 14 European countries as well as in the US. In Australia, Niscayah conducts system development via its subsidiary PACOM.

Niscayah's sales consist of integration/installation of security systems (approx. 52 percent), as well as services and after-sales services related to systems in the form of maintenance, monitoring, alarm services, security centers and other customer service functions (approx. 48 percent).

Niscayah's operations are divided into two different reportable segments:

- US/UK/Ireland
- Mainland Europe (Europe except for the UK and Ireland)

Sales and revenue

Group

Figures in parenthesis refer to the preceding year.

Sales decreased by 13 percent to MSEK 6,624 (7,621) during 2010, of which, the organic sales growth amounted to –7 percent (–12). Sales were negatively impacted by changes in foreign exchange rates of MSEK –481 (+471). Sales of services decreased by 3 percent to MSEK 3,186 (3,286), of which, the organic sales growth of services amounted to 4 percent (–1). The sales mix between sales of implementation projects and sales of services has altered during 2010, of which the share of services amounted to 48 percent (43). Seasonal variations occur as sales are generally higher during the fourth quarter, see the diagram on the right.

Operating profit, excluding restructuring costs, decreased by 24 percent to MSEK 376 (493) and the operating margin decreased to 5.7 percent (6.5). Restructuring costs were charged to results during the first quarter and amounted to MSEK 200 and are apportioned as cost of goods sold of MSEK 120 and selling and administrative expenses of MSEK 80.

Operating profit was negatively impacted during 2010 by changes in foreign exchange rates amounting to MSEK –30 (+15).

Net financial items for 2010 amounted to MSEK –4 (–33) and changes in foreign exchange rates impacted net financial items by MSEK 31 (25).

The tax expense for 2010 amounted to MSEK 52 (140), which gave a full-year tax rate of 30.5 percent (30.5). For more detailed information, see note 10 Taxes.

Profit before tax, excluding restructuring costs, decreased by 19 percent to MSEK 372 (460).

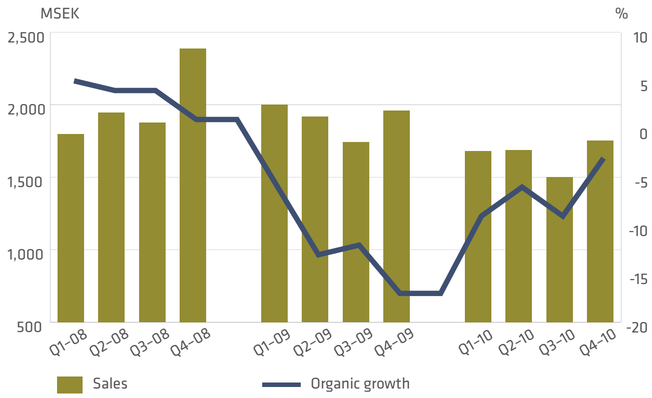
Net profit for 2010 decreased by MSEK 200 to MSEK 120 (320). Earnings per share amounted to SEK 0.33 (0.87).

CONDENSED CONSOLIDATED INCOME STATEMENT

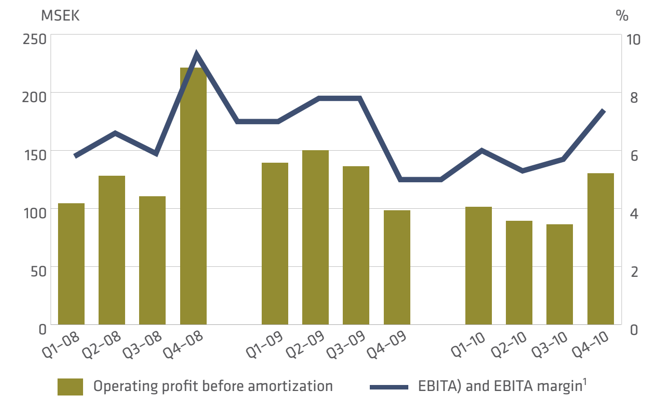
January–December, MSEK	2010	2009
Sales	6,624	7,621
Sales growth, %	*–13*	*–5*
Operating profit	376[1]	493
Operating margin, %	*5.7*[1]	*6.5*
Profit before tax	172	460
Net profit	120	320
Earnings per share, SEK	0.33	0.87
Capital employed	2,765	3,149
Return on capital employed	14[1]	17
Return on equity, %	6	16

[1] Excluding costs for the restructuring program 2010, amounting to MSEK 200.

GROUP, SALES AND ORGANIC GROWTH



GROUP, OPERATING PROFIT BEFORE AMORTIZATION (EBITA) AND EBITA MARGIN[1]



[1] Excluding restructuring costs for 2008 and 2010.

Mainland Europe

Sales decreased by 16 percent (–3) to MSEK 5,054 (5,996), of which –9 percent (–10) was organic growth. Sales of services decreased by 4 percent (+4) and amounted to MSEK 2,589 (2,701), of which the organic growth was 3 percent (–2). Sales of implementation projects decreased by 25 percent (–10), of which –19 percent (–16) was organic growth. The mix between sales of implementation projects and services has altered during the year, of which the share of services amounted to 51 percent (45).

The EBITA margin, excluding restructuring costs, amounted to 8.7 percent (10.1). Changes in foreign exchange rates impacted sales by MSEK –386 (+334) and operating profit (EBIT) by MSEK –28 (+16), compared with the previous year.

US/UK/Ireland

Sales decreased by 4 percent (–12) to MSEK 1,505 (1,562), of which 3 percent (–21) was organic growth. Sales of services increased by 2 percent (21) and amounted to MSEK 597 (585), of which the organic growth was 6 percent (8). Sales of implementation projects increased by 3 percent (–19), of which 0 percent (–27) was organic growth.

The mix between sales of implementation projects and services has altered during the period, of which the share of services amounted to 40 percent (37). The EBITA margin, excluding restructuring costs, amounted to 3.8 percent (3.3). The changes in foreign exchange rates impacted sales by MSEK –99 (+125) and operating profit (EBIT) by MSEK –2 (+2).

THE MAINLAND EUROPE SEGMENT IN SUMMARY

January–December, MSEK	2010	2009
Sales	5,054	5,996
Sales growth, %	*–16*	*–3*
Operating profit	425[1]	587
Operating margin, %	*8.4*[1]	*9.8*
Operating capital employed	211	383
Operating capital employed, as a % of sales	*4*	*6*
Capital employed	1,639	1,968

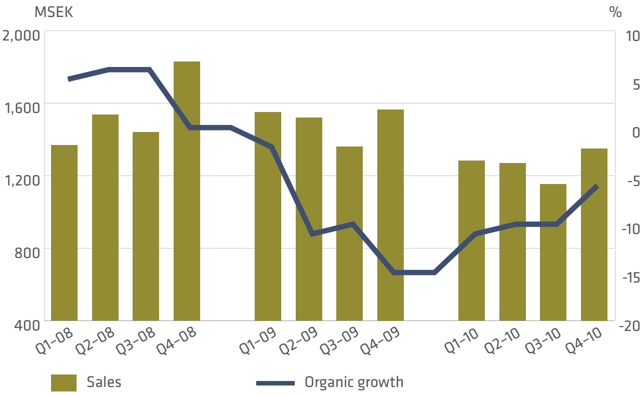
[1] Excluding costs for the restructuring program, amounting to MSEK 170.

THE US/UK/IRELAND SEGMENT IN SUMMARY

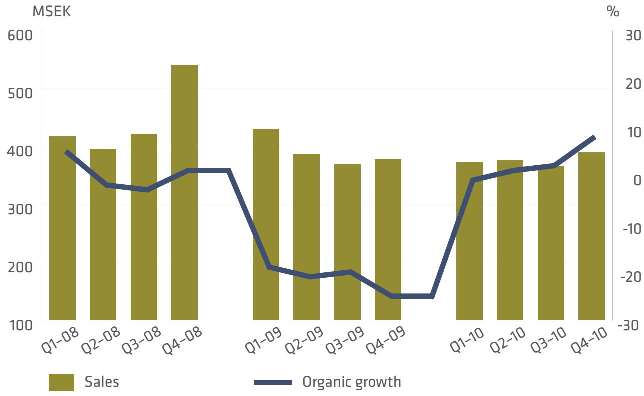
January–December, MSEK	2010	2009
Sales	1,505	1,562
Sales growth, %	*–4*	*–12*
Operating profit	44[1]	37
Operating margin, %	*2.9*	*2.4*
Operating capital employed	75	83
Operating capital employed, as a % of sales	*5*	*5*
Capital employed	803	881

[1] Excluding costs for the restructuring program, amounting to MSEK 30.

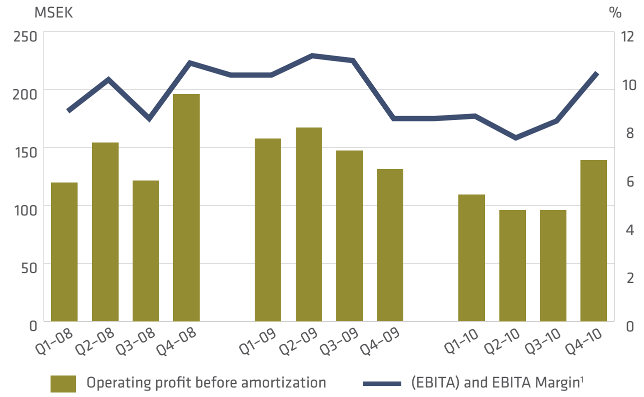
MAINLAND EUROPE, SALES AND ORGANIC GROWTH



US/UK/IRELAND, SALES AND ORGANIC GROWTH

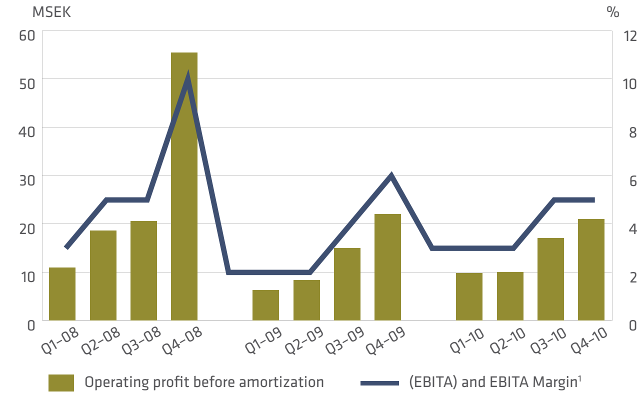


MAINLAND EUROPE, OPERATING PROFIT BEFORE AMORTIZATION (EBITA) AND EBITA MARGIN[1]



[1] Excluding restructuring costs for 2008 and 2010.

US/UK/IRELAND, OPERATING PROFIT BEFORE AMORTIZATION (EBITA) AND EBITA MARGIN[1]



[1] Excluding restructuring costs for 2008 and 2010.

The number of employees

The average number of employees in the Niscayah Group amounted to 5,295 (5,578) in 2010.

Return on capital employed and shareholders' equity

The group's return on capital employed excluding the restructuring program was 14 percent (17). The group's capital employed totaled MSEK 2,765 (3,149). Return on equity was 6 percent (16).

Cash flow

The cash flow from operating activities has decreased compared with the previous year and amounted to MSEK 257 (943). Cash flow has been impacted by costs relating to the restructuring program of MSEK 143 (163). Cash flow from investing activities totaled MSEK –87 (–163), of which MSEK 87 (142) refers to investments in operating non-current assets. The decline in sales volumes pertaining to implementation projects, combined with a focus on outstanding trade receivables and inventories, contributed to a decrease in operating capital employed. Acquisition and disposal of subsidiaries/operations have had an impact of MSEK 0 (–20) on the cash flow. The cash flow for the period amounted to MSEK –157 (158).

Financing and liquidity

The group's principal credit facility, Multicurrency Revolving Facility, aims to secure Niscayah's ongoing financing needs and strategic growth. The credit facility amounts to MSEK 3,000 of which MSEK 760 matures during 2011 and MSEK 2,240 matures during 2013. Outstanding loans under the credit facility amounted to MSEK 1,289 in total as of December 31, 2010 (MSEK 1,479 as of December 31, 2009) and were utilized in Swedish kronor, euro and US dollars. The group's net debt amounted to MSEK 995 (1,093) as of December 31, 2010 and equity amounted to MSEK 1,770 (2,056) as of December 31, 2010.

The group's debt/equity ratio was 0.56 (0.53) as of December 31, 2010.

The group's net financial items during the year amounted to MSEK –4 (–33), of which effects from changes in foreign exchange rates in relation to the Swedish krona of SEK 31 (25) in total, impacted net financial items positively. The effect is primarily attributable to the strengthening of the Swedish krona against the USD and EUR. During the fourth quarter, net financial items amounted to MSEK 8 (–12), of which changes in exchange rates impacted net financial items by MSEK 7 (2). The group's interest rate exposure relating to the group's credit facility is managed by the use of interest rate derivatives whose market valuation effects are included in the group's net interest income. As of December 31, 2010, the average fixed interest term was 16.6 months.

Significant events during the fiscal year

Restructuring program 2010

A restructuring program was introduced during the first quarter 2010 aimed at reducing costs, increasing the centralization within the countries and thereby raising efficiency in the company. The program mainly relates to the operations within Mainland Europe. The program is expected to be fully completed during the first quarter 2011 and deliver annual savings of approximately MSEK 180. The anticipated savings are expected to be apportioned as approximately MSEK 150 for Mainland Europe and approximately MSEK 30 for US/UK/Ireland. Restructuring costs relating to the program amounted to MSEK 200 and were charged to results in the first quarter 2010. The costs are apportioned as cost of goods sold of MSEK 120 and selling and administrative expenses of MSEK 80. Cash flow has been impacted negatively by costs related to the restructuring program of MSEK 94. Remaining provision in the balance sheet amounts to MSEK 106 as of December 31, 2010.

The restructuring measures include:

- Reduction of the work force by approximately 350 people.
- Closure of several unprofitable local offices.
- Centralization of the operations within the countries.
- Clearer focus on and segmentation of the customer offering and increased efficiency within the sales force.

Guidelines for remuneration to senior executives

The annual general meeting on May 6, 2010 resolved to adopt the following guidelines for remuneration to senior executives.

The basic principle is that remuneration and other terms of employment for senior executives shall be commercially competitive in order to ensure that the Niscayah Group can attract and retain qualified senior executives. The total remuneration to senior executives shall consist of basic salary, variable remuneration, pension and other benefits. e.g. company car.

In addition to a fixed annual salary, the group management can also receive variable salary, which shall be based on the outcome in relation to the earnings targets (and in certain cases other key ratios) within the individual area of responsibility. Variable salary shall correspond to a maximum of 75 percent of the fixed yearly salary for the CEO and 60–75 percent of the fixed yearly salary for other members of the group management.

The company's obligations in respect of variable salary were estimated to have cost the company a maximum of MSEK 5 in the event of a full outcome for the current members of the group management during 2010.

Apart from the above mentioned variable remuneration, share-related or share-price related incentive programs can arise from time to time.

Pension entitlements for senior executives shall apply from the age of 65 at the earliest. The pension plans for the management shall mainly be defined contribution plans. Other benefits, e.g. extra health insurance or corporate health care, shall be paid to the extent that they are assessed as being commercially competitive for senior executives in equivalent positions on the labor market in which the executive operates.

In the event of termination by the company, the notice period for all senior executives shall be a maximum of 12 months and a maximum of 24 months for the CEO. Termination benefits may be payable after the end of the notice period up to a maximum of 12 monthly salaries. If notice is given by the individual executive, a notice period of a maximum of 6 months shall apply and no termination benefits are payable.

These guidelines shall cover the persons who were members of the group management during the period in which the guidelines applied. The guidelines apply to agreements entered into after the resolution of the annual general meeting, and in cases where changes are made to existing agreements after this time. The board of directors shall have the right to depart from the guidelines if special grounds exist in a particular case.

It is proposed to the annual general meeting 2011 that guidelines for remuneration to senior executives be revised with the addition "Fixed salary during the notice period and termination benefits, combined, shall not exceed an amount equivalent to the fixed salary for two years." and that the wording should be unchanged in other respects.

Niscayah's share

Earnings per share for the year amounted to SEK 0.33 (0.87). Equity per share on December 31, 2010 was SEK 4.83 (5.61) and the share price was SEK 13.80 (14.85). 1.0 million own shares were repurchased during the second quarter 2010 for MSEK 12.7 at an average price of SEK 12.75. At December 31, 2010, the company held 1.0 million shares in total, corresponding to 0.3 percent of the total number of registered shares. The aim of the share buyback is to make provision for the company's costs in connection with the long-term performance-based incentive program (LTIP 2010) which the annual general meeting resolved to introduce on May 6, 2010. The total number of outstanding shares is unchanged since the listing and amounted to 365,058,897 shares as at December 31, 2010. The average number of outstanding shares after buyback amounted to 364,457,072 as at December 31, 2010.

Shareholders' equity

Shareholders' equity as at December 31, 2010 amounted to MSEK 1,770 (2,056).

Significant events which occurred after the expiry of the fiscal year

Niscayah strengthens the group management

Niscayah has strengthened the group management and has appointed Magnus Bladh as Group Director Sales, Magnus Jonsson as Group Director Marketing, Inger Nyström as Group Director Human Resources and David Schelin as Group Director Operations. The new appointments took effect on February 14, 2011. Rolf Norberg, who was Head of Technology/Sourcing/Logistics has retired and left the group management on February 28, 2011.

Research and development operations

Niscayah does not conduct any product development under its own management with the exception of PACOM in Australia which mainly develops intrusion alarm systems that communicate in the customer's network. PACOM has been among the leaders within this segment for more than 10 years. The products are particularly suitable for customers within the prioritized segments – banks and financial institutions as well as retail chains. PACOM's product development expenses totaled MSEK 5 (12) in 2010.

Between 2006 and 2010, Niscayah conducted a knowledge improvement project (LUSAX) at the University of Lund, in collaboration with the product supplier Assa Abloy and the technology company Axis Communications. The aim of the research project was to increase knowledge of new trends and advance understanding of future markets and services within the security industry.

Information about risks and uncertainties

Risks and uncertainties

Niscayah's risk management process has a strong connection to the company's strategies and goals. Retaining the high confidence of Niscayah's customers and other stakeholders requires good control over the company's risks.

Niscayah's risk exposure is divided into three main categories, operational risk, financial risk and strategic risk. Operational risk includes business risk and legal risk as well as financial and credit risk. Strategic risk includes risk connected with strategic initiatives and acquisition risk.

Niscayah has methods and tools for evaluating and measuring risks in the business. Policies and guidelines are continuously developed and adopted by the board. A company-wide risk function coordinates and supports the risk management work. Group Treasury manages the financial risk in the group based on established mandates. The operational risk is managed by the business operations while the strategic risk is managed by the group management.

Operational risk

The most significant operational risks are liability risks related to implementation, service commitments and monitoring assignments. The group works preemptively to reduce the likelihood of undesired outcomes and to minimize the consequences related to these risks.

In 2010, Niscayah worked on improving its procedures in order to ensure a uniform and efficient way of working within the group. The risks are expected to be reduced in line with the implementation of these procedures in the group. Special importance has also been attached in the annual risk analyses to reviewing and improving the existing continuity plans in order to ensure delivery to customers despite disruption to critical processes.

Apart from the risk analyses performed in day-to-day operations, risks in new contracts are evaluated according to a structured model. Contracts containing terms and conditions which deviate from standard terms and conditions, that use new technology or which transfer risks to Niscayah, are escalated and approved according to an escalation routine.

The group works actively to avoid indemnifications and has insurance solutions which limit the financial effects of these risks.

Financial risk

Niscayah's financial risk exposure is largely connected to the financing activities which have the overall objective of supporting Niscayah's business operations by securing financing, liquidity management and limitation of the financial risk exposure. The financial risk exposure mainly consists of foreign exchange risk, interest risk, liquidity risk and refinancing risk in connection with the group's ongoing funding needs and transactions. All financial risk management is conducted in line with policies and guidelines established by the board defining the mandate for the group's internal bank, Group Treasury and the subsidiaries. For further information see note 3, financial risk management.

Niscayah's exposure to credit risk in relation to customers is continually monitored in the form of key ratios for age and maturity structure analysis and provisions. Credit and counterparty risk within financing activities is minimized through clear mandates and limits. Financial interest and foreign exchange derivative transactions may only be entered into with counterparties where ISDA agreements (netting agreements) are established and against existing underlying risk exposure. During 2010, Niscayah had no outstanding financial positions to banks with credit ratings outside the established mandate or significant doubtful debts and bad debts. The Group Risk Manager is responsible for ensuring compliance with mandates and limits.

Strategic risk

Risks connected to the strategic conversion process in Niscayah are continually evaluated and reported to the board.

Acquisitions can also cause uncertainty in relation to profitability and other important key ratios and accordingly there are policies and guidelines for acquisition processes and allocation of responsibilities in connection with an acquisition. As the Niscayah group is currently in a consolidation phase, the acquisition risk is still low.

Environmental information

Niscayah Group AB conducts operations requiring permits through the Swedish subsidiary Niscayah AB and holds environmental licenses for some of its products.

Foreign affiliates

Niscayah Group AB's does not conduct any operations through foreign affiliates.

Information regarding disposals

Niscayah Hong Kong Ltd. was divested during the first quarter 2010. The company recorded sales of approximately MSEK 10 in 2009, which represented a loss. The disposal had a marginally positive effect on Niscayah's earnings per share.

The parent company

Net sales for Niscayah Group AB amounted to MSEK 154 (252) during the year. Profit after net financial items for the year amounted to MSEK –110 (294). Write-down of shares in subsidiaries has been made of MSEK –363 (0). Cash and cash equivalents amounted to MSEK 146 (MSEK 168 as of December 31, 2009). During the year, the parent company invested MSEK 1 (16) in shares in subsidiaries and MSEK 13 (17) in other non-current assets.

Dividend

The board of directors has resolved to propose a dividend of SEK 0.30 per share to the annual general meeting. The dividend is expected to amount to approximately MSEK 109.5 (109.5) in total. The board of directors makes the assessment that the proposed dividend will allow scope for the group to fulfil its obligations and carry out necessary investments.

Accounting policies

Niscayah Group AB's group financial statements applies International accounting standards, International Financial Reporting Standards, IFRS in its consolidated financial statements. More detailed information can be found in Note 1.

Expectations regarding the future trend

The market situation is expected to continue to be challenging with zero organic growth expected within implementation and services.

CORPORATE GOVERNANCE REPORT

Niscayah's application of the Swedish Code of Corporate Governance

Niscayah Group AB is a Swedish public limited company with its registered office in Stockholm, Sweden. The company's shares are traded on NASDAQ OMX Stockholm. The Swedish Companies Act and NASDAQ OMX Stockholm's rules for issuers including the Swedish Code of Corporate Governance (the "Code") form the basis for the governance of the group's operations. Niscayah has applied the Code as from the date of the listing on NASDAQ OMX Stockholm on September 29, 2006. The Code is based on the principle "comply or explain", which means that a company may deviate from the Code's provisions provided that such deviations can be explained in a satisfactory manner. The board of directors of Niscayah has prepared this corporate governance and internal control report in accordance with the provisions of the Code. In those cases where Niscayah has elected to deviate from the provisions of the Code, a justification is stated as well as the solution chosen by the company instead in the respective section of the report.

The corporate governance report has been reviewed by the company's auditor.

Other corporate governance instruments

Articles of Association

For Niscayah's articles of association, see www.niscayah.com.

Guidelines and policies

The basis of Niscayah's policies is the aim to treat all stakeholders alike, to provide important information at the right time, to fulfil legal requirements in a correct manner and to adhere to prevailing rules and laws. The group's most important guidelines and policies relate to financial control, reporting, risk management, communication matters and business ethics. The group's established communication policy ensures compliance with prevailing stock market rules.

Code of conduct and environment

Niscayah's Code of Conduct applies to the entire group and is based on established international conventions. The Code of Conduct is an expression of the values and guidelines which shall apply within the group with respect to business ethics as well as rights and liberties. Within Niscayah, the responsibility for the environmental work rests with the organization in each country. Each country's organization is consequently responsible for ensuring that the operations are conducted in accordance with the local environmental legislation and regulations.

Annual General Meeting

The annual general meeting is Niscayah's highest decision-making body where the shareholders right to decide in the affairs of Niscayah is exercised. The shareholders are given the opportunity at the annual general meeting to address questions directly to the Chairman of the Board, the Board of Directors and President and CEO. The annual general meeting passes resolutions on the following matters among others:

- adoption of the income statement and balance sheet
- appropriation of the company's profit or loss
- election of members to the nomination committee
- discharge from liability for the board members and CEO
- election of board members, chairman of the board and appointment of auditor
- determination of fees to the board of directors and the auditors
- approval of incentive programs

The Board of Directors

The responsibility and duties of the board of directors

Under the Swedish Companies Act, the board of directors is responsible for the group's organization and administration and appoints the President and CEO. Niscayah's board determines the group's overall goals, strategies and policies as well as acquisitions, disposals and major investments and also approves the financial statements and interim reports. The board proposes dividends and guidelines for remuneration to senior executives to the annual general meeting and makes decisions concerning the group's future financial structure and strategies. The board's responsibility includes monitoring of the CEO's work by means of continuous analysis and evaluation of the group's operations during the year. The work includes controlling that the organization, management and guidelines for administration of Niscayah are appropriate as well as assurance that there are satisfactory procedures and internal control within the group. Other duties within the board's area of responsibility include:

- decisions on increased financing needs,
- issuance of financial reports,
- evaluation of the operational management and succession planning,
- control of the accounting records, management of assets and financial conditions.

The composition of the Board of Directors 2010

According to the articles of association in Niscayah, the board of directors shall consist of at least five (5) and not more than ten (10) ordinary members elected by the annual general meeting without any deputy members. Niscayah's board consists of seven ordinary members: Jorma Halonen (chairman), Carl Douglas, Tomas Franzén, Håkan Kirstein, Eva Lindqvist, Anders Böös and Ulrik Svensson. Jorma Halonen was re-elected as a member of the board at the annual general meeting 2010 and was appointed chairman of the board. In addition to this, the board includes two members appointed by the trade unions organizations, Peter Alvhed and Mikael Olsson.

Niscayah complies with the requirements under NASDAQ OMX Stockholm's rules for issuers as well as items 4.4 and 4.5 of the Code as regards requirements for independent board members. According to the Code, the majority of board members elected by the annual general meeting shall be independent in relation to the company and its management and shall also be independent in relation to the company's major shareholders. The nomination committee is of the opinion that Carl Douglas and Ulrik Svensson are not to be considered independent in relation to major shareholders and that Håkan Kirstein, in his capacity as CEO, is not to be considered independent in relation to the company and the company management. The remaining board members elected by the annual general meeting – Jorma Halonen, Tomas Franzén, Eva Lindqvist and Anders Böös – are considered by the nomination committee to be independent in relation to both the company and the company management as well as to the major shareholders. Additional presentation of the board members may be found on pages 62–63 in the annual report and on www.niscayah.com.

Chairman of the Board of Directors

The chairman of the board of directors, Jorma Halonen ensures that the work of the board is evaluated annually and that members of the board receive suitable training. The evaluation of the board's work during 2010 has been provided to the nomination committee. The board's working procedures and instructions concerning division of responsibility between the board and the CEO are updated and adopted annually. The chairman of the board shall, in addition to leading the work of the board, continuously follow the group's operations and development through contacts with the CEO. The chairman shall consult with the CEO on strategic issues and represent the company in matters concerning the ownership structure. The board has established an audit committee and a remuneration committee (see further in the section "Audit Committee" and "Remuneration Committee").

The work of the Board of Directors

The board meets at least four times per year. The ordinary meetings take place in connection with the company's publication of financial statements and interim financial statements. At least one of the board meetings takes places in connection with a visit to and in-depth review of one of the group's business operations. In addition to this, extra board meetings are held as required.

The Board's follow-up of the business operations

The work of the board and the allocation of responsibility between the board, the CEO and the group management are governed by formally adopted working procedures. The board considers that risk analysis and control are of fundamental importance in order to reach the business goals with an acceptable risk/reward profile. The risk processes are integrated into the business operations with the aim of indentifying and evaluating material risks for the group and the effectiveness of the risk limitation controls. The board reviews the effectiveness of the internal control through:

- Discussions with the group management about the company's position on the market and the analysis carried out regarding the company's performance.
- Follow up of important issues pursuant to the external audit and other reviews or examinations.

Niscayah's group management continuously conducts follow-up of results and analysis based on the annual budget with monthly operational reconciliations against actual results, deviations, follow-up of key ratios and customary forecasting.

The CEO and Group Management

CEO

Håkan Kirstein took over as President and CEO on March 1, 2010.

Group Management

Niscayah's management comprised the following people as at the end of February 2011: Håkan Kirstein, President and CEO, Håkan Gustavson, CFO, Magnus Bladh Group Director Sales, Magnus Jonsson Group Director Marketing, Inger Nyström Group Director Human Resources, David Schelin Group Director Operations and Antonio Villaseca, Regional Director Southern Europe.

ORGANISATION OF CORPORATE GOVERNANCE

The shareholders

Auditors
Appointed by the annual general meeting for a four-year period. Examine the financial statements, consolidated financial statements, accounting and the board's and the management's administration of the company and issue a report on this to the shareholders at the company's annual general meeting.

General meeting of shareholders
Niscayah' highest decision-making body. Resolves upon, among other things, articles of association, composition of the board, directors' fees, guidelines for remuneration to senior executives etc.

Nomination Committee
Elected by the annual general meeting. The nomination committee subsequently submits proposals on composition of the board, auditors and fees for the annual general meeting to resolve upon, among other matters.

Board of Directors
Responsible prior to the annual general meeting for the administration of the company. Appoints CEO and determines his/her remuneration. Has overall responsibility for decisions concerning the company's strategies and goals as well as responsibility for ensuring that the management conducts the day-to-day administration in accordance with the guidelines adopted by the board.

Group Management
Responsible for the day-to-day administration and operation of the company and for ensuring that the company is run in accordance with the strategies and goals adopted.

Country Presidents
The Country Presidents are responsible for the day-to-day business operations and for the implementation of the adopted goals and strategies.

Audit

External audit

At the annual general meeting 2009, PricewaterhouseCoopers was elected as the company's external auditor for a mandate period of four years, consequently until the end of the annual general meeting 2013. The auditor in charge during 2010 was the authorized public accountant Bo Lagerström. For a more detailed presentation of the auditor, see page 65 of the Annual Report. The company's auditor participates in the board meeting in February, where he reports his observations and recommendations from the year's audit of the group. The external audit is conducted in accordance with generally accepted accounting practices in Sweden, which are based on International Standards on Auditing (ISA). For information on fees to auditors during 2010, refer to note 6.

Control of the financial reporting

Financial reporting to the Board

The board of directors follows the quality of the financial reporting and internal control procedures and the current risk exposure both from an operational and financial perspective. This takes place mainly through instructions to the CEO, establishment of requirements relating to content in the reports on financial conditions that are continuously sent to the board as well as through reviews with the management and the auditors. The board studies and approves the financial reporting, such as consolidated results and financial statements, but has delegated to the group management to provide press releases with financial content and presentation material in connection with meetings with the media, owners and financial institutions. See further in the section "The Board of Director's report on internal control".

Corporate governance 2010

Shareholders

The total number of shares in Niscayah Group AB amounted to 365,058,897 shares, distributed between 17,142,600 class A shares, and 347,916,297 class B shares. The number of shareholders at year-end 2010 totaled 19,874 (21,367 previous year-end).

The A share carries 10 (ten) votes and the B share carries 1 (one) vote. Three owners, Säkl, Investment AB, Latour and Melker Schörling AB combined own all A shares and each owner holds more than 10 percent of the votes. The B share has been traded on NASDAQ OMX Stockholm since September 29, 2006. Of the total number of shares at year-end 2010, foreign owners accounted for 35 percent of the ownership and 25 percent of the votes.

Nomination Committee

The nomination committee has the task of preparing the election of chairman and other members of the board, determination of fees to the board of directors and other associated matters prior to the next annual general meeting. In addition, the nomination committee shall prior to the annual general meeting where appointment of auditor shall take place, prepare the appointment of auditor and resolutions concerning fees to the auditor and associated matters. The annual general meeting 2010 elected the following members to serve on the nomination committee ahead of the annual general meeting 2011:

- Gustaf Douglas (re-elected as chairman), representative of Investment AB Latour etc.
- Mikael Ekdahl, representative of Melker Schörling AB.
- Marianne Nilsson, representative of Swedbank Robur.
- Per-Erik Mohlin, representative of SEB Fonder/SEB Trygg-Liv.
- Henrik Didner, representative of Didner & Gerge fonder.

The annual general meeting 2010 resolved that in the case where a shareholder represented by one of the members of the nomination committee no longer is one of the largest shareholders in Niscayah in terms of votes, or in the case a member of the nomination committee is no longer employed by such shareholder or leaves the nomination committee for some other reason prior to the annual general meeting 2010, the nomination committee shall have the right to appoint another representative for the major shareholders to replace such a member. Shareholders have the possibility of addressing nomination proposals to the nomination committee. The nomination committee's proposals are announced no later than in connection with the notice convening the annual general meeting. The nomination committee has met on two occasions prior to the annual general meeting 2011. As a basis for its proposals before the annual general meeting 2011, the nomination committee has considered whether the present board is appropriately composed and fulfils the demands made of the board as a consequence of the company's position and future direction.

The Audit Committee

The audit committee has the task of monitoring the financial reporting and the effectiveness of internal control, to keep informed about the statutory audit, review and monitor the impartiality and independence of the auditor and to assist the nomination committee. The auditor has a reporting obligation to the audit committee.

According to item 7.3 of the Code, the audit committee shall consist of at least three board members. The majority of the committee's members should be independent in relation to the company and the company management. At least one member of the committee should be independent in relation to the company's major owners. At present, the committee only consists of two board members, Ulrik Svensson and Anders Böös. However, the board considers that the current composition of the audit committee is that which best utilizes the board's experience and expertise concerning matters that are intended to be handled therein. Håkan Gustavson, CFO is a co-opted member. The audit committee met five times during 2010 and all members were present on each occasion. Bo Lagerström, external auditor, attended four meetings.

INFORMATION ABOUT THE BOARD OF DIRECTORS

	ATTENDANCE AT TOTAL NUMBER OF BOARD MEETINGS	INDEPENDENT IN RELATION TO THE COMPANY	INDEPENDENT IN RELATION TO THE MAJOR SHAREHOLDERS	DIRECTORS' FEES, SEK	FEES FOR AUDIT COMMITTEE, SEK
Jorma Halonen	8/8	Yes	Yes	600,000	–
Håkan Kirstein*	7/7	No	Yes	–	–
Anders Böös	8/8	Yes	Yes	250,000	50,000
Carl Douglas	7/8	Yes	No	250,000	–
Tomas Franzén	8/8	Yes	Yes	250,000	–
Eva Lindqvist	8/8	Yes	Yes	250,000	–
Ulrik Svensson	8/8	Yes	No	250,000	100,000
Juan Vallejo*	1/1	No	Yes	–	–
Peter Alvhed (employee representative)*	2/2	–	–	–	–
Mikael Olsson (employee representative)	4/8	–	–	–	–

* Håkan Kirstein, Juan Vallejo and Peter Alvhed were not board members during the entire year 2010.

The Remuneration Committee

The remuneration committee prepares resolutions for the board in questions relating to remuneration principles, remuneration and other terms of employment for the company's senior executives. The committee monitors and evaluates programs for variable remuneration, the application of the general meeting's resolutions on guidelines for remuneration to senior executives as well as the current compensation structure and compensation levels in the group. The members of the remuneration committee are Jorma Halonen, Ulrik Svensson and Anders Böös. The remuneration committee met once during 2010 and all members were present.

Annual General Meeting 2010

At the annual general meeting on May 6, 2010, Jorma Halonen was re-elected chairman, Carl Douglas, Tomas Franzén, Eva Lindqvist, Anders Böös and Ulrik Svensson were re-elected as ordinary members of the board. Håkan Kirstein was elected as a new board member. The meeting also resolved to adopt the submitted income statement and balance sheet as well as the consolidated income statement and balance sheet and to allocate the company's retained earnings, to the effect that a dividend of SEK 0.30 per share should be declared for the fiscal year 2009. The meeting also resolved that the board of directors and the CEO should be discharged from liability. In addition to this, the board resolved on directors' fees in accordance with what is stated under the heading "Remuneration to the Board of Directors" on page 23. Furthermore, members of the nomination committee were elected for the period until the annual general meeting 2011, principles were also adopted for how members who leave the nominating committee shall be replaced and the duties of the nomination committee were determined (see "Nomination Committee"). The meeting also resolved to adopt the board's proposal for guidelines for remuneration to senior executives and on the introduction of a long-term performance-based incentive program. The meeting also passed a resolution on authority for the board to resolve on acquisitions and assignment of own shares. Resolutions passed at the annual general meeting 2010 can be found on Niscayah's home page www.niscayah.com.

The Board of Directors

The board of directors met eight times during the year, of which on one occasion was in Dallas, US. See table for the board members' attendance. The CEO gave an account of developments within the group at every board meeting. During the year, the CFO and other Niscayah' employees have also participated in the board meetings to report on particular questions or whenever deemed appropriate.

Remuneration to the Board of Directors

Remuneration to the board of directors is determined in accordance with the resolution of the annual general meeting. The annual general meeting 2010 resolved that total fees of SEK 2,000,000 shall be paid to the board of directors, for the period until the close of the annual general meeting 2011, (including remuneration for committee work), to be allocated among the members as follows: SEK 600,000 to the chairman of the board and SEK 250,000 to each of the other elected members, apart from the CEO. As remuneration for committee work, the chairman of the audit committee shall receive SEK 100,000, and each of the other members of the audit committee shall receive SEK 50,000, no fees are payable for work in the remuneration committee. The chairman of the board and other board members have no pension benefits or agreements relating to termination benefits.

Remuneration to senior executives and auditors

The annual general meeting 2010 resolved to adopt guidelines for principles of remuneration to senior executives and on the introduction of a long-term performance-based incentive program. It was noted that fees to the auditors shall be paid according to invoice. Information about remuneration to senior executives can be found in note 31 in the annual report. For information regarding fees to auditors during 2010, see note 6.

The Board of Director's report on internal control

Under the Swedish Companies Act and the Code, the board of directors is responsible for the internal control.

Control environment

The group has produced a framework for corporate governance. The most important components in the control environment include clear terms of reference for the board, a clear organizational structure with documented delegated decision-making from the board to the group management, and a number of established group policies, routines and frameworks. Generally speaking, the group operates in an organization where managers are given clear goals and authority. Delegation of decision-making is documented in an authorization instruction which provides clear instructions and authority to managers at all levels. The group's more important policies, routines and frameworks include, "Financial Policies and Guidelines", an accounting and reporting manual, a Group Treasury policy and Risk Management policies, which set out risk management mandates, Corporate HR Policy and Guidelines as well as an IT security handbook. The documents are periodically reviewed and updated.

EXAMPLES OF INTERNAL CONTROL PROCESSES

CONTROL PROCESS	AIMS	SCOPE
Operating follow-up/external reports	Continuous follow-up of goals and financial key ratios, which form the basis for ensuring accuracy in the external reports showing the group's position and results.	All group companies. Monthly (operational). Yearly (legal).
Self-assessment	Objective review and assurance with regard to observance of the group's most important policies and guidelines. The objective is to establish company-wide "best practices" and contribute to professional staff development.	All group companies. Yearly.
Letter of Representation	A statement from the local company management in order to secure the local control environment with regard to financial reporting and, by extension, the external consolidated financial statements.	All group companies. Yearly.
Financial follow-up/external reporting	Continuous follow-up of the group's liquidity position, which forms the basis for securing the group's financial position and accuracy in external reporting.	All group companies. Monthly (operational). Yearly (legal).

The group's established internal control processes embrace all of the group's subsidiaries and include methods and activities for securing all group' assets, controlling accuracy and reliability in internal and external financial reporting and for ensuring adherence to adopted guidelines and policies.

Risk management and analysis

At each meeting, the board evaluates the future strategic opportunities, the group's risk exposure and analyzes the company's strategy going forward and prevailing market conditions. The overall responsibility for management of financial and operational risks has been clearly delegated to the CEO who has delegated the day-to-day responsibility in accordance with the established mandate, for identifying, evaluating and handling financial and operational risks as well as responsibility for implementation and maintenance of the control system pursuant to the policies established by the board. Each country management has responsibility for ensuring that there is a process within each country aimed at increasing risk awareness and adherence to guidelines and policies. The group's established policies and processes aim to ensure that risk management shall constitute a part of the group's business culture and strategic work. The process for management of business risks is integrated in the group's business planning and follow up of results. There are clear escalation procedures for ensuring that the group management and the board are continually notified of potential control deficiencies and significant risk exposures.

Information and communication

The group's communication policy is continuously developed in order to give the staff a clear definition of the group's goals, liability and the framework for permissible activities. Information processes are established which aim to furnish the group management and other management functions in the group with adequate reports of the business results in relation to established objectives in order to ensure reliable analysis for controlling the operations.

Self-assessment

An annual self-assessment is performed regarding observance of Financial Policies and Guidelines, IT security handbook and established Corporate Governance documents in order to facilitate evaluation and follow-up of each country organization. Evaluation and follow-up is performed in relation to what extent the defined responsibilities and requirements have been fulfilled based on established guidelines and policies. The self-assessment is signed by the respective country president and controller.

Financial reporting

The local country organization is responsible for ensuring observance of approved policies and guidelines as well as routines for internal control with regard to the establishment of financial reporting. The responsibility also includes ensuring that all financial information is correct, complete and in accordance with internal and external requirements. All reporting units report monthly financial outcomes, accounted for in accordance with the group's accounting policies, International Financial Report Standards (IFRS). The reporting is consolidated and forms the basis for quarterly reports and monthly operational follow-up of the business and financial operations. The operational follow-up takes place according to an established structure where sales, results, cash flow and other important key ratios and trends for the group are compiled and form the basis for analysis and actions. The financial follow-up aims to secure the group's liquidity requirements. Other important and company-wide elements of the internal control are the annual business planning and budgetary processes as well as quarterly forecasts of the financial outcome for the current calendar year.

Letter of Representation

The country management confirms the financial statements annually by signing a Letter of Representation aimed at securing the control environment, which reports the management's opinion on whether the internal control relating to financial reporting and other company-wide reporting provides a true and fair view of the unit's financial position.

Routines for acquisitions

The group has adopted policies and routines in order to ensure that all acquisitions of operations are duly approved and carefully analyzed with regard to the financial and operational consequences of the acquisition. The group conducts regular follow-ups and evaluations of completed acquisitions.

Internal audit

An internal audit function was established during 2010 with the aim of independently verifying that companies in the group are in compliance with the principles and rules found in the group's directives, guidelines and instructions for financial reporting. The head of the internal audit function reports directly to the CFO and to the board's audit committee. The function produces an annual audit plan which is approved by the audit committee and the result of the performed internal audit related activities is presented at the audit committee's meetings.

Proposed distribution of earnings

The annual general meeting has at its disposal the following profits in the parent company

SEK	
Retained earnings	6,433,874,282
Net profit for the year	–195,692,661
Total	**6,238,181,621**
The Board of Directors proposes that:	
To be distributed to the shareholders (365,058,897 shares x SEK 0.30)	109,517,669
To be carried forward	6,128,663,952
Total	**6,238,181,621**

The Board of Directors' statement concerning the proposed dividend

After the proposed dividend, the company's equity/assets ratio amounts to 75.0 percent. Considering that the company's operations continue to be run with profitability, the company's equity/assets ratio is satisfactory. Liquidity in the company is also deemed to be maintainable on a similarly satisfactory level. The board's opinion is that the proposed dividend will not hinder the company in fulfilling its short and long-term obligations, nor from making necessary investments. The proposed dividend can thereby be justified with reference to the provisions of the Swedish Companies Act, chapter 17:3, paragraphs 2–3 (the prudence rule).

As regards the company's results and position in general, refer to the following income statements and balance sheets with accompanying notes to the financial statements.

The Board of Directors and the President affirm that the consolidated financial statements have been prepared in accordance with international accounting standards, IFRS as adopted by the EU and provide a true and fair view of the group's financial position and results of operations. The financial statements have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the parent company's financial position and results of operations.

The statutory administration report for the group and the parent company provides a true and fair review of the development of the group's and the parent company's operations, financial position and results of operations and describes material risks and uncertainties facing the parent company and the companies included in the group.

Stockholm, March 17, 2011

Jorma Halonen
Chairman of the Board

Carl Douglas
Board member

Tomas Franzén
Board member

Eva Lindqvist
Board member

Anders Böös
Board member

Ulrik Svensson
Board member

Peter Alvhed
Employee representative

Mikael Olsson
Employee representative

Håkan Kirstein
President and Board member

Our audit report was submitted on March 18, 2011

PricewaterhouseCoopers AB

Bo Lagerström
Authorized Public Accountant

CONSOLIDATED INCOME STATEMENT

January–December, MSEK	Note	2010	2009
Revenue	5	6,624.3	7,621.0
Cost of goods sold	6, 7, 8	–4,474.0	–5,019.1
Gross profit		**2,150.3**	**2,601.9**
Selling and administrative expenses	6, 7, 8	–1,973.9	–2,109.2
Operating profit		**176.4**	**492.7**
Financial income		139.3	171.0
Financial expenses		–143.7	–203.6
Net financial items	9	**–4.4**	**–32.6**
Profit before tax		**172.0**	**460.1**
Income tax	10	–52,4	–140,4
Net profit for the year		**119,6**	**319,7**
Attributable to:			
The parent company's shareholders		119.3	318.9
Minority interest		0.3	0.8
		119.6	319.7
Earnings per share for profit attributable to the parent company's shareholders during the year (expressed in SEK per share)	11		
before dilution		0.33	0.87
after dilution		0.33	0.87

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January–December, MSEK	Note	2010	2009
Net profit for the year		119.6	319.7
Actuarial gains and losses		–17.6	14.2
Exchange differences		–266.2	–105.4
Other comprehensive income for the year, net after tax	10	**–283.8**	**–91.2**
Total comprehensive income for the year		**–164.2**	**228.5**
Attributable to:			
The parent company's shareholders		–163.4	228.1
Minority interest		–0.8	0.4
Total comprehensive income for the year		**–164.2**	**228.5**

CONSOLIDATED BALANCE SHEET

December 31, MSEK	Note	2010	2009
ASSETS			
Non-current assets			
Goodwill	12, 13	2,012.3	2,196.1
Intangible assets	12, 14	403.6	410.8
Property, plant and equipment	15	164.1	300.9
Non-current financial assets		8.5	7.8
Non-current receivables	16	17.3	16.8
Deferred tax assets	17	175.1	77.5
Total non-current assets		**2,780.9**	**3,009.9**
Current assets			
Inventories		204.7	263.6
Trade receivables	18	1,469.7	1,558.7
Tax receivables		44.0	22.2
Other receivables	19	679.8	730.3
Cash and cash equivalents	21	320.5	511.2
Total current assets		**2,718.7**	**3,086.0**
TOTAL ASSETS		**5,499.6**	**6,095.9**
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves attributable to the parent company's shareholders			
Share capital	22	365.1	365.1
Share premium	22	0.1	0.1
Other reserves		–251.0	14.1
Retained earnings including net profit for the year		1,647.9	1,668.4
Total capital attributable to the parent company's shareholders		**1,762.1**	**2,047.7**
Minority interest		**7.6**	**7.8**
Total equity		**1,769.7**	**2,055.5**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	23	1,294.4	1,498.1
Other non-current liabilities		3.8	4.8
Deferred tax liabilities	17	205.2	157.7
Provisions for pensions	24	106.2	82.4
Other provisions	25	31.6	51.4
Total non-current liabilities		**1,641.2**	**1,794.4**
Current liabilities			
Short-term financial liabilities	20,23	30.0	114.2
Trade payables		562.9	580.7
Tax liabilities		22.1	47.7
Other current liabilities	27	1,362.6	1,460.8
Other provisions	26	111.1	42.7
Total current liabilities		**2,088.7**	**2,246.0**
TOTAL EQUITY AND LIABILITIES		**5,499.6**	**6,095.9**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MSEK	Share capital	Share premium	Reserves[1]	Retained earnings including net profit for the year	Total	Minority interest	Total equity
	EQUITY ATTRIBUTABLE TO THE PARENT COMPANY'S SHAREHOLDERS						
Opening equity at January 1, 2009	**365.1**	**0.1**	**119.1**	**1,444.8**	**1,929.1**	**7.4**	**1,936.5**
Comprehensive income							
Net profit for the year	–	–	–	318.9	318.9	0.8	319.7
Actuarial gains and losses	–	–	–	14.2	14.2	0.0	14.2
Exchange differences	–	–	–105.0	–	–105.0	–0.4	–105.4
Total comprehensive income	**–**	**–**	**–105.0**	**333.1**	**228.1**	**0.4**	**228.5**
Transactions with shareholders							
Dividend	–	–	–	–109.5	–109.5	–	–109.5
Closing equity at December 31, 2009	**365.1**	**0.1**	**14.1**	**1,668.4**	**2,047.7**	**7.8**	**2,055.5**

MSEK	Share capital	Share premium	Reserves[1]	Retained earnings including net profit for the year	Total	Minority interest	Total equity
	EQUITY ATTRIBUTABLE TO THE PARENT COMPANY'S SHAREHOLDERS						
Opening equity at January 1, 2010	**365.1**	**0.1**	**14.1**	**1,668.4**	**2,047.7**	**7.8**	**2,055.5**
Comprehensive income							
Net profit for the year	–	–	–	119.3	119.3	0.3	119.6
Actuarial gains and losses	–	–	–	–17.6	–17.6	0.0	–17.6
Exchange differences	–	–	–265.1	–	–265.1	–1.1	–266.2
Total comprehensive income	**–**	**–**	**–265.1**	**101.7**	**–163.4**	**–0.8**	**–164.2**
Transactions with shareholders							
Buyback of own shares	–	–	–	–12.7	–12.7	–	–12.7
Acquisition of minority	–	–	–	–	–	0.6	0.6
Dividend	–	–	–	–109.5	–109.5	–	–109.5
Closing equity at December 31, 2010	**365.1**	**0.1**	**–251.0**	**1,647.9**	**1,762.1**	**7.6**	**1,769.7**

[1] Reserves, MSEK	2010	2009
Opening reserves	14.1	119.1
Exchange differences from foreign subsidiaries	–194.1	–137.4
Exchange differences from net foreign invest, net after tax	–71.0	32.4
Closing reserves	**–251.0**	**14.1**

CONSOLIDATED STATEMENT OF CASH FLOWS

December 31, MSEK	Note	2010	2009
Cash flow from operating activities			
Profit after financial items		172.0	460.1
Adjustment for items not included in cash flow, etc	30	167.9	212.3
Income taxes paid		–100.6	–66.4
Cash flow from operating activities before changes in working capital		**239.3**	**606.0**
Cash flow from changes in working capital			
Decrease (+), Increase (–) in inventories		35.4	46.2
Decrease (+), Increase (–) in operating receivables		–74.4	625.5
Decrease (–), Increase (+) in operating liabilities		56.5	–334.5
Cash flow from operating activities		**256.8**	**943.2**
Cash flow from investing activities			
Disposal/Acquisition of subsidiaries	30	0.4	–20.0
Purchase of intangible assets		–61.5	–77.2
Purchase of property, plant and equipment		–25.7	–65.3
Cash flow from investing activities		**–86.8**	**–162.5**
Cash flow from financing activities			
Dividends to shareholders		–109.5	–109.5
Buyback of own shares		–12.7	–
Change in borrowings		–204.6	–512.8
Cash flow from financing activities		**–326.8**	**–622.3**
Increase/Decrease in cash and cash equivalents		**–156.8**	**158.4**
Cash and cash equivalents at the beginning of the year	21	511.2	356.4
Exchange differences in cash and cash equivalents		–33.9	–3.6
Cash and cash equivalents at the end of the year	21	**320.5**	**511.2**

THE PARENT COMPANY'S INCOME STATEMENT

January–December, MSEK	Note	2010	2009
Net sales	42	154.5	252.5
Other operating expenses	34,35	–106.1	–108.8
Operating profit		**48.4**	**143.7**
Profit from financial items			
Profit from participations in group companies	36	–219.4	159.7
Other interest income and similar profit/loss items	36	201.1	245.1
Interest expenses and similar profit/loss items	36	–139.7	–254.1
Profit after financial items		**–109.6**	**294.4**
Appropriations	37	–34.4	–93.9
Profit before tax		**–144.0**	**200.5**
Tax on the net profit for the year	38	–51.7	–61.8
Net profit for the year		**–195.7**	**138.7**

THE PARENT COMPANY'S BALANCE SHEET

December 31, MSEK	Note	2010	2009
ASSETS			
Non-current assets			
Intangible assets	39	42.7	32,0
Property, plant and equipment	40	0.6	0,6
Financial assets			
Participations in group companies	33	6,871.0	7,089.3
Receivables from group companies	42	1,420.6	1,521.0
Deferred tax receivable		2.7	2.9
Total non-current assets		**8,337.6**	**8,645.8**
Current assets			
Current receivables			
Current receivables at group companies		437.9	644.4
Prepaid expenses and accrued income		15.0	22.4
Tax assets		14.9	–
Other receivables		0.2	0.2
Total current receivables		**468.0**	**667.0**
Cash and cash equivalents	41	146.0	168.2
Total current assets		**614.0**	**835.2**
TOTAL ASSETS		**8,951.6**	**9,481.0**
SHAREHOLDERS' EQUITY			
Restricted equity			
Share capital	45	365.1	365.1
Statutory reserve		0.1	0.1
		365.2	**365.2**
Non-restricted equity			
Fair value reserve		–112.0	–40.9
Share premium reserve		20.2	20.2
Retained profit		6,545.8	6,529.3
Net profit for the year		–195.7	138.7
		6,258.3	**6,647.3**
TOTAL EQUITY		**6,623.5**	**7,012.5**
Untaxed reserves	37	**274.5**	**240.1**
LIABILITIES			
Non-current liabilities			
Liabilities to credit institutions	43	1,289.1	1,478.7
Liabilities to group companies		16.6	24.4
Other provisions		0.0	6.7
Total non-current liabilities		**1,305.7**	**1,509.8**
Current liabilities			
Trade payables		10.5	16.0
Derivative instruments		16.0	26.7
Liabilities to group companies		685.2	578.1
Current tax liabilities		–	32.6
Other liabilities		1.6	25.1
Accrued expenses and prepaid income		28.5	38.5
Other provisions		6.1	1.6
Total current liabilities		**747.9**	**718.6**
TOTAL EQUITY AND LIABILITIES		**8,951.6**	**9,481.0**
Pledged assets	44	None	None
Contingent liabilities	44	247.7	283.3

THE PARENT COMPANY'S CHANGES IN EQUITY

	RESTRICTED EQUITY		NON-RESTRICTED EQUITY				
MSEK	Share capital	Statutory reserve	Fair value reserve	Share premium reserve	Retained profit	Net profit for the year	**Total equity**
Opening equity at January 1, 2009	**365.1**	**0.1**	**–73.3**	**20.2**	**7,086.6**	**–447.8**	**6,950.9**
Appropriation of profits	–	–	–	–	–447.8	447.8	**0.0**
Translation differences from net foreign investments	–	–	44.3	–	–	–	**44.3**
Taxes attributable to items recognized directly in equity	–	–	–11.9	–	–	–	**–11.9**
Total capital changes recognized directly in equity	**0.0**	**0.0**	**32.4**	**–**	**–447.8**	**447.8**	**32.4**
Net profit for the year	–	–	–	–	–	138.7	**138.7**
Total capital changes, excl. transactions with the company's owners	**0.0**	**0.0**	**32.4**	**–**	**–447.8**	**586.5**	**171.1**
Dividend	–	–	–	–	–109.5	–	**–109.5**
Closing equity at December 31, 2009	**365.1**	**0.1**	**–40.9**	**20.2**	**6,529.3**	**138.7**	**7,012.5**

	RESTRICTED EQUITY		NON-RESTRICTED EQUITY				
MSEK	Share capital	Statutory reserve	Fair value reserve	Share premium reserve	Retained profit	Net profit for the year	**Total equity**
Opening equity at January 1, 2010	**365.1**	**0.1**	**–40.9**	**20.2**	**6,529.3**	**138.7**	**7,012.5**
Appropriation of profits	–	–	–	–	138.7	–138.7	**0.0**
Buyback, own shares	–	–	–	–	–12.7	–	**–12.7**
Translation differences from net foreign investments	–	–	–96.3	–	–	–	**–96.3**
Taxes attributable to items recognized directly in equity	–	–	25.2	–	–	–	**25.2**
Total capital changes recognized directly in equity	**0.0**	**0.0**	**–71.1**		**126.0**	**–138.7**	**–83.8**
Net profit for the year	–	–	–		–	–195.7	**–195.7**
Total capital changes, excl. transactions with the company's owners	**0.0**	**0.0**	**–71.1**		**126.0**	**–334.4**	**–279.5**
Dividend	–	–	–	–	–109.5	–	**–109.5**
Closing equity at December 31, 2010	**365.1**	**0.1**	**–112.0**	**20.2**	**6,545.8**	**–195.7**	**6,623.5**

THE PARENT COMPANY'S CASH FLOW STATEMENT

January–December, MSEK	Note	2010	2009
Cash flow from operating activities			
Profit after financial items		–109.6	294.4
Depreciation, amortization and impairments		366.1	55.5
Unrealized exchange differences		–21.8	–11.5
Income taxes paid		–71.7	–42.4
Cash flow from operating activities before changes in working capital		**163.0**	**296.0**
Cash flow from changes in working capital			
Decrease (+) in operating receivables		101.0	36.4
Decrease (–) Increase (+) in operating liabilities		–119.1	259.2
Cash flow from operating activities		**144.9**	**591.6**
Cash flow from investing activities			
Acquisition of property, plant and equipment		–0.1	–
Acquisition of intangible assets		–13.0	–16.8
Acquisition of shares in subsidiaries		–0.7	–15.9
Disposal of financial assets		68.0	112.1
Cash flow from investing activities		**54.2**	**79.4**
Cash flow from financing activities			
Dividends to shareholders		–109.5	–109.5
Buyback of own shares		–12.7	–
Amortization of loans		–99.1	–516.1
Cash flow from financing activities		**–221.3**	**–625.6**
Change in cash and cash equivalents		**–22.2**	**45.4**
Cash and cash equivalents at the beginning of the year	41	168.2	122.8
Cash and cash equivalents at the end of the year	41	**146.0**	**168.2**

NOTES

THE GROUP'S NOTES

THE PARENT COMPANY'S NOTES

THE GROUP'S NOTES

Niscayah Group AB

Niscayah Group AB (the Parent Company) and its subsidiaries (together the Group) is a world-leading system integrator within security, offering complete security solutions for customers with high security demands. The group has operations in 14 European countries as well as in the US. In Australia, Niscayah conducts system development via its subsidiary Pacom.

The parent company is a limited liability company registered and with its domicile in Sweden. The address of the head office is Box 12231, 102 26 Stockholm. These financial statements have been approved by the board of directors for publication on March 17, 2011 and will be submitted for adoption at the annual general meeting on May 3, 2011. The parent company is listed on NASDAQ OMX Stockholm.

Note 1

ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these annual financial statements are set out below. The same policies are normally applied in both the parent company and the group. These policies have been applied consistently for all presented years, unless otherwise stated.

BASIS OF RECOGNITION

Niscayah Group AB's consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS) as adopted within the EU and the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups. In preparation of the parent company's financial statements, the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities, and the Annual Accounts Act have been applied. The financial statements for both the group and the parent company refer to the fiscal year which ended on December 31, 2010. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial liabilities (including derivative instruments) measured at fair value through profit or loss. The parent company applies the same accounting policies as the group except in the cases described below in the section "The Parent Company's accounting policies". The preparation of financial state-ments in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.

INTRODUCTION OF NEW AND REVISED IAS/IFRS

IFRS are under continuous development. On preparation of the consolidated financial statements on December 31, 2010, a number of standards and interpretations were published, of which only some have become effective. An assessment of the effect that the introduction of these standards and statements has had, and which may have, on Niscayah Group's financial statements, follows below. Only the changes which have, or which could have, a material impact on Niscayah's accounts are commented on.

New standards and amendments (IAS/IFRS) and interpretations (IFRIC) which became effective in 2010 and were adopted by the EU:

- IFRS 3 Business Combinations has been revised (effective on July 1, 2009). The revision shall be applied prospectively for all business combinations where the date of acquisition occurs in the first annual period starting on July 1, 2009 or later. For Niscayah, this means new acquisitions which take place from and including 2010. The consideration and any contingent consideration to purchase a business shall be recognized at fair value on the date of acquisition. Transaction costs may no longer be included in the cost of acquisition but must be expensed immediately. In step acquisitions when control is attained, any previously acquired net assets in the acquired entity are remeasured to fair value and the result of the remeasurement is recognized in profit or loss. Effects from remeasurement on payment of the liability related to contingent consideration shall be as recognized in the net profit for the period. On a transaction by transaction basis, any non-controlling interest in an acquisition under 100 % is determined either as a proportionate share of the fair value of identifiable net assets excluding goodwill under previous rules (partial goodwill) or at fair value which means that goodwill is also recognized on any non-controlling interest (full goodwill). The group applies these amendments in IFRS 3 for new acquisitions from January 1, 2010.
- IAS 27 Consolidated and Separate Financial Statements has been revised (became effective on July 1, 2009). Losses relating to any non-controlling interest shall be recognized even if it means that the participating interest becomes negative. Transactions in respect of any non-controlling interest where control is retained shall be recognized as equity transactions. If the control ceases on disposal, the gain or loss is recognized in profit or loss, any residual share in the disposed of entity is subsequently measured at fair value on the date of disposal and the effect is also recognized in profit or loss. The group applies the amendments in IAS 27 from January 1, 2010.
- IFRS 2 (amendment) Group cash-settled and share based payment transactions. The amendment means that IFRIC 8 "Scope of IFRS 2" and IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions" are worked into the standard. In addition, the previous guidance in IFRIC 11 is supplemented regarding classification of inter-company transactions, which is not dealt with in the interpretation. This new guidance has not had any material impact on the group's financial statements as the interpretations in IFRIC 8 and 11 have already been worked into the group's accounting policies.

Apart from the above changes, the following amendments to standards (IAS/IFRS) and new and amended interpretations (IFRIC) became effective in 2010 and were adopted by the EU. None of these have had any material impact on Niscayah Group's financial reporting.

– IAS 39 Financial Instruments: Recognition and measurement
– IFRIC 9 Reassessment of Embedded Derivatives
– IFRIC 12 Service Concession Arrangements
– IFRIC 15 Agreements for the Construction of Real Estate
– IFRIC 16 Hedges of a Net Investment in a Foreign Operation
– IFRIC 17 Distribution of Non-cash Assets to Owners
– IFRIC 18 Transfers of Assets from Customers
– Improvements to IFRS (April 2009)

New standards, amendments and interpretations adopted by the EU but not yet effective and applied in advance:

IFRIC 14 The Limit on a Defined Benefit Asset etc. (effective on January 1, 2011). The interpretation has been amended in respect of how recognition shall take place of voluntary prepayments to a pension plan for which there is a minimum funding requirement. Niscayah Group will apply the new interpretation but it is not expected to have any material impact on Niscayah Group's financial reporting.

In addition to the above change, the following amendments to standards (IAS/IFRS) as well as new and amended interpretations (IFRIC) adopted by the EU will become effective. None of these is expected to have any material importance on Niscayah Group's financial reporting;

– IFRS 1 First-time Adoption of IFRS
– IFRS 2 Share-based payment
– IAS 1 Presentation of Financial Statements – makes clear that a company

shall present an analysis of each item in other comprehensive income for every component in equity, either in the statement of changes in equity or in the notes to the financial statements.
– IAS 24 Related Party Disclosures
– IAS 32 Financial instruments: Presentation
– IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

New standards, amendments and interpretations published by IASB but either not yet effective or not yet adopted by the EU:

- IFRS 9 Financial instruments (effective on January 1, 2013): the first of three stages of the new standard was presented as a part of the reform that aims to entirely replace IAS 39 with a principle-based and less complex accounting standard. The first stage concerns recognition and measurement of financial assets and liabilities. Under the new standard, there are two categories of financial assets; 1) Financial assets measured at amortized cost and 2) Financial assets measured at fair value. A financial asset must be measured at amortized cost only if both of the following conditions are met; 1) the instrument is used in accordance with the company's business model on the basis of contractual cash flows and 2) the instrument's cash flows are attributable to payment of nominal amounts and interest. All other instruments must be measured at fair value where changes in fair value are recognized in the net profit for the period under benchmark treatment. Gains and losses related to equity instruments either must be recognized in profit or loss or in other comprehensive income provided that the instrument is not held for trading. No recycling is allowed of gains or losses to profit or loss which are recognized in comprehensive income. IFRS 9 is only expected to have a marginal impact on Niscayah's Group's financial reporting.

- IFRS 7 Financial instruments: Disclosures (will become effective on July 1, 2011) has been amended in respect of disclosure requirements for risk exposure and disclosures about continued investment in financial assets which are transferred but which do not meet the requirements for derecognition. Niscayah Group will apply the new disclosure requirements but the amendment is not currently expected to have any material importance for Niscayah Group's financial reporting.

- Apart from the above, the following amendments to standards (IAS/IFRS) and new and amended interpretations (IFRIC) have been published by IASB but are either still not effective or not yet adopted by the EU. None of these is expected to have any material impact on Niscayah Group's financial reporting.

– IAS 12 Income Taxes (will become effective on January 1, 2012)
– IFRS 1 First-time Adoption of IFRS
– Improvements to IFRS (May 2010)

CONSOLIDATION

Subsidiaries

Subsidiaries are all the entities (including entities for special purposes) over which the group has the right to set financial and operating strategies in the manner generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are to be included in the consolidated financial statements from and including the date on which the control is transferred to the group. They are to be excluded from the consolidated financial statements from and including the date on which control ceases.

The purchase method is used for recognition of the group's business combinations. The consideration for the acquisition of a subsidiary consists of the fair value of the assumed assets, liabilities and the shares issued by the group. The consideration also includes fair value of all assets or liabilities which are the result of an agreement on contingent consideration. Costs related to the acquisition are expensed as they arise. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. For each acquisition, the group determines if all non-controlling interests in the acquired entity are recognized at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The amount by which the consideration, any non-controlling interest and the fair value of previous shareholdings on the date of acquisition exceeds the fair value of the group's share of the identifiable net assets acquired, is recognized as goodwill. If the amount is less than the fair value of the acquired subsidiary's assets, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions and balance sheet items, as well as unrealized gains and losses on transactions between group companies, are eliminated. Where appropriate, the accounting policies for subsidiaries have been changed to ensure the consistent application of the group's policies.

Transactions with minority shareholders

Net profit for the year is stated in the income statement without deduction for the minority's share of the net profit for the year. Minority participation in the equity of subsidiaries is recognized as a separate item in the group's equity in the balance sheet. Negative minority participation, a receivable with a minority, is recognized only when there is a legal obligation for the minority to cover recognized losses.

Inter-company transactions

Pricing of deliveries between group companies is determined using normal business principles. The term "group companies" refers to all companies which Niscayah Group AB owns or controls according to the definition presented above under "Consolidation". The group has a transfer pricing policy based on the transfer pricing guidelines for multinational companies and tax administration published by the OECD. All relationships based on this policy are supported by written agreements between the parties involved. The concept is based on a specification of function and risk between the different units within Niscayah. Profits are allocated according to the functions generating the profits, the risks undertaken and available industry comparisons.

TRANSLATION OF FOREIGN CURRENCIES

Functional and presentation currency

The functional currency of each of the group's subsidiaries is normally determined by the primary economic environment in which the entity operates, that is, the currency in which the company primarily generates and expends cash. The presentation currency of the group, that is, the currency in which the financial statements are presented, is the Swedish krona (SEK), which is also the parent company's functional and presentation currency.

Translation of foreign subsidiaries

The translation of the financial statements of each foreign subsidiary takes place as follows: Each month's income statement is translated using the exchange rate prevailing on the last day of the month, which gives an average exchange rate for the year. Balance sheets are translated using exchange rates prevailing at each balance sheet date. Translation differences arising in the translation of balance sheets are recognized in other comprehensive income. The translation difference arising due to the translation of income statements at average rates and the translation of balance sheets at closing day exchange rates is recognized in other comprehensive income.

Transactions and balance sheet items

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the dates of the transactions or on the date when the items were remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Exchange differences on loans to subsidiaries that are considered net investments in foreign operations and which are not expected to be repaid are recognized in other comprehensive income. On divestment of a foreign operation, in part or entirely, the exchange differences recognized in equity are posted to the income statement and recognized as a part of the capital gain/loss. Foreign exchange gains and losses attributable to borrowing and cash and cash equivalents are recognized as financial income or expenses in the income statement. All other foreign exchange gains and losses are recognized in the item "Other gains/losses – net" in the income statement.

REVENUE RECOGNITION

The group's revenue is attributable to various types of alarm monitoring services and the sale of alarm products. Revenue is shown exclusive of value added tax, returns and discounts and after eliminating sales within the group. Revenue attributable to alarm monitoring services, primarily from various types of subscriptions, is allocated over the period of the contract. For alarm installations completed and alarm commissions, the income and expenses attributable to the commission are reported as income and expenses in proportion to the degree of completion of the commission as per balance sheet date (the percentage of completion method). The degree of completion of a commission is determined by comparing the expenses incurred on the balance sheet date with the estimated total expenditure. In the event that the outcome of an alarm installation or alarm commission cannot be estimated in a reliable manner, income is reported only to the extent to which it corresponds to expenses incurred for the commission and for which it is likely that the company will be reimbursed by the client.

Other revenue is earned and recognized as follows:

- Interest income is reported in the income statement in the period to which it refers based on the effective interest method.
- Dividend income is recognized in the income statement when the right to receive payment is established.

As assets, the group recognizes receivables from clients for all ongoing commissions for which commission expenditure and recognized profits (after deduction of recognized losses) exceed amounts invoiced. Partially invoiced amounts that have not yet been paid by the customer and amounts withheld by the client are included in the item Other receivables. As liabilities, the group recognizes all liabilities to clients for ongoing commissions for which amounts invoiced exceed commission expenditure and recognized profits (after deduction of recognized losses).

SEGMENT REPORTING

According to IFRS 8, financial information regarding operating segments should be based on what information is followed up internally by the chief operating decision-maker. In Niscayah, the President and CEO is the chief operating decision-maker who monitors the operations based on geographical regions. Operating revenue EBITA is reported for the segments in accordance with how the operations are followed up internally.

– Mainland Europe
– US/UK/Ireland
– Other

See note 5 for more information regarding operating segments.

GOVERNMENTAL ASSISTANCE

Niscayah, in common with other employers, is eligible for a number of employee-related governmental grants. These grants may relate to training, recruitment, reduction of working hours, etc. All grants are recognized in the income statement as a cost reduction in the same period as the related underlying cost.

CURRENT AND DEFERRED INCOME TAX

The tax expense for the period includes current and deferred income tax. Taxes are recognized in the income statement, except when the tax refers to items recognized directly in equity. In such cases the tax is also recognized in equity.

The current tax expense is calculated on the basis of the tax regulations that were decided on the balance sheet date or which in practice were decided in the countries where the parent company's subsidiaries and associated companies operate and generate taxable income. The management regularly assesses the applications made in income tax returns in relation to situations where applicable tax regulations are the subject of interpretation. When considered appropriate, provisions are made for amounts that are likely to be paid to the Swedish Tax Agency.

Deferred income taxes are recognized, using the liability method on all temporary differences arising between the taxable value of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not recognized if it arises as a consequence of a transaction which constitutes the first recognition of an asset or liability which is not a business combination and which, at the date of the transaction, neither affects the recognized or taxable result. Deferred income tax is calculated using the tax rates (and legislation) which have been decided or announced on the balance sheet date and that are expected to apply when the deferred tax asset in question is realized or the deferred tax liability settled.

Deferred tax assets are recognized to the extent that it is probable that future tax surpluses will be available, against which the temporary differences can be offset.

Deferred income tax is provided on the basis of the temporary differences arising on participations in subsidiaries and associated companies, except when the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset when there is a legal offset right for current tax assets and current tax liabilities and when the deferred tax assets and deferred tax liabilities refer to taxes levied by the same tax authority and either relate to the same or different taxable subjects, where it is intended to settle the balance through net payments.

CASH FLOW STATEMENT

The cash flow statement has been prepared in accordance with the indirect method. Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Blocked funds in bank accounts are not included in cash and cash equivalents.

INTANGIBLE ASSETS

Goodwill

Goodwill represents the amount by which the cost of an acquisition exceeds the fair value of the group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is recognized as an intangible asset. Goodwill is tested annually in order to identify if a possible impairment need exists and is carried at cost less accumulated impairment losses. Impairment losses of goodwill are not reversed. Gains or losses on disposal of an entity include the residual carrying amount of the goodwill relating to the entity sold.

Goodwill is distributed among cash generating units upon testing for possible impairment needs. The allocation is made among the cash generating units or groups of cash generating units, determined according to the group's operating segments, which are expected to benefit from the business combination in which the goodwill item arose.

Acquisition related intangible assets

Acquisition related intangible assets which may be recognized in conjunction with an acquisition include various types of intangible assets, such as marketing-related, customer-related, contract-related and technology-based intangible assets. Other acquisition related intangible assets normally have a limited useful life. These assets are recognized at fair value on the date of acquisition and, subsequently, are carried at acquisition cost less accumulated amortization and any accumulated impairment losses. Assets are amortized on a straight-line basis over their estimated useful lives. Niscayah's acquisition related intangible assets relate mainly to contract portfolios and associated customer relationships, based on the churn rate of the acquired portfolios and are normally within the range of 5 to 20 years.

OTHER INTANGIBLE ASSETS

Other intangible assets, i.e. other than goodwill and acquisition related assets are recognized if it is probable that the expected future economic benefits attributable to the assets will accrue to the group and that the cost of the assets can be measured reliably. Other intangible assets normally have a limited useful life. These assets are recognized at cost less accumulated amortization and any accumulated impairment losses.

Straight-line depreciation/amortization is applied for all asset classes as follows:

Software licences	3–7 years
Other intangible assets	3–5 years
Acquisition related intangible assets	5–20 years

Rental rights and similar rights are amortized over the same period as the underlying contractual period. Estimated useful lives are assessed annually. Revisions are made when considered necessary.

Property, plant and equipment

Property, plant and equipment is recognized at historical cost less accumulated straight-line depreciation and any accumulated impairment losses. Additional expenses are capitalized as a portion of the non-current asset's historical cost if it is deemed that underlying measures will increase the value of the asset. Straight-line depreciation is based on historical cost and the estimated useful life of the asset.

The straight-line depreciation method is applied for all asset classes as follows:

Machinery and equipment	4–10 years
Buildings and land improvements	25–66 years
Land	0

Estimated useful lives are assessed annually. Revisions are made when considered necessary.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization but are tested annually for impairment. Assets that are amortized are assessed in respect of impairment whenever events or changes in circumstances indicate that the carrying amount may not actually be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Value in use is measured as current value of expected future cash flows. The calculation of the value in use necessitates that a number of assumptions and estimates are made. The most significant assumptions concern organic sales growth, development of the operating margin, the utilization of operating capital and the relevant WACC rate, which is used to discount future cash flows. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). For assets, other than financial assets and goodwill, which have previously been impaired, a test is carried out on each balance sheet date to determine if a reversal should be made.

LEASES

When a lease in which the group, as the lessee, assumes a significant portion of the economic risks and rewards associated with the leased object, so-called financial leasing, the object is recognized as a non-current asset in the consolidated balance sheet. The net present value of the corresponding obligation to pay leasing fees in the future is reported as a liability. The asset held under a financial lease, and its corresponding obligation, is recognized at the lowest of fair value and the present value of the minimum leasing fees. In the consolidated income statement, leasing payments are divided between depreciation and amortization and interest. Non-current assets that are held under financial leasing contracts are depreciated during the shorter of the asset's useful life and the period of the lease. The operational leasing agreements in which the group is lessee are recognized in the consolidated income statement as an operating cost. Where the group is lessor, income is recognized as sales over the period of the lease. Depreciation is reported in operating profit.

TRADE RECEIVABLES

Trade receivables are recognized at amortized cost, net after provision for expected bad debt losses. Trade receivables run with normal terms of payment, and, consequently, amortized cost is deemed to be fair value. Expected and recognized bad debt losses are recognized in the income statement within "cost of goods sold". Prepayments from customers are recognized in the balance sheet under "Other current liabilities".

INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work-in-progress comprises material costs, direct salaries and other direct costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The necessary deductions for obsolescence have been made.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

FINANCIAL INSTRUMENTS

Classification:

The group classifies outstanding financial instruments in the following categories:

- Financial assets at fair value through profit or loss
- Loan receivables and other receivables
- Financial liabilities at fair value through profit or loss
- Other financial liabilities

Financial instruments are classified at the time of the investment, based on the purpose of the investment, which determines the initial recognition as well as the current valuation and recognition of the financial instrument. The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Niscayah applies transaction date accounting.

RECOGNITION AND MEASUREMENT

Financial assets measured at fair value through profit or loss

Financial assets, such as foreign exchange and interest derivatives with positive values are classified within this category. These assets are recognized at fair value and changes in value are recognized in net financial items in the income statement as they arise. Assets in this category are classified as current assets and are included in the balance sheet item "short-term financial assets".

Loan receivables and other receivables

Assets such as loan receivables and other operating receivables, which have fixed or determinable payments but are non-derivative instruments, and that are not quoted in an active market are initially recognized at cost, which is considered to correspond with fair value and amortized cost. Trade receivables are included in this category but are recognized separately in the balance sheet and the accounting policies can be found under their own heading, Trade receivables, above.

Financial liabilities measured at fair value through profit or loss

Financial liabilities, such as foreign currency and interest derivatives with negative values are classified within this category. These liabilities are reported at fair value and changes in value are recognized as net financial items in the income statement as they arise. Liabilities in this category are recognized and are included in the balance sheet item "short-term financial liabilities".

Other financial liabilities

Liabilities such as borrowings and operating liabilities are classified within this category and are initially recognized at cost which corresponds with fair value. These assets are measured on an ongoing basis at amortized cost. Borrowings are initially recognized at nominal amount. Where a premium/discount exists; this is reported separately and allocated over the term of the loan. Trade payables are included in this category but are recognized under their own heading in the balance sheet. Trade payables are recognized at cost which is assessed to correspond with the amortized cost.

EMPLOYEE BENEFITS

Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, where the payments are determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate legal entity. The group has no legal or constructive obligations to pay further contributions if this legal entity has insufficient assets to pay all remuneration to employees that is connected with the employees' service during current or prior periods. A defined benefit plan is a pension scheme that is not a defined contribution plan. Characteristic for defined benefit plans is that they state the amount of the pension benefit an employee will receive after retirement, generally based on one or more factors such as age, period of service and salary.

The liability recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets, with adjustments for non-recognized actuarial gains and losses as well as unrecognized costs in respect of service during previous periods. The defined benefit pension obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rate of high quality corporate bonds that are issued in the same currency as the payments will be made in, that have terms comparable to the current pension liability.

Actuarial gains and losses as a result of empirical adjustments and changes in actuarial assumptions are recognized in other comprehensive income during the period in which they arise.

Costs in respect of service performed during previous periods are recognized directly in the income statement, unless the changes in the pension plan are conditional on the employees remaining in service during a specified period (the vesting period). In such cases the cost in respect of the service during prior periods is allocated on a straight-line basis over the vesting period.

The group pays fees for defined benefit pension plans to public or private administered pension insurance schemes on a mandatory, contractual or voluntary basis. The group has no further payment obligations when the contributions have been paid. The contributions are recognized as personnel expenses when they are due for payment.

Other post-employment obligations

Disability and family pensions within the ITP plan are funded through insurance with the insurance company, Alecta. According to a statement from the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council, the ITP plan is defined as a defined benefit plan which embraces many employers. Niscayah has not had access to information from Alecta allowing it to report disability and family pensions as defined benefits; rather these have instead been reported as defined contribution plans.

Compensation on termination of employment

Compensation in the event of termination is payable when the employment is terminated prior to the normal retirement age or when the employee accepts voluntary retirement in exchange for such compensation. The group recognizes termination benefits when it is evident that it is obligated to terminate the employment either by a formal detailed plan without the possibility of revocation; or to pay compensation in the event of termination as a result of an offer made to encourage voluntary retirement.

PROVISIONS

Provisions are recognized when the group has a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions for restructuring include costs for termination benefits and future terminated rent for premises. Warranty provisions are recognized in the period in which the sale of the products covered by the warranty takes place, and are calculated according to historic costs for equivalent obligations.

DIVIDENDS

Dividend distribution to the parent company's shareholders is recognized as a liability in the group's financial statements in the period in which the dividends are approved by parent company's shareholders.

EARNINGS PER SHARE

The calculation of earnings per share is based on the group's net profit for the year attributable to the parent company's shareholders and on the weighted average number of shares in issue during the year.

CONTINGENCIES

A contingent liability is recognized when there is a possible obligation arising from past events and whose occurrence can only be confirmed by one or more uncertain future events or when an obligation arises which cannot be reported as a liability or provision as it is not probable that an outflow of resources will be required.

THE PARENT COMPANY'S ACCOUNTING POLICIES

The parent company has prepared its financial statements in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 'Accounting for Legal Entities'. RFR 2 states that in the financial statements, the parent company shall apply the International Financial Reporting Standards (IFRS) as adopted by the EU whenever possible within the framework of the Swedish Annual Accounts Act and the Swedish Act on Safeguarding of Pension Commitments, taking into account the relationship between recognition and taxation. The recommendation states which exemptions from and amendments to IFRS should be utilized.

Differences between the Group and the Parent Company accounting policies

The differences between the accounting policies applied by the group and the parent company are shown below. The accounting policies stated below for the parent company have been consistently applied for all periods presented in the parent company's financial statements.

Layout

The income statement and balance sheet follow the layout prescribed in the Swedish Annual Accounts Act. This implies differences compared with the consolidated financial statements, particularly in relation to financial income and expenses, provisions and shareholders' equity.

Exchange differences

Foreign exchange differences on monetary items constituting part of the parent company's net investment in a foreign operation are reported directly against equity in a fair value reserve.

Shares and participations in subsidiaries

Participations in subsidiaries are recognized at cost less possible impairment losses. Received dividends are only recognized as income to the extent that they pertain to profits earned subsequent to the acquisition. Dividends which exceed this earned profit are treated as a repayment of the investment and reduce the carrying amount of the participation. An estimation of the recoverable amount is made when there is an indication that shares and participations in subsidiaries have decreased in value. An impairment is made, if it is lower than the carrying amount. Impairment losses are recognized in the item 'Profit from participations in group companies'.

Leasing

All leases, regardless of whether they are financial or operational are recognized as operating leasing (leasing agreements).

Pension obligations

The parent company's pension obligations are recognized in accordance with FAR SRS accounting recommendation No.4. Certain pension obligations of the parent company have been covered through insurance agreements with insurance companies. Other pension obligations have not been secured through insurance. The parent company applies another basis for calculation of defined benefit plans than that stated in IAS 19. The most significant differences compared with the provisions in IAS 19 deal with the manner in which the discount rate is determined, that calculation of defined benefit obligations takes place on the basis of current salary levels without assumptions of future salary increases, and the recognition of all actuarial gains and losses in the income statement when they arise.

Deferred income tax

Amounts allocated to untaxed reserves represent taxable temporary differences. However, due to the connection between recognition and taxation, the deferred tax liability on untaxed reserves is recognized in a legal entity as a part of the untaxed reserves. Appropriations in the income statement are also recognized including deferred tax.

Guarantee commitments/financial guarantees

Niscayah Group AB has entered into guarantee commitments for the benefit of subsidiaries. Such a commitment is classified under IFRS as a financial guarantee agreement. The parent company applies the relief provision in RFR 2 item 72 for these agreements, and thereby recognizes the guarantee commitment as a contingent liability. Provisions are made when the company considers it likely that a payment will be required to settle a commitment.

Group contribution and shareholders' contribution

The company applies the Swedish Financial Reporting Board's statement UFR2, group contribution and shareholders' contribution. Shareholders' contributions paid are recognized as an increase in the value of shares and participations. An assessment is subsequently made as to whether an impairment need exists regarding the value of the shares and participations in question. Group contributions are recognized according to the financial content. This implies that group contributions paid or received with a view to lowering the group's total tax are reported directly against unappropriated profits after deduction for present tax effects. Group contributions that are equivalent to dividends are reported as income from group companies in the income statement.

Group contributions paid that are equivalent to shareholders' contributions are reported, with consideration of present tax effects, in accordance with the principle for shareholders' contributions above.

Other

Amounts in tables and other compilations have been individually rounded off. Minor rounding off differences can therefore arise in summation.

Note 2

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the prevailing circumstances.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The group makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, rarely correspond with the actual results. The estimates and assumptions that involve a material risk for significant adjustments in the carrying amounts of assets and liabilities during the next financial year are dealt with in outline below.

Testing for impairment needs of goodwill

In connection with the impairment testing of goodwill and other acquisition related intangible assets, book value is compared with the recoverable amount. The recoverable amount is based on the higher of an asset's net realizable value and its value in use. As, under normal circumstances no quotes of market prices are available to assess an asset's net realizable value, the value in use is normally the value against which the book value is compared. The calculation of the value in use necessitates that a number of assumptions and estimates are made. The most significant assumptions concern organic sales growth, development of the operating margin, the utilization of operating capital employed and the relevant WACC rate, which is used to discount future cash flows. No indication of impairment which has to be charged to the accounting year has been identified. The residual goodwill in the balance sheet amounted to MSEK 2,012 (2,196) on December 31, 2010.

Acquisition of subsidiaries

On acquisitions of subsidiaries or operations, these companies' contract portfolios are measured separately. This measurement is based on the Multiple Excess Earnings Method (MEEM), which is one of the valuation models based on discounted cash flow. The measurement is based on the churn and yield for the acquired portfolio at the date of acquisition. In the model, a special cost or yield requirement in the form of a contributory asset charge for the assets utilized is charged so that the intangible assets can generate a yield. The cash flow is discounted after tax by a weighted capital expense, WACC, which is adjusted with reference to the local interest levels in the countries in which acquisitions have been made. The contract portfolio in the balance sheet amounted to MSEK 196 (246).

Revenue recognition

Niscayah uses the percentage-of-completion method in accounting for its fixed-price projects for sales of installation services. Use of the percentage-of-completion method requires Niscayah to estimate the services performed by the balance sheet date as a proportion of the total services to be performed (the degree of completion of the project). This requires the level of income and expenses to be determined in a reliable way. For this, it is necessary to have effective and coordinated systems for the calculation, forecasting and reporting of income/expenses in the group. It also requires a consistent assessment of the final outcome of the project. This critical assessment is carried out at each accounting year-end. The balance sheet includes a receivable from clients of MSEK 381 (434).

Taxes

Deferred tax is calculated on temporary differences between the tax bases of assets and liabilities and their carrying amounts. Two types of assumptions and estimates primarily affect the deferred tax stated. These are assumptions and estimates in order to determine the carrying amount of different assets and liabilities and in respect of future taxable profits in those cases where a future utilization of deferred tax assets is dependent on this. At December 31, 2010, MSEK 104.1 was recognized as deferred tax assets based on assumptions of future taxable profits. Niscayah's assumptions and estimates of future taxable profits have been made taking account of the prevailing market situation. There is a total deficit of approx. MSEK 79 which has not been capitalized but could be suitable for capitalization in an improved market climate. For further information about taxes see notes 10 and 17.

Pensions

The cost and value of pension obligations for defined benefit pension plans are based on actuarial calculations proceeding from assumptions regarding the discount rate, expected return on plan assets, future salary increases, inflation and demographic circumstances. Assumptions about the discount rate are based on high quality fixed-interest investments and terms approximating the group's current pension obligations. The net sum of the group's defined benefit obligations and the fair value of plan assets amounted to MSEK 106.2 on December 31, 2010. For further information see note 24.

Note 3

FINANCIAL RISK MANAGEMENT

Niscayah is exposed to a number of financial risks, primarily interest risk, foreign exchange risk, refinancing risk and credit/counterparty risk as a consequence of the group's international operations and its position as a net borrower.

The group's financial management is centralized to the group's internal bank, Group Treasury, within the parent company, which enables efficient and coordinated management and control of the financial risks as well as a centralized management of the group's liquidity and funding needs. The group's risk assessment which all risk management is based on is defined in the Treasury policy, established by the board of directors. The policy aims to limit the group's risk exposure on the basis of approved mandates with the aim of minimizing potential negative effects on the group's financial performance.

FOREIGN EXCHANGE RISK

Foreign exchange rate risk is the risk that changes in exchange rates may have a negative impact on the group's results through future business transactions, recognized assets and liabilities as well as net investments in foreign operations expressed in a currency that is not the presentation currency of the group. The group's currency exposure related to translation of balance sheets and income statements of foreign subsidiaries to Swedish kronor is significant. This exposure is primarily managed by ensuring that the external funding of the parent company and the internal funding of subsidiaries takes place in subsidiaries' local currencies The group has a very limited foreign exchange rate exposure due to business transactions in foreign currencies. Outstanding foreign exchange derivative instruments entered into for the purpose of hedging future payment flows amounted to a net sum of MSEK 0 (–29) as at December 31, 2010.

The group's borrowings allocated per currency

MSEK	2010	2009
SEK	950	900
EUR	140	374
USD	206	224
Other	–	14
Total	**1,296**	**1,512**

Nominal amounts are shown in the above table. Nominal amounts in respect of funding in foreign currencies are translated at the year-end exchange rate.

EXCHANGE RATE SENSITIVITY

The group operates internationally and is exposed to foreign exchange risk arising from different currency exposures, particularly relating to the US dollar (USD) and Euro (EUR). If the Swedish krona had weakened/strengthened by 10 percent in relation to the Euro, with all other variables unchanged, the group's profit before financial items and tax as at December 31, 2010, would have been MSEK 22 (25) lower/higher. If the Swedish krona had weakened/strengthened by 10 percent in relation to the US dollar, with all other variables unchanged, the group's profit before financial items and tax as at December 31, 2010, would have been MSEK 3 (3) lower/higher.

INTEREST RISK

Interest risk is defined as the risk that changes in interest rate levels may affect the group's results negatively as a consequence of Niscayah's position as a net borrower. The group's primary long-term credit facility runs with floating interest rates and the interest risk relating to the cash flows is managed by the use of interest rate swap contracts for the purpose of obtaining a fixed interest flow and consequently the preferred duration according to established mandates. The fixing period of the loan portfolio was 16.6 months (19.9) at year-end, including interest rate derivatives.

INTEREST SENSITIVITY

A concurrent change in interest rates by one percentage point, all other variables unchanged, would affect Niscayah's net interest income for the year by MSEK 2.3 (1.2).

CREDIT RISK AND COUNTERPARTY RISK

Financial credit risk

Credit and counterparty risk refers to the risk for loss and negative impact on the group's results due to counterparties' inability to fulfil their obligations. The group is exposed to financial credit risk when investing in financial assets and trading in derivative instruments. The established Treasury policy is conservative in respect of counterparty risk. Accepted exposure is dependent on the rating/creditworthiness of the counterparty and the duration of the transaction and international standardized netting agreements, ISDA-agreements, must always be established with a counterparty prior to entering into derivative instrument transactions. As at December 31, 2010, the total counterparty exposure in derivative instruments (measured as net balance per counterparty) amounted to MSEK 0 (0). At year-end, Niscayah had no outstanding financial positions to banks or institutions with credit ratings outside the established mandate. See note 20 Derivative instruments for more information.

Credit risk in trade receivables

Credit risk in trade receivables refers to the risk for loss and negative impact on the group's results if customers do not fulfil their payment obligations. Customer credit worthiness, limits and outstanding receivables have been in focus due to the global financial crisis and follow up takes place on an ongoing basis where information regarding the customers' financial position is obtained via credit information companies. The group had no concentration of customer credit exposure at year-end. No significant credit losses have arisen or been identified during the year in connection with the preparation of the annual financial statements. See note 18 Trade receivables for more information.

Refinancing risk

Refinancing risk is defined as the risk that the cost is substantially higher and the financing possibilities limited when existing loans mature and shall be renewed or financing is not available. The established Treasury policy stipulates that unutilized credit facilities shall be secured in order to ensure sufficient liquidity reserves and cover the group's ongoing financing needs and strategic growth. The aim is to limit the risk exposure by ensuring an appropriate balance between short-term and long-term financing as well as a diversification of financing sources and markets. The group's cash and cash equivalents amounted to MSEK 320 (511) at the end of 2010. At year-end, outstanding committed credit facilities totaled MSEK 3,089 (3,399), of which MSEK 3,000 (3,000) related to the group's revolving credit facility and MSEK 89 (399) related to the group's committed credit pledges connected to local banks and financial institutions. At year-end, MSEK 1,289 (1,662) of the group's total credit commitments was utilized.

Maturity structure 2010

December 31, MSEK	Less than one year	Between one and two years	Between two and five years
Loan financing	2	–	1,294
Derivative instruments	16	–	–
Trade payables and other financial liabilities	574	1	–
Total	**592**	**1**	**1,294**

Maturity structure 2009

December 31, MSEK	Less than one year	Between one and two years	Between two and five years
Loan financing	27	–	1,485
Derivative instruments	37	14	10
Trade payables and other financial liabilities	641	13	–
Total	**705**	**27**	**1,495**

The above table shows undiscounted flows.

CAPITAL RISK

Captial risk is defined as the group's ability to pursue its operations in such as way as to generate a return to the shareholders and for the benefit of other stake-holders and to maintain an optimal capital structure in order to minimize capital costs. The group continually follows up the capital risk, which is expressed in the form of a net debt/equity ratio which is calculated as net debt divided by shareholders' equity. The group's net debt/equity ratio amounted to 0.56 (0.53) on December 31, 2010.

Note 4

EXCHANGE RATES

Exchange rates used in the consolidated financial statements

Country	Currency		2010 Weighted average	2010 December	2009 Weighted average	2009 December
Eurozone country	EUR	1	9.50	9.00	10.61	10.35
US	USD	1	7.22	6.80	7.63	7.21
UK	GBP	1	11.13	10.55	11.92	11.49
Norway	NOK	1	1.19	1.15	1.22	1.24
Denmark	DKK	1	1.28	1.21	1.42	1.39
Switzerland	CHF	1	6.95	7.24	7.03	6.95
Australia	AUD	1	6.62	6.92	6.04	6.43
Hong Kong	HKD	1	0.93	0.88	0.98	0.93

Note 5

SEGMENT REPORTING

In accordance with how the operations are followed up internally, operating profit is stated before amortization (EBITA) for the segments Mainland Europe, US/UK/Ireland and Other. Mainland Europe comprises the European market except for the UK and Ireland. Within Mainland Europe, Niscayah's customers are primarily within banks and financial institutions, retail, transport and logistics as well as other industry and public sector. The Anglo-Saxon market comprises the US, UK and Ireland. Within US/UK/Ireland, Niscayah's customers are mainly within banks and financial institutions, retail, as well as other industry and public sector. Other, includes Australia, Hong Kong and the parent company's expenses. Financial income and expenses have not been allocated between the two segments, but are included in Other.

Revenue	MAINLAND EUROPE		US/UK/IRELAND		OTHER		ELIMINATIONS		GROUP	
January–December, MSEK	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Sales, external	5,053.7	5,995.2	1,504.1	1,562.0	66.5	63.8	–	–	6,624.3	7,621.0
Sales, internal	0.2	0.9	0.4	–	42.7	21.2	–43.3	–22.1	–	–
Total sales	**5,053.9**	**5,996.1**	**1,504.5**	**1,562.0**	**109.2**	**85.0**	**–43.3**	**–22.1**	**6,624.3**	**7,621.0**
Organic sales growth, %	–9	–10	3	–21	–	–	–	–	–7	–12
Operating profit before amortization (EBITA)	**270.2**	**603.4**	**26.9**	**51.5**	**–92.0**	**–131.6**	**–**	**–**	**205.1**	**523.3**
EBITA margin, %	5.3	10.1	1.8	3.3	–	–	–	–	3.1	6.9
Amortization of acquisition related intangible assets	–15.5	–16.5	–13.2	–14.1	–	–	–	–	–28.7	–30.6
Operating profit	**254.7**	**586.9**	**13.7**	**37.4**	**–92.0**	**–131.6**	**–**	**–**	**176.4**	**492.7**
Financial income and expenses	–	–	–	–	–4.4	–32.6	–	–	–4.4	–32.6
Profit before tax	**254.7**	**586.9**	**13.7**	**37.4**	**–96.4**	**–164.2**	**–**	**–**	**172.0**	**460.1**

Capital employed and financing	MAINLAND EUROPE		US/UK/IRELAND		OTHER		ELIMINATIONS		GROUP	
January–December, MSEK	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Operating non-current assets	248.1	370.0	28.9	38.5	111.4	73.4	–	–	388.4	481.8
Trade receivables	1,186.5	1,277.2	281.6	263.8	29.0	30.3	–27.4	–12.5	1,469.7	1,558.7
Other assets	733.3	822.3	110.1	122.3	39.9	48.8	0.0	0.0	883.3	993.5
Other liabilities	1,956.9	2,086.9	345.7	341.9	–90.3	–88.4	–27.2	–12.6	2,184.9	2,327.8
Total operating capital employed	**211.0**	**382.6**	**74.9**	**82.7**	**270.6**	**240.8**	**–**	**–**	**556.5**	**706.2**
Goodwill	1,359.3	1,491.0	599.7	647.0	53.3	58.1	–	–	2,012.3	2,196.1
Acquisition related intangible assets	68.3	94.8	128.0	151.7	–	–	–	–	196.3	246.4
Total capital employed	**1,638.6**	**1,968.4**	**802.6**	**881.4**	**323.9**	**298.9**	**–**	**–**	**2,765.1**	**3,148.7**
Net debt	–	–	–	–	995.4	1,093.2	–	–	995.4	1,093.2
Shareholders' equity	–	–	–	–	1,769.7	2,055.5	–	–	1,769.7	2,055.5
Total financing	**–**	**–**	**–**	**–**	**2,765.1**	**3,148.7**	**–**	**–**	**2,765.1**	**3,148.7**

Investments, depreciation and amortization	MAINLAND EUROPE		US/UK/IRELAND		OTHER		ELIMINATIONS		GROUP	
January–December, MSEK	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Investments	–43.9	–97.7	–7.9	–11.0	–30.5	–29.8	–	–	–82.3	–138.5
Depreciation and amortization	–144.4	–174,0	–27.9	–32.0	–8.5	–7.7	–	–	–180.8	–213.7
(of which amortization on acquisition related intangible assets)	(–15.5)	(–16.5)	(–13.2)	(–14.1)	(–)	(–)	(–)	(–)	(–28.7)	(–30.6)

Revenue allocated per revenue category		
January–December, MSEK	2010	2009
Implementation	3,438.7	4,334.9
Systems management	2,527.7	2,555.2
Systems operations	657.9	730.9
Total operating revenue	**6,624.3**	**7,621.0**

The registered office of the company is in Sweden. Revenue from external customers in Sweden amounted to MSEK 1,356.8 (1,562.5) and total revenue from external customers in other countries amounted to MSEK 5,267.5 (6,058.5).

The distribution of revenue is shown in the table on the left.

Total non-current assets, other than financial instruments and deferred tax assets, which are located in Sweden, amounted to MSEK 507.1 (540.8) and the total of such non-current assets located in other countries amounted to MSEK 2,090.2 (2,383.8).

No individual external customer accounts for more than 10 percent of sales. No customer accounted for more than 10 percent of sales last year.

Note 6

OPERATING EXPENSES

Costs allocated per type of cost

January–December, MSEK	2010	2009
Personnel expenses, see note 7	2,683.6	3,066.7
Material costs	1,345.8	1,602.7
Depreciation, amortization and impairments, see note 8	180.8	213.7
Rent for premises	179.8	193.7
Research and development expenses	11.4	19.5
Restructuring program	200.0	–
Other expenses	1,846.5	2,032.0
Total operating costs	**6,447.9**	**7,128.3**

Exchange differences have been recognized in the income statement as follows:

January–December, MSEK	2010	2009
Sales revenue	–	–
Selling and administrative expenses	–3.1	2.4
Total exchange differences included in operating profit	**–3.1**	**2.4**

Exchange differences included in net financial items are shown in note 9.

Remuneration to auditors

January–December, MSEK	2010	2009
PwC		
– the audit assignment	6.9	8.2
– audit work in addition to the audit assignment	0.2	0.2
– tax consultancy	1.3	1.2
– other services	5.4	0.7
Total	**13.8**	**10.3**
Other auditors		
– the audit assignment	0.4	0.4
– audit work in addition to the audit assignment	8.5	2.5
– tax consultancy	0.2	0.1
– other services	0.0	0.1
Total	**9.1**	**3.1**

Note 7

PERSONNEL EXPENSES AND AVERAGE NUMBER OF EMPLOYEES

Personnel expenses

January–December, MSEK	2010	2009
Salaries and remuneration etc.	2,044.3	2,318.3
Pension expenses, defined benefit plans, see note 24	23.4	12.3
Pension expenses, defined contribution plans	98.3	110.0
Social security contributions	517.6	626.0
Total personnel expenses	**2,683.6**	**3,066.7**

Salaries and remuneration etc. and personnel expenses allocated among board members and presidents and other employees

	2010		2009	
January–December, MSEK	Boards, presidents and other senior executives	Other employees	Boards, presidents and other senior executives	Other employees
Salaries and remuneration etc.	39.2	2,005.2	70.5	2,247.8
(of which bonus or similar)	(1.0)	–	(4.8)	–
Pension expenses	4.2	117.5	12.5	109.8
Total	**43.4**	**2,122.7**	**83.0**	**2,357.6**

By boards, it refers to the persons who receive their remuneration in their capacity as board members and not in an employed capacity.

The board of directors consists of 6 (6) persons. In the category, presidents 17 (18) persons are included and the category other senior executives includes 2 (2) persons not included in the category presidents.

Average number of employees	2010		2009	
		of which women		of which women
The parent company				
Sweden	26	35%	23	39%
Total average number of employees in the parent company	**26**	**35%**	**23**	**39%**
Subsidiaries				
Australia	35	11%	41	15%
Belgium	77	10%	83	11%
Denmark	67	10%	69	13%
Finland	236	14%	247	14%
France	618	22%	645	23%
Hong Kong	2	50%	12	33%
Ireland	78	17%	84	20%
Italy	80	23%	86	22%
Netherlands	160	8%	154	9%
Norway	339	18%	339	15%
Portugal	230	28%	237	26%
Switzerland	17	18%	18	22%
Spain	1,064	20%	1,093	20%
UK	414	13%	453	16%
Sweden	774	12%	867	10%
Germany	480	15%	528	13%
US	598	18%	599	21%
Total average number of employees in subsidiaries	**5,269**	**17%**	**5,555**	**17%**
Total average number of employees in the group	**5,295**	**17%**	**5,578**	**17%**

Distribution between men and women in the boards of directors and other senior executives

	SHARE WOMEN	
	2010	2009
Boards of directors	11%	9%
Other senior executives	0%	0%

Note 7

CONTINUED

SHARE-BASED PAYMENT

Niscayah Group AB introduced an options program during 2007 for certain employees in the group. As the employees acquired the warrants at a market value, the group has not been charged with any expense for the program.

Options program 2007/2012 consists of 5,000,000 warrants, at which each warrant gives the right to subscribe for one new class B share in Niscayah Group AB at a price of SEK 30 per share. Subscription for shares can occur during the period from June 30, 2007 until June 30, 2012. Assignment of the warrants took place at a price of SEK 3.40 per option. This price, which was determined by an independent valuation institution, corresponds to the market value of the warrant through application of the Black & Scholes model on the basis of the valuation components included during the calculation period from June 13 to June 14, 2007. On full exercise of the warrants, the share capital can increase by a maximum of 5,000,000 in total, which corresponds to approx. 1.37 percent of the company's share capital at present and approx. 0.96 percent of the number of votes.

LONG-TERM PERFORMANCE-BASED INCENTIVE PROGRAM "LTIP 2010"

At the annual general meeting on May 6, 2010, it was resolved to introduce a long-term performance share program, LTIP 2010, for senior executives and key employees in the Niscayah Group.

The aim of the performance-based incentive program is to ensure a long-term commitment from current senior executives and key employees in the group and also improve Niscayah Group's future recruitment prospects. By using shares in the company as a central instrument in the incentive program, both stock ownership and the long-term increase in value of Niscayah are encouraged, which means that common goals are created for existing shareholders and participants in the program.

Description of LTIP 2010

LTIP 2010 is based on the following principles, which reflect some of the company's continuous remuneration principles:

[i] participants make a private investment by acquiring B shares in Niscayah Group AB at a market price,

[ii] the participants must continue to be employed in the group during a specified period in order to receive allotment of performance shares and

[iii] the outcome of LTIP 2010 is related to the company's results.

Guidelines in LTIP 2010

1. Approximately 20 senior executives and key employees in the group were invited to participate in LTIP 2010.

2. The term of the program is approximately three years.

3. Senior executives and key employees participating in LTIP 2010 acquired shares in Niscayah Group ("Savings shares") via NASDAQ OMX Stockholm at a market price. Within the framework of LTIP 2010, each participant may at most utilize the number of Savings shares that corresponds to a certain percentage value of the participant's basic salary for 2010, divided by the closing price of a B share in Niscayah Group on NASDAQ OMX Stockholm on March 1, 2010.

4. Provided that the participant (i) holds the Savings shares for a period of at least three years after the date of acquisition of Savings shares, however, until and including the publication date of Niscayah Group's interim report for the first quarter 2013 (the "Vesting period"), and (ii) remains in his/his employment or equivalent employment in Niscayah Group during the entire vesting period, unless the board deems that it is appropriate to depart from this condition in a particular case, each Savings share subsequently gives entitlement to gratuitous receipt of a maximum of three performance-based B shares in Niscayah Group ("Performance shares") provided that the performance requirements stated below are complied with.

5. The number of Performance shares which each Savings share gives entitlement to during allotment depends on Niscayah Group's earnings per share ("EPS") for the fiscal year 2010 compared with the fiscal year 2009. A condition for allotment of Performance shares is that the minimum level set by the board for Niscayah Group's EPS for the fiscal year 2010 must be achieved. If the minimum requirement regarding increase of Niscayah Group's EPS for the fiscal year 2010 has been achieved, the participants shall have the right to receive one (1) Performance share per Savings share. For a maximum outcome of LTIP 2010, implying an allotment of three (3) Performance shares per Savings share, Niscayah Group's EPS for 2010 is required to increase by a maximum level set by the board compared with the company's EPS for the fiscal year 2009. If the increase in Niscayah Group's EPS for 2010 falls between the minimum and maximum level, linear proportioning of the number of Performance shares, between one (1) and three (3), will take place to determine what each Savings share will give entitlement to.

Result and costs for LTIP 2010

Allotment of performance shares will not occur, since the performance target for 2010 was not reached and no costs for LTIP 2010 have affected the result for the year.

Note 8

DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

January–December, MSEK	2010	2009
Amortization other intangible assets		
Acquisition related intangible assets	28.7	30.6
Capitalized expenditure for development work	4.6	5.9
Other intangible assets	43.7	34.8
Total amortization other intangible assets	**77.0**	**71.3**
Depreciation property, plant and equipment		
Buildings and land	0.0	0.0
Machinery and equipment	103.8	142.4
Total depreciation property, plant and equipment	**103.8**	**142.4**
Total depreciation, amortization and impairments	**180.8**	**213.7**

Depreciation, amortization and impairments are allocated in the income statement as follows.

January–December, MSEK	2010	2009
Cost of goods sold	51.1	65.8
Selling and administrative expenses	129.7	147.9
Total depreciation, amortization and impairments	**180.8**	**213.7**

Note 9

FINANCIAL INCOME AND EXPENSES

January–December, MSEK	2010	2009
Financial income		
Interest income	2.4	4.1
Exchange gains	136.4	150.0
Other financial income	0.5	16.9
Total financial income	**139.3**	**171.0**
Financial expenses		
Interest expenses	–41,8	–57,3
Derivatives	10,8	–11,8
Financial leasing	–1,3	–3,1
Exchange losses	–105,1	–125,0
Other financial expenses	–6,3	–6,4
Total financial expenses	**–143,7**	**–203,6**
Total net financial items	**–4.4**	**–32.6**

Note 10

TAXES

January–December, MSEK	2010	2009
Income taxes		
Current tax expense	–104.2	–119.6
Deferred taxes referring to temporary differences	51.8	–20.8
Total tax expense	**–52.4**	**–140.4**

The relationship between the tax expense for the year and reported profit before tax

January–December, MSEK	2010	2009
Reported profit before tax and impairment losses of goodwill	**172.0**	**460.1**
Tax based on the Swedish tax rate 26.3%	–45.2	–121.0
Adjustment of tax expense related to previous year	1.0	–2.5
Non-deductible expenses	–7.5	–15.1
Non-taxable income	6.6	8.5
Deficit for tax purposes for which no deferred tax receivables have been recognized.	2.9	5.7
Adjustment for tax rates in foreign subsidiaries	–10.2	–16.0
Total tax expense	**–52.4**	**–140.4**

The current tax rate was calculated based on the tax rate applicable for the parent company and amounted to 26.3 percent for 2010 and 2009.

The tax that is attributable to components in other comprehensive income amounted to the following:

			2010			2009
MSEK	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Actuarial gains and losses	–24.0	6.4	–17.6	19.8	–5.6	14.2
Foreign exchange difference from foreign subsidiaries	–195.2	–	–195.2	–137.8	–	–137.8
Foreign exchange difference from net foreign investment	–96.3	25.3	–71.0	44.3	–11.9	32.4
Other comprehensive income	**–315.5**	**31.7**	**–283.8**	**–73.7**	**–17.5**	**–91.2**
Current tax		25.3			–11.9	
Deferred tax (note 17)		6.4			–5.6	
		31.7			–17.5	

Note 11

EARNINGS PER SHARE

	2010	2009
Net profit for the year attributable to the parent company's shareholders, MSEK	119.3	318.9
Average number of shares, before dilution[1]	365,058,897	365,058,897
Average number of shares, after dilution[1]	365,058,897	365,058,897
Average number of shares, after buyback[2]	364,457,072	365,058,897
Earnings per share, SEK[3]	0.33	0.87

[1] 5 million warrants were issued during 2007. The warrants do not give rise to any dilution effect, as no warrants have been utilized.
[2] See note 22 for more information regarding buyback of own shares.
[3] Calculated on the average number of shares after buyback.

Note 12

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

DISPOSALS OF SUBSIDIARIES AND OTHER BUSINESS OPERATIONS 2010

Acquisition calculations are the object of final adjustments at the latest one year after the date of the acquisition.

MSEK	Purchase price[1]	Cash and cash equi-valents on disposal	Total enterprise value [2]	Goodwill[3]	Acquisition related intangible assets	Operating capital employed	Total capital employed
Niscayah Hong Kong Ltd	1.4	–1.0	0.4				–1.0
Change in earnouts attributable to acquisitions prior to 2010			0.0		0.0	0.0	0.0
Total disposals	**1.4**	**–1.0**	**0.4**	**0.0**	**0.0**	**0.0**	**–1.0**
Total impact on the group's cash and cash equivalents	**0.4**						

[1] Purchase price incl. acquisition expenses e.g. legal fees.
[2] Purchase price plus disposed of cash and cash equivalents.
[3] Total decrease in the group's goodwill.

MSEK	2010
Purchase price according to the table above	1.4
Cash and cash equivalents on disposal according to the table above	–1.0
Total disposals of subsidiaries according to the cash flow statement	**0.4**

ACQUISITIONS OF SUBSIDIARIES AND OTHER BUSINESS OPERATIONS 2009

Acquisition calculations are the object of final adjustments at the latest one year after the date of the acquisition.

MSEK	Purchase price[1]	Cash and cash equi-valents on acquisition	Total enterprise value[2]	Goodwill[3]	Acquisition related intangible assets	Operating capital employed	Total capital employed
Secuvision, Netherlands	18.2	–0.1	18.1	13.8	0.0	4.4	18.1
Change in earnouts attributable to acquisitions prior to 2009	1.9	0.0	1.9	1.9	0.0	0.0	1.9
Total acquisitions	**20.1**	**–0.1**	**20.0**	**15.7**	**0.0**	**4.4**	**20.0**
Total impact on the group's cash and cash equivalents	**20.0**						

[1] Purchase price incl. acquisition expenses e.g. legal fees.
[2] Purchase price plus acquired cash and cash equivalents.
[3] Total increase in the group's goodwill.

MSEK	2009
Purchase price according to the table above	20.1
Cash and cash equivalents on acquisition according to the table above	–0.1
Total acquisitions of subsidiaries according to the cash flow statement	**20.0**

Note 13

GOODWILL

December 31, MSEK	2010	2009
Opening balance	2,196.1	2,246.1
Acquisitions	0.0	15.7
Impairment	–	–
Exchange differences	–183.8	–65.7
Total goodwill	**2,012.3**	**2,196.1**

IMPAIRMENT TESTING

For the purposes of impairment testing, assets are grouped at the lowest levels, for which there are separately identifiable cash flows (CGU), which is per segment.

Goodwill is distributed according to this allocation, summarized per segment as follows:

MSEK	2010	2009
Mainland Europe	1,359.3	1,491.0
US/UK/Ireland	599.7	647.0
Other	53.3	58.1
Total goodwill	**2,012.3**	**2,196.1**

Goodwill is tested on an annual basis for possible impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's net realizable value and its value in use. Value in use is the present value of the expected future cash flows. The cash flows have been based on financial plans that have been approved by the group management and which cover a period of five years. Cash flows beyond this point have been extrapolated using an estimated growth rate of 2 percent. The calculation of the value in use necessitates that a number of assumptions and estimates are made. The main assumptions concern the organic sales growth, the development of the operating margin and the necessary operating capital employed requirement as well as the relevant Weighted Average Cost of Capital (WACC) rate used to discount future cash flows. The group management have determined the organic growth rate and the development of the operating margin based on previous years' results and their expectations in respect of market trends. The discount rate before tax has been used in the present value computation of estimated future cash flows.

The assumptions which formed the basis of the impairment testing are shown in summary per segment as follows:

	Estimated growth rate beyond forecasted period, %	WACC, %
Mainland Europe	2.0	7.29–10.52
US/UK/Ireland	2.0	7.42–10.52
Other	2.0	7.42–9.99

The impairment testing of all cash generating units took place during the fourth quarter 2010. The result of the impairment testing for goodwill showed that there was no impairment of goodwill. Accordingly, no impairment losses have been recognized in respect of goodwill

A reasonable change in the factors constituting the basis for the estimation of the cash generating units' recoverable amounts does not indicate a need for impairment. However, a long-term market deterioration in the future may give rise to an impairment need.

Note 14

INTANGIBLE ASSETS

	2010				2009			
December 31, MSEK	Acquisition related intangible assets[1]	Capitalized expenditure for development work	Other intangible assets[2]	Total	Acquisition related intangible assets[1]	Capitalized expenditure for development work	Other intangible assets[2]	Total
Opening balance	366.9	60.3	260.5	687.7	373.6	28.5	225.1	627,2
Investments	–	16.7	52.5	69.2	–	26.4	63.1	89,5
Sales and disposals	–	–1.8	–10.9	–12.7	–	–	–24.2	–24.2
Reclassifications	–	–	45.9	45.9	–	–	7.6	7.6
Exchange differences	–21.4	3.1	–26.0	–44.3	–6.7	5.4	–11.1	–12.4
Closing accumulated balance	**345.5**	**78.3**	**322.0**	**745.8**	**366.9**	**60.3**	**260.5**	**687.7**
Opening amortization	–120.5	–8.6	–147.8	–276.9	–89.9	–2.6	–124.9	–217.4
Sales and disposals	–	0.6	4.7	5.4	–	–	4.3	4.3
Amortization for the year	–28.7	–4.6	–43.7	–77.0	–30.6	–5.9	–34.7	–71.3
Reclassifications	–	–	–13.4	–13.4	–	–	–	0.0
Exchange differences	–	–0.6	20.3	19.7	–	–0.1	7.5	7.4
Closing accumulated amortization	**–149.2**	**–13.2**	**–179.8**	**–342.2**	**–120.5**	**–8.6**	**–147.8**	**–276.9**
Closing residual value	**196.3**	**65.1**	**142.2**	**403.6**	**246.4**	**51.7**	**112.7**	**410.8**

[1] The item acquisition related intangible assets consists principally of contract portfolios and associated customer relationships.
[2] The item other intangible assets consists of software licenses of MSEK 107.0 and other intangible assets of MSEK 35.2 (software licenses, MSEK 77.1 and other intangible assets, MSEK 35.6).

Note 15

PROPERTY, PLANT AND EQUIPMENT

December 31, MSEK	2010 Buildings and land	2010 Machinery and equipment	2010 Total	2009 Buildings and land	2009 Machinery and equipment	2009 Total
Opening balance	1.0	971.2	972.2	1.0	996.3	997.3
Acquired via business combination	–	–	0.0	–	0.3	0.3
Investments	–	57.3	57.3	–	94.1	94.1
Sales and disposals	–1.0	–103.0	–104.0	–	–93.2	–93.2
Reclassifications	–	–45.9	–45.9	–	–7.6	–7.6
Exchange differences	–	–89.9	–89.9	–	–18.7	–18.7
Closing accumulated balance	**0.0**	**789.7**	**789.7**	**1.0**	**971.2**	**972.2**
Opening depreciation	0.0	–671.3	–671.3	0.0	–615.6	–615.6
Acquired via business combination	–	–	0.0	–	–	0.0
Sales and disposals	–	71.8	71.8	–	72.0	72.0
Depreciation for the year	–	–103.8	–103.8	–	–142.4	–142.4
Reclassifications	–	13.4	13.4	–	–	0.0
Exchange differences	–	64.3	64.3	–	14.7	14.7
Closing accumulated depreciation	**0.0**	**–625.6**	**–625.6**	**0.0**	**–671.3**	**–671.3**
Closing residual value	**0.0**	**164.1**	**164.1**	**1.0**	**299.9**	**300.9**

Note 16

NON-CURRENT RECEIVABLES[1]

December 31, MSEK	2010	2009
Opening balance	16.8	20.8
Exchange differences	–2.1	–1.2
Other receivables	6.9	3.5
Settled receivables	–3.4	–5.7
Impairment of receivable	–0.9	–0.6
Closing balance non-current receivables	**17.3**	**16.8**

[1] The item non-current receivables mainly consists of deposits in respect of rent for premises

Note 17

DEFERRED INCOME TAX

A deferred tax asset and deferred tax liability is offset when there is a legal offset right for current tax assets and current tax liabilities and when deferred taxes refer to the same tax authority. All deferred tax assets and deferred tax liabilities are utilized after more than 12 months.

Deferred tax assets attributable to:

January–December, MSEK	2010	2009
Pension provisions and pension related liabilities	24.1	17.3
Loss carryforwards	104.1	59.3
Other temporary differences	52.3	43.9
Gross deferred tax receivables	**180.5**	**120.5**
Netting against liabilities	–5.4	–43.0
Total deferred tax receivables	**175.1**	**77.5**
Deferred tax liabilities attributable to:		
Machinery and equipment	45.2	50.5
Acquisition related intangible assets	77.3	83.4
Other temporary differences	88.1	66.8
Gross deferred tax liabilities	**210.6**	**200.7**
Netting from receivables	–5.4	–43.0
Total deferred tax liabilities	**205.2**	**157.7**
Net deferred tax liabilities	**30.1**	**80.2**
Opening balance	80.2	56.5
Recognition in the income statement	–51.8	20.8
Tax recognized directly in equity	0.7	5.8
Exchange differences	1.0	–2.9
Closing balance	**30.1**	**80.2**

Note 17

CONTINUED

MSEK	Machinery and equipment	Acquisition related intangible assets	Other	Total
Deferred tax liabilities				
As at January 1, 2009	42.8	81.6	48.5	173.0
Recognized in the income statement	8.7	3.5	6.2	18.4
Recognized in other comprehensive income	–	–	–	0.0
Recognized directly in equity	–	–	0.4	0.4
Netting	–	–	11.8	11.8
Exchange differences	–1.0	–1.7	–0.2	–2.9
As at December 31, 2009	**50.5**	**83.4**	**66.7**	**200.7**
Recognized in the income statement	–4,0	0,5	22,5	19,0
Recognized in other comprehensive income	–	–	–	0,0
Recognized directly in equity	–	–	–	0,0
Netting	0,4	–	–0,4	0,0
Exchange differences	–1,7	–6,6	–0,8	–9,2
As at December 31, 2010	**45,2**	**77,3**	**88,0**	**210,6**

MSEK	Pension provisions and pension related liabilities	Loss carryforwards	Other	Total
Deferred tax assets				
As at January 1, 2009	23.4	31.3	61.9	116.6
Recognized in the income statement	–3.0	27.9	–27.4	–2.5
Recognized in other comprehensive income	–5.6	–	–	–5.6
Recognized directly in equity	–	0.8	–0.5	0.3
Netting	–	–	11.8	11.8
Exchange differences	2.5	–0.7	–1.9	–0.1
As at December 31, 2009	**17.3**	**59.3**	**43.9**	**120.5**
Recognized in the income statement	8.9	51.2	10.7	70.8
Recognized in other comprehensive income	6.4	–	–	6.4
Recognized directly in equity	–6.4	–0.7	–	–7.1
Netting	–	–	–	0.0
Exchange differences	–2.1	–5.7	–2.3	–10.1
As at December 31, 2010	**24.1**	**104.1**	**52.3**	**180.5**

TAX LOSS CARRYFORWARDS

Deferred tax assets have only been calculated on established loss carryforwards where it is assessed as probable that sufficient surplus will be available at the end of 2010 amounting to MSEK 311 (172). Loss carryforwards not taken into consideration amount to approx. MSEK 79 (116) mainly attributable to Belgium, the UK and Australia.

Note 18

TRADE RECEIVABLES

December 31, MSEK	2010	2009
Trade receivables before deduction of provisions for bad debts	1,551.4	1,678.1
Provisions for bad debts	–81.7	–119.4
Total trade receivables	**1,469.7**	**1,558.7**
Age distribution of trade receivables fallen due after deduction of provisions for bad debts		
December 31, MSEK		
Less than 1 month	232.3	227.5
1 to 3 months	106.8	100.6
3 to 6 months	52.8	60.8
More than 6 months	40.4	29.7

Provision needs from trade receivables are made on the basis of individual assessment. No provision need is deemed to exist for trade receivables that have fallen due within 6 months. In the category, trade receivables fallen due for more than 6 months, a reservation of MSEK 81.7 (119.4) has been made.

Changes in the provision for doubtful debts are as follows:

December 31, MSEK	2010	2009
Opening balance	–119.4	–124.0
Provision for doubtful debts	–24.9	–22.8
Receivables written off during the year that are not recoverable	43.3	20.5
Reversed unutilized amount	4.8	1.8
Exchange differences	14.5	5.1
Closing balance	**–81.7**	**–119.4**

Note 19

OTHER RECEIVABLES

December 31, MSEK	2010	2009
Receivables from clients with commissions under construction contracts	381.2	434.4
Prepayments to suppliers	8.7	4.9
Accrued interest income	1.1	0.4
Other prepaid expenses and accrued income	146.9	149.6
Other receivables	141.9	141.0
Total other receivables	**679.8**	**730.3**

Note 20

DERIVATIVE INSTRUMENTS

All outstanding derivative instruments are held for the purposes of managing the group's interest and exchange rate exposure. The carrying amount of outstanding derivative instruments amounted to MSEK –16.0 (–26.7). All outstanding interest rate derivatives have been entered into for the purpose of obtaining the preferred fixing periods in the group's loan portfolio through interest rate swap contracts where fixed interest is paid and floating interest is received. Niscayah does not apply hedge accounting. The fair value of the derivative instruments has been calculated on the basis of current and observable quotations at year-end and pursuant to conventional valuation models. (level 2 according to IFRS 7).

	2010		2009	
December 31, MSEK	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Interest derivatives	0.0	0.0	1.3	1.3
Foreign exchange derivatives	0.0	0.0	0.0	0.0
Total assets	**0.0**	**0.0**	**1.3**	**1.3**
Liabilities				
Interest derivatives	16.0	16.0	28.0	28.0
Foreign exchange derivatives	0.0	0.0	0.0	0.0
Total liabilities	**16.0**	**16.0**	**28.0**	**28.0**
Total derivative instruments	**–16.0**	**–16.0**	**–26.7**	**–26.7**

Outstanding interest derivatives amounted to a nominal value of MSEK 764.1 (915.2) as at December 31, 2010. Outstanding foreign exchange derivatives amounted to a nominal value of MSEK 0.0 (–28.8) as at December 31, 2010.

Note 21

CASH AND CASH EQUIVALENTS

December 31, MSEK	2010	2009
Cash and bank balances	169.9	382.0
Short-term investments, on a par with cash and cash equivalents	150.6	129.2
Total cash and cash equivalents	**320.5**	**511.2**

Note 22

SHARE CAPITAL AND SHARE PREMIUM

The total number of shares is 365,058,897 shares (365,058,897), distributed between 17,142,600 class A shares and 347,916,297 class B shares, with a quota value of SEK 1 per share. The A-share carries ten votes and the B-share carries one vote. The right to receive dividend is the same for A and B shares. All issued shares are fully paid up.

The parent company repurchased 1,000,000 own shares on the Stockholm Stock Exchange during May and June 2010. The total amount paid for the shares, net after tax, was MSEK 12.7 which has reduced profit carried forward. The shares are held as own shares. The parent company has the right to sell these shares at a later date. The purpose of the repurchased shares is to secure the company's costs in connection with the long-term performance-based incentive program (LTIP 2010) which the annual general meeting resolved to introduce on May 6, 2010.

For information regarding the long-term performance-based incentive program see note 7.

Note 23

FINANCIAL LIABILITIES

The group's principal financing consists of a credit facility (Multicurrency Revolving Credit Facility) of MSEK 3,000 of which MSEK 760 matures during 2011 and MSEK 2,240 matures during 2013. The financial key ratios connected to the loan financing (covenants) are in line with market standard. The preferred fixed interest period according to the current established mandate is achieved by the use of interest derivative transactions. As at December 31, 2010, MSEK 1,289 (1,479) of the credit facility was utilized.

	2010		2009	
December 31, MSEK	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial liabilities				
Loan financing	1,293.8	1,293.8	1,484.8	1,484.8
Financial leasing liabilities	0.6	0.6	13.3	13.3
Total non-current financial liabilities	**1,294.4**	**1,294.4**	**1,498.1**	**1,498.1**
Short-term financial liabilities				
Loan financing	2.2	2.2	27.6	27.6
Financial leasing liabilities	11.8	11.8	29.5	29.5
Derivative instruments[1]	16.0	16.0	26.7	26.7
Other interest-bearing liabilities[2]	–	–	30.4	30.4
Total short-term financial liabilities	**30.0**	**30.0**	**114.2**	**114.2**
Total financial liabilities	**1,324.4**	**1,324.4**	**1,612.3**	**1,612.3**

FINANCING EXPENSE

Net financial items amounted to MSEK –4.4 (–32.6) and the group's net debt totaled MSEK 995.4 (1,093.2) as at December 31, 2010. The average interest on the outstanding loan portfolio (including interest derivatives) amounted to 2.8 percent (2.5) as at December 31, 2010.

1. For further information see note 20 Derivative instruments.
2. The items Other interest-bearing liabilities mainly refer to earnouts.

Note 24

PROVISIONS FOR PENSIONS

The obligations for retirement and family pensions for white-collar workers in Sweden are secured through insurance at Alecta. According to the Swedish Financial Reporting Board's statement UFR 3, this is a defined benefit plan which covers a number of employers. For the fiscal year 2010, the group did not have access to the information required to allow this plan to be reported as a defined benefit plan. The ITP occupational pension plan is secured through the insurance company, Alecta, and is therefore recognized as a defined contribution plan. The fees for the year for ITP, which is operated by Alecta, amounted to MSEK 18.9 (18.2). At the end of 2010, the collective level of consolidation amounted to 143 percent (141). The collective consolidation level is calculated as the market value on Alecta's asset portfolio in relation to insurance obligations according to actuarial assumptions set by Alecta, which do not comply with IAS 19.

Defined benefit pension plans

December 31, MSEK	2010	2009
Current value of unfunded obligations	35.4	47.9
Current value of wholly or partly funded obligations	174.1	143.5
Total current value of obligations	**209.5**	**191.4**
Fair value of plan assets	–103.3	–109.0
Net debt in the balance sheet	**106.2**	**82.4**

Changes in the obligations for defined benefit plans reported in the balance sheet

December 31, MSEK	2010	2009
Defined benefit plan obligations as at January 1	82.4	95.4
Payment of benefits	–16.0	–12.1
Current service cost and interest expense	23.4	12.3
Actuarial gains and losses	24.0	–19.8
Exchange differences	–7.6	6.6
Defined benefit plan obligations as at December 31	**106.2**	**82.4**

Actuarial gains and losses reported directly against equity

December 31, MSEK	2010	2009
Accumulated as at January 1	36.9	56.7
Recognized during the period	24.0	–19.8
Accumulated as at December 31	**60.9**	**36.9**

Assumptions for defined benefit obligations

The main actuarial assumptions as per the end of the reporting period (expressed as a weighted average).

	2010		2009	
	Norway	France	Norway	France
Discount rate as at December 31	3.6%	2.6%	4.5%	3.5%
Expected return on plan assets as at December 31	5.0%	–	5.7%	–
Future salary increases	4.0%	2.8%	4.5%	2.8%
Future increase in pensions	0.9%	2.0%	1.4%	2.0%

Note 25

OTHER PROVISONS – NON-CURRENT

December 31, MSEK	2010	2009
Opening balance	51.4	89.8
New/increased provisions	14.6	3.6
Provisions utilized	–28.5	–28.6
Reversal of unutilized provisions	–1.6	–7.4
Exchange differences	–4.3	–6.0
Closing balance	**31.6**	**51.4**
Restructuring program 2008[1]	4.6	21.5
Restructuring program 2010[2]	5.2	–
Warranty provisions[3]	21.7	29.8
Other items	0.1	0.1
Total other provisions – not-current	**31.6**	**51.4**

[1] Restructuring program 2008: MSEK 4.6 is expected to be utilized between two and five years.
[2] Restructuring program 2010: MSEK 5.2 is expected to be utilized between two and five years.
[3] Warranty provisions: MSEK 21.1 is expected to be utilized between two and five years, MSEK 0.6 is expected to be utilized after five years or more.

Note 26

OTHER PROVISONS – CURRENT

December 31, MSEK	2010	2009
Opening balance	42.7	176.2
New/increased provisions	194.8	–
Provisions utilized	–126.4	–133.5
Closing balance	**111.1**	**42.7**
Restructuring program 2008	10.1	42.7
Restructuring program 2010	101.0	–
Total other provisions – short-term	**111.1**	**42.7**

Note 27

OTHER CURRENT LIABILITIES

December 31, MSEK	2010	2009
Employee-related items	348.7	442.3
Liability to clients with commissions under construction contracts	386.2	273.7
Prepayments from customers	99.4	92.2
Accrued interest expenses	6.5	6.0
Other accrued expenses and prepaid income	340.0	454.1
Other liabilities	181.8	192.5
Total other current liabilities	**1,362.6**	**1,460.8**

Note 28

CONTINGENT LIABILITIES

December 31, MSEK	2010	2009
Contingent liabilities		
Performance guarantees	242.0	261.4
Total contingent liabilities	**242.0**	**261.4**

Note 29

LEASING

LEASING AGREEMENTS WHERE THE GROUP IS LESSEE

Financial leasing

During the year, paid leasing charges relating to financial leasing agreements for vehicles, IT & Telecom amounted to MSEK 20.6 (29.5).

The item machinery and equipment includes leasing objects that the group possesses pursuant to financial leasing agreements of the following amounts:

December 31, MSEK	2010	2009
Acquisition value – capitalized financial leasing	101.5	126.9
Accumulated depreciation and amortization	–91.4	–87.3
Carrying amount	**10.1**	**39.6**

Future combined minimum leasing charges pertaining to non-terminable financial leasing agreements are distributed as follows:

	NOMINAL VALUE		PRESENT VALUE	
MSEK	2010	2009	2010	2009
Within one year				
Vehicles	12.5	24.4	11.8	23.0
IT & Telecom	–	–	–	–
	12.5	**24.4**	**11.8**	**23.0**
Between one and five years				
Vehicles	0.7	22.2	0.6	19.7
IT & Telecom	–	–	–	–
	0.7	**22.2**	**0.6**	**19.7**
More than five years				
Vehicles	–	–	–	–
IT & Telecom	–	–	–	–
	0.0	**0.0**	**0.0**	**0.0**
Total future minimum leasing charges	**13.2**	**46.6**	**12.5**	**42.7**

Operational leasing

During the year, paid leasing charges relating to operational leasing agreements for buildings/office premises, vehicles, machinery and equipment as well as IT & Telecom amounted to MSEK 288.8 (304.6).

Future combined minimum leasing charges pertaining to non-terminable operational leasing agreements are distributed as follows:

MSEK	2010	2009
Within one year		
Buildings/office premises	177.7	197.3
Vehicles	78.6	85.9
Machinery and equipment	0.4	0.6
IT & Telecom	14.0	11.4
	270.7	**295.2**
Between one and five years		
Buildings/office premises	465.7	592.4
Vehicles	95.7	136.7
Machinery and equipment	0.8	1.6
IT & Telecom	31.6	33.9
	593.8	**764.6**
More than five years		
Buildings/office premises	67.1	76.1
Vehicles	–	14.0
	67.1	**90.1**
Total future minimum leasing charges	**931.6**	**1,149.9**

LEASING AGREEMENTS WHERE THE GROUP IS THE LESSOR

Financial leasing

The group does not conduct any financial leasing operations where it is considered to be lessor.

Operational leasing

During the year, received leasing charges relating to operational leasing agreements for machinery and equipment amounted to MSEK 11.8 (14.2).

The item machinery and equipment includes machinery that is leased out by the group to outsiders under operational leasing with the following book values:

MSEK	2010	2009
Cost	97.1	108.5
Accumulated depreciation and amortization	–84.1	–84.1
Carrying amount	**13.0**	**24.4**

Future combined minimum leasing charges pertaining to non-terminable operational leasing agreements are distributed as follows:

MSEK	2010	2009
Within one year		
Machinery	11.3	13.7
IT & Telecom	0.5	0.6
	11.8	**14.3**
Between one and five years		
Machinery	25.7	33.9
IT & Telecom	0.1	0.8
	25.8	**34.7**
More than five years		
Machinery	–	4.3
	0.0	**4.3**
Total future minimum leasing charges	**37.6**	**53.3**

MSEK 30.8 (26.5) is recognized as income relating to sub-letting.

Note 30

CASH FLOW

Adjustment for items not included in cash flow

MSEK	2010	2009
Depreciation and amortization	180.8	213.7
Unrealized exchange differences	–21.9	4.7
Capital gain on sale of subsidiary	1.6	–
Pension provisions	7.4	0.8
Other provisions	–	–6.9
Total adjustments for items not included in the cash flow	**167.9**	**212.3**

Acquisition of subsidiaries and other operating units

MSEK	2010	2009
Acquired assets and liabilities		
Intangible assets	–	15.7
Property, plant and equipment	–	0.2
Inventories	–	0.7
Operating receivables	–	5.5
Cash and cash equivalents	–	0.1
Total assets	**0.0**	**22.2**
Short-term operating liabilities	–	2.2
Total provisions and liabilities	**0.0**	**2.2**
Purchase price		
Purchase price paid	–	–20.1
Less: Cash and cash equivalents in the acquired operations	–	0.1
Impact on cash and cash equivalents	**0.0**	**–20.0**

Disposal of subsidiaries and other operating units

MSEK	2010	2009
Disposed of assets and liabilities		
Property, plant and equipment	0.6	–
Inventories	0.5	–
Operating receivables	3.4	–
Cash and cash equivalents	1.0	–
Total assets	**5.5**	**0.0**
Capital gain	1.6	–
Non-current provisions	0.5	–
Interest-bearing liabilities	0.8	–
Operating liabilities	1.2	–
Total provisions and liabilities	**4.1**	**0.0**
Purchase price		
Purchase price received	1.4	–
Less: Cash and cash equivalents in the disposed of operations	–1.0	–
Impact on cash and cash equivalents	**0.4**	**0.0**

Note 31

TRANSACTIONS WITH RELATED PARTIES

Remuneration to senior executives has been paid as follows. There were no other transactions with related parties.

2010 SEK '000	Basic salary	Variable remuneration	Other benefits[1]	Pension expense	Total
CEO, Håkan Kirstein	4,267.2	0.0	89.2	1,601.9	5,958.3
Other senior executives (3 persons)	7,964.3	432.0	391.6	1,824.0	10,611.9
Total remuneration to senior executives	**12,231.5**	**432.0**	**480.8**	**3,425.9**	**16,570.2**

2009 SEK '000	Basic salary	Variable remuneration	Other benefits[1]	Pension expense	Total
CEO, Juan Vallejo	5,306.0	0.0	75.6	4,356.4	9,738.0
Other senior executives (4 persons)	7,977.1	810.0	319.8	1,440.6	10,547.5
Total remuneration to senior executives	**13,283.1**	**810.0**	**395.4**	**5,797.0**	**20,285.5**

[1] Other benefits refer primarily to company car and housing benefit values.

THE BOARD OF DIRECTORS

Remuneration to the board of directors is determined in accordance with the resolution of the annual general meeting. The annual general meeting 2010 resolved that total fees of MSEK 2 shall be paid to the board of directors, to be allocated among the members as follows; SEK 600,000 to the chairman of the board and SEK 250,000 to each of the other members who are not employed by the company.

Fees of SEK 150,000 shall be paid to the audit committee. The chairman of the board and other board members have no pension benefits or agreements in respect of termination benefits. No directors' fees are payable to the CEO or employee representatives.

SENIOR EXECUTIVES' CONTRACTUAL BENEFITS

Chief Executive Officer

The remuneration consists of a basic salary, variable remuneration, pension and insurance benefits and other benefits. The variable remuneration is maximized to 50 percent of the basic salary and is based on bonus parameters set and approved by the board. The company shall pay premiums amounting to 30 percent of the basic salary in respect of pension and sickness insurance. Other benefits principally consist of a company car. The notice period is 6 months on the part of the CEO and 24 months on the part of the company.

Other senior executives

Remuneration to other senior executives consists of basic salary, variable remuneration, other benefits and pensions. By other senior executives, it refers to the persons who together with the CEO make up the group management. At the end of 2010, the group management comprised:

- President and CEO
- Chief Financial Officer
- Head of Technology/Sourcing/Logistics
- Regional Director Southern Europe

The division between basic salary and variable remuneration shall be in proportion to the executive's responsibility and authority. The variable remuneration is maximized to 50 percent of the basic salary. Other benefits principally consist of a company car. The notice period is a maximum of 6 months on the part of the executive and a maximum of 12 months on the part of the company. Pension premiums are based on the ITP plan. Pension-qualifying salary consists of the basic salary.

Currently, there are no agreements in respect of termination benefits for any of the senior executives.

For information concerning senior executives' shareholdings in Niscayah Group AB see pages 64–65.

Note 32

POST-BALANCE SHEET EVENTS

The group management has been strengthened; Magnus Bladh has been appointed as Group Director Sales, Magnus Jonsson as Group Director Marketing, Inger Nyström as Group Director Human Resources and David Schelin as Group Director Operations. The new appointments took effect on February 14, 2011. Rolf Norberg, Head of Technology/Sourcing/Logistics has retired and left the group management on February 28, 2011.

THE PARENT COMPANY'S NOTES

Note 33

PARTICIPATIONS IN GROUP COMPANIES

December 31, MSEK	2010	2009
Opening balance	7,614.4	7,598.5
Purchasing	0.7	15.9
Shareholders' contribution	143.9	–
Closing accumulated balance	**7,759.0**	**7,614.4**
Opening impairment losses	–525.1	–525.1
Impairment for the year	–362.9	–
Closing accumulated impairment losses	**–888.0**	**–525.1**
Closing balance for participations in group companies	**6,871.0**	**7,089.3**

				CARRYING AMOUNT	
December 31, MSEK	Registration number	Registered office	Share of equity	2010	2009
Niscayah AB	556076-0737	Stockholm	100%	2,959.7	2,959.7
Pacom Group AB	556081-8733	Stockholm	100%	558.9	558.9
Niscayah Teknik AB	556547-2098	Stockholm	100%	2.4	2.4
Niscayah Holding AS	989195514	Oslo	100%	778.7	849.7
Niscayah OY	1936772-6	Helsinki	100%	531.8	531.8
Niscayah Holding SAS	332726139	Paris	100%	553.4	553.4
Niscayah, S.A.	506313131	Lisbon	100%	296.7	364.7
Niscayah Holding GmbH	HRB 47925	Dusseldorf	100%	34.0	34.0
Niscayah Holding UK Ltd	2073469	London	100%	389.6	389.6
Niscayah AS	15706708	Copenhagen	100%	37.6	37.6
Systems Niscayah SA	A82929951	Madrid	100%	39.0	39.0
Niscayah, Inc.	95-4638962	Delaware	100%	218.5	218.5
Niscayah BV	2052535	Amsterdam	100%	148.2	148.2
Niscayah S.A.	CH-660-0916991-2	Geneva	100%	42.8	42.8
Niscayah NV	BE427033590	Brussels	99,9%	613	97.3
Niscayah SpA	10384770151	Milan	100%	218.1	261.4
Niscayah Asia Limited	37585966	Hong Kong	100%	0.0	0.0
Niscayah Nordic Logistics AB	556727-1167	Stockholm	100%	0.1	0.1
Niscayah Warrants AB	556730-4190	Stockholm	100%	0.1	0.1
Pacom, Systems Espania S L	B85769248	Madrid	100%	0.1	0.1
Total participations in group companies				**6,871.0**	**7,089.3**

Note 34

OPERATING EXPENSES

Remuneration to auditors

January–December, MSEK	2010	2009
PwC		
– the audit assignment	0.8	0.9
– audit work in addition to the audit assignment	0.2	0.2
– tax consultancy	1.0	0.4
– other services	2.2	0.3
Total	**4.2**	**1.8**

Note 35

PERSONNEL EXPENSES AND AVERAGE NUMBER OF EMPLOYEES

Personnel expenses

January–December, MSEK	2010	2009
Salaries and remuneration etc.	37.7	41.5
Pension expenses, defined contribution plans	9.2	13.5
Social security contributions	13.7	17.2
Total personnel expenses	**60.6**	**72.2**

Of the parent company's pension expenses, MSEK 2.9 (9.5) refers to the category, board of directors, CEO and other senior executives, two persons plus CEO. The company's outstanding pension obligations to these individuals amounted to 0.0 (0.0). Termination benefits of SEK 21.2m to the CEO were expensed during 2009.

Average number of employees

	2010	2009
Average number of employees	26	23
Of which women	35%	39%

Distribution between men and women in the executive management

	SHARE WOMEN	
	2010	2009
The board of directors	11%	25%
Other senior executives	0%	0%

The total absence due to illness amounted to 1.0 (1.0) percent and was distributed equally between men and women.

Note 36

FINANCIAL INCOME AND EXPENSES

January–December, MSEK	2010	2009
Profit from participations in group companies		
Group contributions received	114.6	151.5
Dividends	28.9	8.2
Impairment of shares in subsidiaries	–362.9	–
Total income from participations in group companies	**–219.4**	**159.7**
Financial income		
Interest income	0.4	1.2
Interest income, group companies	60.6	80.5
Exchange gains	140.1	149.9
Other financial income	0.0	13.5
Total financial income	**201.1**	**245.1**
Financial expenses		
Interest expenses	–26.9	–68.0
Interest expenses, group companies	–3.7	–3.3
Exchange losses	–104.8	–124.3
Impairment of financial receivables in subsidiaries	–	–54.6
Other financial expenses	–4.3	–3.9
Total financial expenses	**–139.7**	**–254.1**
Total net financial items	**–158.0**	**150.7**

Group contributions paid and received and shareholders' contributions have been recognized in the income statement in accordance with URA 7.

Note 37

APPROPRIATIONS AND UNTAXED RESERVES

Appropriations

January–December, MSEK	2010	2009
Difference between book depreciation/amortization and depreciation/amortization according to plan:		
Equipment	0.0	0.0
Patents and similar rights	–1.3	3.3
Tax allocation reserve, provisions for the year	–33.1	–97.2
Total appropriations	**–34.4**	**–93.9**

Untaxed reserves

December 31, MSEK	2010	2009
Accumulated depreciation in excess of plan:		
Patents and similar rights		
Opening balance January 1	1.4	4.7
Depreciation for the year in excess of plan	1.3	–3.3
Closing balance	**2.7**	**1.4**
Equipment		
Opening balance January 1	0.2	0.2
Depreciation for the year in excess of plan	0.0	0.0
Closing balance	**0.2**	**0.2**
Tax allocation reserve		
Opening balance January 1	238.5	141.3
Provision on assessment 2010	–	97.2
Provision on assessment 2011	33.1	–
Closing balance	**271.6**	**238.5**
Total untaxed reserves	**274.5**	**240.1**

Note 38

TAXES

January–December, MSEK	2010	2009
Income taxes		
Current tax expense	–51.4	–64.7
Deferred tax	–0.3	2.9
Total tax expense	**–51.7**	**–61.8**
The relationship between the tax expense for the year and reported profit before tax		
Reported profit before tax	**–144.0**	**200.5**
Tax based on the Swedish tax rate 26.3%	37.9	–52.8
Change in tax rate	–	0.4
Non-deductible expenses	–97.8	–18.1
Non-taxable income	8.5	5.8
Current tax expense	**–51.4**	**–64.7**

Note 39

INTANGIBLE ASSETS

	LICENSES	
December 31, MSEK	2010	2009
Opening balance	33.1	16.3
Investments	13.1	16.8
Closing accumulated balance	**46.2**	**33.1**
Opening amortization	–1.1	–0.3
Amortization for the year	–2.4	–0.8
Closing accumulated amortization	**–3.5**	**–1.1**
Closing residual value	**42.7**	**32.0**

Note 40

PROPERTY, PLANT AND EQUIPMENT

	EQUIPMENT	
December 31, MSEK	2010	2009
Opening balance	1.5	1.5
Investments	0.1	–
Closing accumulated balance	**1.6**	**1.5**
Opening amortization	–0.9	–0.7
Amortization for the year	–0.1	–0.2
Closing accumulated amortization	**–1.0**	**–0.9**
Closing residual value	**0.6**	**0.6**

Note 41

CASH AND CASH EQUIVALENTS

MSEK	2010	2009
Cash and bank balances	–3.2	39.2
Short-term investments, on a par with cash and cash equivalents	149.2	129.0
Total cash and cash equivalents	**146.0**	**168.2**

Note 42

TRANSACTIONS WITH RELATED PARTIES

Net sales and other revenue

MSEK	2010	2009
Total in the income statement	154.5	252.5
of which subsidiaries	154.5	252.5

The parent company invoices the subsidiaries for support and licensing revenue which is regulated by agreement.

Receivables from group companies

MSEK	2010	2009
Opening balance	1,521.0	1,633.0
New borrowing	26.3	53.9
Amortization	–10.4	–163.3
Changes in foreign exchange rates	–116.3	–2.6
Closing balance	**1,420.6**	**1,521.0**

Note 43

FINANCIAL LIABILITIES

Niscayah's loan financing consists of a revolving credit facility) totaling MSEK 3,000 of which MSEK 760 matures during 2011 and MSEK 2,240 matures during 2013.

	2010		2009	
December 31, MSEK	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowing				
Loan financing	1,289.1	1,289.1	1,478.7	1,478.7
Total long-term borrowing	**1,289.1**	**1,289.1**	**1,478.7**	**1,478.7**
Short-term borrowing				
Loan financing	0.0	0.0	0.0	0.0
Total short-term borrowing	**0.0**	**0.0**	**0.0**	**0.0**
Total borrowing	**1,289.1**	**1,289.1**	**1,478.7**	**1,478.7**

Note 44

PLEDGED ASSETS AND CONTINGENT LIABILITIES

December 31, MSEK	2010	2009
Pledged assets		
Real estate mortgages	–	–
Total pledged assets	**–**	**–**
Contingent liabilities		
Sureties in favour of subsidiaries	247.7	283.3
Total contingent liabilities	**247.7**	**283.3**

Note 45

SHARE CAPITAL

The total number of shares is 365,058,897 shares (365,058,897), distributed between 17,142,600 class A shares and 347,916,297 class B shares, with a quota value of SEK 1 per share. The A-share carries ten votes and the B-share carries one vote. The right to receive dividend is the same for A and B shares. All issued shares are fully paid up.

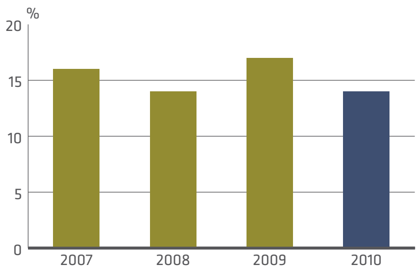
The parent company repurchased 1,000,000 own shares on the Stockholm Stock Exchange during May and June 2010. The total amount paid for the shares, net after tax, was MSEK 12.7 which has reduced profit carried forward. The shares are held as own shares. The parent company has the right to sell these shares at a later date. The purpose of the repurchased shares is to secure the company's costs in connection with the long-term performance-based incentive program (LTIP 2010) which the annual general meeting resolved to introduce on May 6, 2010.

MULTI-YEAR REVIEW

Amounts in MSEK unless otherwise stated	2010	2009	2008	2007
For 2006 there are no figures due to pro forma accounting during 2006.				
REVENUE AND EARNINGS				
Revenue	6,624	7,621	8,009	7,260
Sales growth, %	–13	–5	10	14
Organic sales growth, %	–7	–12	3	11
Operating profit	376 [2]	493	537 [3]	658
Net profit	120	320	–440	423
CAPITAL EMPLOYED AND FINANCING				
Capital employed	2,765	3,149	3,734	4,248
Operating capital employed	556	706	1,204	1,330
Net debt	995	1,093	1,798	1,755
DATA PER SHARE				
Earnings per share, SEK	0.33	0.87	0.89 [3]	1.16
Earnings per share, SEK	0.33	0.87	–1.21	1.16
Cash flow from operating activities by average number of shares, SEK	0.70	2.58	1.40	0.85
Dividend per share, SEK	0.30	0.30	0.30	0.50
Net asset value per share, SEK	4.8	5,6	5,3	6.8
P/E ratio	42	17	–6	20
KEY RATIOS				
Operating margin, %	5.7 [2]	6.5	6.7 [3]	9.1
Net margin, %	1.8	4.2	–5.5	5.8
Return on capital employed, before restructuring costs 2010, %	14	17	14	16
Return on capital employed, %	7	17	8	16
Operating capital employed as % of sales:	8	9	16	18
Return on equity, %	6	16	15 [3]	[1]
Debt/equity ratio, multiple	0.56	0.53	0.93	0.70
Equity/assets ratio, %	32	34	28	37
Average number of employees	5,295	5,578	6,270	6,022

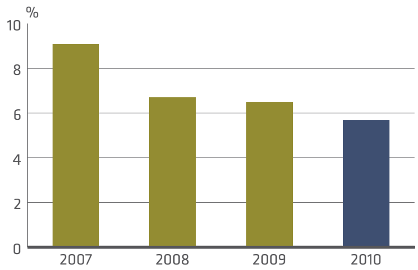
[1] There are no figures due to pro forma accounting during 2006.
[2] Excluding costs of the restructuring program 2010, amounting to MSEK 200.
[3] Excluding costs of the restructuring program 2008, amounting to MSEK 275 and impairment losses of goodwill amounting to MSEK 490.

RETURN ON CAPITAL EMPLOYED[1]

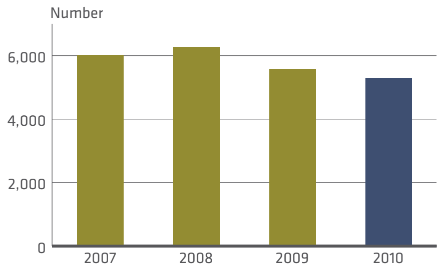


[1] Excluding restructuring costs for 2008 and 2010.

OPERATING MARGIN[1]



AVERAGE NUMBER OF EMPLOYEES



DEFINITIONS

Revenue and earnings

Sales growth: Sales as a percentage of the previous year's sales.

Organic sales growth: Sales adjusted for acquisitions/disposals and changes in foreign exchange rates as a percentage of the previous year's sales.

Operating profit (EBIT): Operating profit after depreciation, amortization and impairments of goodwill.

Operating profit before amortization (EBITA): Operating profit before amortization of acquisition related intangible assets, but after depreciation and amortization of property, plant and equipment and other intangible assets.

Capital employed and financing

Capital employed: Non-interest bearing non-current and current assets less non-interest bearing non-current and current liabilities.

Operating capital employed: Capital employed less goodwill, acquisition related assets and participations in associated companies.

Net debt: Long-term and short-term interest-bearing borrowings less interest-bearing non-current and current assets.

Data per share

Earnings per share: Net profit for the year attributable to shareholders in the parent company in relation to the average number of shares after buyback.

Cash flow from operating activities by the average number of shares: Cash flow for the year from operating activities divided by the average number of shares.

Net asset value per share: Equity in relation to the number of outstanding shares.

P/E ratio (Price/Earnings): Market price at the end of each year in relation to earnings per share.

Key ratios

Operating margin (EBIT margin): Operating profit as a percentage share of sales.

EBITA margin: EBITA as a percentage share of sales.

Net margin: Net profit for the year as a percentage of sales.

Return on capital employed, before restructuring costs: Operating profit before amortization and before restructuring costs (rolling 12 months) as a percentage share of capital employed excluding restructuring reserve.

Return on capital employed: Operating profit before amortization (rolling 12 months) as a percentage share of capital employed.

Operating capital employed as % of sales: Operating capital employed as a percentage of sales (rolling 12 months) adjusted for full-year sales of acquired entities.

Return on equity, %: Profit after tax divided by average equity.

Debt/equity ratio: Net debt divided by equity.

Equity/assets ratio: Shareholders' equity as a percentage of total assets.

AUDIT REPORT

TO THE ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF NISCAYAH GROUP AB (PUBL)
CORPORATE IDENTITY NUMBER 556436-6267

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Niscayah Group AB (publ) for the year 2010. The company's accounts and the consolidated accounts are included in the printed version on pages 16–60. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the statutory administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, March 18, 2011

PricewaterhouseCoopers AB

Bo Lagerström
Authorized Public Accountant

BOARD OF DIRECTORS

Jorma Halonen

Born 1948.
Chairman of the Board, since 2008.
Independent in relation to the major shareholders.
Jorma Halonen is a Business Administration graduate and has held a number of senior positions within the Volvo Group since 2001. He served as Executive Vice President of AB Volvo and Deputy CEO of the Volvo Group (2004–2008). Prior to that he was the President and CEO of Volvo Truck Corporation (2001–2004). Before joining Volvo Group, he held a number of senior positions at Scania, for example, President of Saab-Scania in Finland, 1990–1996, Executive Vice President, 1996–1998 and President, 1998–2001 of Scania Latin America. From 1972–1990, he held senior positions in the telecommunication and computer industry. Jorma Halonen is chairman of CPS Color and TMD Friction, and a board member of SEMCON AB, NICDP (Advisory Board to the Saudi Arabian Government), Elektrobit and Permira Nordic Advisory Board. Jorma Halonen held 27,000 B shares in Niscayah Group AB as at January 31, 2011.

Anders Böös

Born 1964.
Board member since 2007.
Independent in relation to the major shareholders.
Anders Böös was formerly CEO of H&Q AB and Drott AB. Anders Böös is chairman of Cision AB, Cleanergy AB and Industrial & Financial Systems, IFS AB and a board member of Investment AB Latour, Haldex AB, East Capital Baltic Property Fund AB and Newsec AB. Anders Böös held 100,000 B shares in Niscayah Group AB as at January 31, 2011.

Carl Douglas

Born 1965.
Board member since 2006.
Not independent in relation to the major shareholders.
Carl Douglas holds a Bachelor of Arts (BA) and is self-employed. Carl Douglas is vice chairman of Securitas AB, board member of Assa Abloy AB, Investment AB Latour, Swegon AB and Säkl AB. Carl Douglas held the following shares in Niscayah Group AB as at January 31, 2011: 200,000 B shares privately, 3,000,000 B shares through Förvaltnings AB Wasatornet, 4,000,000 A shares and 24,000,000 B shares through Investment AB Latour, 8,642,600 A shares and 4,437,500 B shares through Säkl AB.

Tomas Franzén

Born 1962.
Board member since 2006.
Independent in relation to the major shareholders.
Tomas Franzén is a trained engineer, industrial economics. Tomas Franzén is CEO of Com Hem AB. He was President and CEO of Eniro AB 2004–2008. Prior to this, he was CEO of Song Networks Holding AB 2002–2004, AU-System AB 1999–2002 and AU-System Network AB 1995–1999. He has also held positions at Nokia Data AB and ICL Data AB. Tomas Franzén is chairman of OTM Development AB and a board member of Ovacon AB. Tomas Franzén holds no shares in Niscayah Group AB.

BOARD OF DIRECTORS

Håkan Kirstein, President and CEO

Born 1969.
Board member since 2010.
Independent in relation to the major shareholders.
Håkan Kirstein is a Business Administration graduate from Stockholm University and took over as President and CEO of Niscayah on March 1, 2010. Prior to this, he worked within the StatoilHydro Group for 14 years. During the period 2005 to 2009, Håkan Kirstein was President of StatoilHydro in Sweden and previous to this he held a number of senior positions, including as President of Statoil Detaljhandel AB and Statoil Detaljist AB. Håkan Kirstein is a board member of Kemetyl Group AB. Håkan Kirstein held 70,000 B shares in Niscayah Group AB as at January 31, 2011.

Eva Lindqvist

Born 1958.
Board member since 2006.
Independent in relation to the major shareholders.
Eva Lindqvist is a Graduate engineer and Business Administration graduate and has held different positions within the Ericsson Group 1981–1999. She has also had a number of leading positions within TeliaSonera AB, for example, Senior Vice President Mobile Business and Head of Business Operation International Carrier. Eva Lindqvist is a board member of Schibsted, Assa Abloy AB and Transmode. Eva is also chairwoman of Admeta and Xelerated. She is a member of the Royal Swedish Academy of Engineering Sciences (IVA). Eva Lindqvist held 6,000 B shares in Niscayah Group AB as at January 31, 2011.

Ulrik Svensson

Born 1961.
Board member since 2007.
Not independent in relation to the major shareholders.
Ulrik Svensson is a Business Administration graduate and CEO of Melker Schörling AB. He was formerly CFO of Swiss International Airlines Ltd. (2003–2006), CFO of Esselte AB (2000–2003) and CFO of the Stenbeck group's foreign telecom ventures (1992–2000). Ulrik Svensson is a board member of Assa Abloy, AAK, Loomis, Hexpol, Hexagon and Flughafen Zurich. Ulrik Svensson held 44,000 B shares in Niscayah Group AB as at January 31, 2011.

Peter Alvhed

Born 1966.
Board member since 2010.
Employee representative.
Peter Alvhed started at Securitas as a project leader within fire and safety and is currently project manager within the business area Fire safety at Niscayah AB. Prior to this, he worked at several installation firms as a technician and project leader. Peter Alvhed holds no shares in Niscayah Group AB.

Mikael Olsson

Born 1969.
Board member since 2006.
Employee representative.
Mikael Olsson started at Securitas as an installation electrician and currently puts fire alarms into commission for Niscayah AB. He has previously worked for a number of smaller electrical contractor firms. Mikael Olsson holds no shares in Niscayah Group AB.

GROUP MANAGEMENT

Håkan Kirstein, President and CEO

Born 1969.

President and CEO since 2010.

Håkan Kirstein is a Business Administration graduate from Stockholm University and took over as President and CEO of Niscayah on March 1, 2010. Prior to this, Håkan Kirstein worked within the StatoilHydro Group for 14 years. During the period 2005 to 2009, Håkan Kirstein was President of StatoilHydro in Sweden and previous to this he held a number of senior positions, including as President of Statoil Detaljhandel AB and Statoil Detaljist AB. Håkan Kirstein is a board member of Kemetyl Group AB. Håkan Kirstein held 70,000 B shares in Niscayah Group AB as at January 31, 2011.

Magnus Bladh, Group Director Sales

Born 1972.

Member of group management since 2011.

Magnus Bladh has spent his entire career working within sales at some of the largest global telecom and IT companies. He has held a number of sales positions at Cisco, including as manager for Cisco's channel operations in Sweden where he was part of the Swedish management team. He subsequently joined Microsoft Sweden where he was also a member of the Swedish management team. At Microsoft, he successfully developed strong sales results and also acted as a mentor for Microsoft Executive Selling. Magnus holds a BSc. in Economics from Örebro University. Magnus Bladh held no shares in Niscayah Group AB as at January 31, 2011.

Håkan Gustavson, CFO

Born 1958.

CFO since 2008.

Håkan Gustavson is a Business Administration graduate from Stockholm School of Economics and joined Niscayah as CFO on September 15, 2008. Prior to that, Håkan Gustavson was CFO at Enea AB during the period 2005–2008. Before that, Håkan was Chief Operating Officer (COO) at MediaEdgeCia Europe, based in London. Håkan Gustavson has no board commitments and held 250,000 B shares in Niscayah Group AB as at January 31, 2011.

Inger Nyström, Group Director Human Resources

Born 1966.

Member of group management since 2011.

Inger Nyström has extensive personnel management experience from international companies and technical industries. Inger was Vice President & Director Human Resources at ITT Water & Wastewater for a number of years. Prior to that, she held senior HR leadership positions at Ericsson in both Sweden and China. This included serving as VP Human Resources and Organization for Ericsson's global R & D organization. Inger holds a BSc. in Personnel, Work & Organization from Umeå University. Inger held no shares in Niscayah Group AB as at January 31, 2011.

David Schelin, Group Director Operations

Born 1965.

Member of group management since 2011.

Before joining Niscayah, David Schelin worked within Ericsson as VP Business Management Asia for Ericsson Global Services business unit and Vice President of Services for South East Asia operations, based in Malaysia. Among previous assignments, David was Venture partner at the venture capital company Brainheart Capital, and was also CEO and co-founder of Steelscreen (European Steel Exchange) and operations manager at Europolitan. David holds a MSc. in Electrical Engineering from Chalmers University of Technology. David Schelin held no shares in Niscayah Group AB as at January 31, 2011.

GROUP MANAGEMENT

Magnus Jonsson, Group Director Marketing

Born 1966.

Member of group management since 2011.

Magnus Jonsson has long security industry experience. He served as CEO for Niscayah's Australian subsidiary, Pacom Systems Ltd for a number of years before joining Niscayah Group's headquarters in 2009. Magnus leads the work of packaging and developing Niscayah's offering on the market. Previous work assignments include VP Business Development at Assa Abloy as well as a number of marketing positions within Interlogix (formerly GE-Security, now part of UTC). Magnus holds a Graduate Diploma in International Marketing from IHM. Magnus held 11,034 B shares and 30,000 warrants in Niscayah Group AB as at January 31, 2011.

Antonio Villaseca López, Regional Director Southern Europe

Born 1954.

Antonio Villaseca has been a member of the group management since February 6, 2008. Antonio Villaseca joined Securitas in 1995 as site manager in Madrid. In 1997, he was appointed Country President for Niscayah's Spanish operations. In addition to this, Antonio Villaseca is responsible for the company's organization in France, Italy and Portugal. Antonio Villaseca held 44,862 B shares and 117,000 warrants in Niscayah Group AB as at January 31, 2011.

COUNTRY PRESIDENTS

Australia: Johan Lembre
Belgium: Frederic Du Pont
Denmark: Jan Garst
Finland: Kettil Stenberg
France: Eric Detout
Ireland: Wille Tighe
Italy (acting): Giuseppe Calabrese
Netherlands: Marc Deelen
Norway: Trond Langeland
Portugal: José Miguel Leonardo
Switzerland (acting): Angel Martinez
Spain: Antonio Villaseca López
UK: Mark McDonald
Sweden: David Källsäter
Germany: Christian Thing
US: Martin Guay

AUDITOR

Bo Lagerström

Born 1966.

PricewaterhouseCoopers AB.

Authorized Public Accountant. Member of FAR SRS.

Auditor in charge since 2009.

Bo Lagerström holds no shares in Niscayah Group AB.

SHAREHOLDER INFORMATION

Annual general meeting 2011

The Annual General Meeting of Niscayah Group AB (publ) will take place on May 3, 2011 at 4 p.m. at Lindhagensplan 70 in Stockholm. Shareholders who wish to participate in the annual general meeting must be registered in the share register maintained by Euroclear Sweden AB on Wednesday, April 27, 2011 and must give notice of attendance to Niscayah Group AB no later than Wednesday, April 27, 2011 at 4 p.m.

Registration in the share register

Shareholders whose shares are nominee-registered through a bank or other nominee must request to be temporarily registered into the share register maintained by Euroclear Sweden AB no later than April 27, 2011 in order to have the right to attend the meeting. The shareholder must inform the nominee to that effect well before this date.

Notice to the Annual General Meeting

Notice of attendance at the annual general meeting must take place no later than 4 p.m. on April 27, 2011, either:

- by phone +46(0)10 458 80 78
- via internet www.niscayah.com
- by letter: Mark the envelope "Niscayah Group Annual General Meeting"
- Box 7841, 103 98 Stockholm

When giving notice, please state the following:

- Name
- Personal identity number (registration number)
- Address and phone number (daytime)
- Number of shares
- Possible assistants

Proxy

Shareholders represented by proxy must issue a power of attorney for the representative. In the case that the power of attorney is issued by a legal entity, a certified copy of the certificate of registration (or if there is no such document, corresponding legitimacy papers) for the legal entity must be enclosed with the proxy. The power of attorney must not be older than one year. In order to facilitate entry to the meeting, the power of attorney and legitimacy papers should be made available to the company at the above-mentioned address by April 27, 2011 at the latest.

Dividend

The record day proposed for dividend is May 6, 2011. If the annual general meeting resolves in accordance with the proposal, the dividend is expected to be disbursed through the agency of Euroclear Sweden AB on May 11, 2011.

Shareholder's calendar for 2011

April 27	Final date of registration for the annual general meeting
May 3	Annual General Meeting
May 3	Interim report January-March 2011
May 6	Record day for dividend
May 11	Payment of dividend
July 27	Interim report January–June 2011
November 2	Interim report January–September 2011

The annual report and the interim reports are published in English and Swedish and are available on Niscayah's website, www.niscayah.com

Investor Relations

Johan Andersson Melbi
Phone: +46 (0) 10 458 80 23
E-mail: johan.andersson.melbi@niscayah.com

ANALYSTS FOLLOWING NISCAYAH GROUP AB

ABG Henrik Vikström Phone: +46 8 566 286 10 henrik.vikstrom@abgsc.se Jesper Wilgodt Phone: +46 8 566 286 31 jesper.wilgodt@abgsc.se	**Danske Equities** Peter Trigarszky Phone: +46 8 568 805 57 peter.trigarszky@danskebank.se **Erik Penser** Lars Norrby Phone: +46 8 463 84 67 lars.norrby@penser.se	**Nordea** Johan Grabe Phone: +46 8 534 912 72 johan.grabe@nordea.com **SEB Enskilda** Stefan Andersson Phone: +46 8 52 22 96 57 stefan.andersson@enskilda.se
Carnegie Mikael Löfdahl Phone: +46 8 676 86 77 miklof@carnegie.se	**Handelsbanken** Anders Tegeback Phone: +46 8 701 84 58 ante04@handelsbanken.se	**Swedbank** Henrik Fröjd Phone: +46 8 5859 1448 henrik.frojd@swedbank.se
Cheuvreux Niklas Kristoffersson Phone: +46 708 62 50 74 nkristoffersson@cheuvreux.com	**Ålandsbanken** Mikael Laséen Phone: +46 8 791 48 27 mikael.laseen@alandsbanken.se	

ADDRESSES

NISCAYAH GROUP AB (PUBL)
Box 12231
102 26 Stockholm
Sweden
Visiting address:
Lindhagensplan 70
102 26 Stockholm
Phone: +46 10 458 80 00

AUSTRALIA
Pacom Systems Pty Ltd
PO Box 7427
Baulkham Hills NSW 2153
Australia
Visiting address: Unit 6,
40 Carrington Rd
Castle Hill NSW 2154
Phone: +61 2 8858 1700

BELGIUM
Niscayah NV
Intercity Business Park
Generaal De Wittelaan 17C
2800 Mechelen
Belgium
Phone: +32 15 294 200

DENMARK
Niscayah A/S
Smedeland 15
2600 Glostrup
Denmark
Phone: +45 70 23 49 49

FINLAND
Niscayah OY
PL 47
00521 Helsinki
Finland
Visiting address: Kumpulantie 13 B
00520 Helsinki
Phone: +358 204 705

FRANCE
Niscayah SAS
4-8 rue Gambetta
92240 Malakoff
France
Phone: +33 1 55 58 34 00

IRELAND
Niscayah (Ireland) Ltd
Niscayah House, A1-A3 Calmount Park
Calmount Road
Ballymount
Dublin 12
Ireland
Phone: +353 1 456 45 44

ITALY
Niscayah S.p.A.
Via Luisa Battistotti Sassi 11A
20133 Milan
Italy
Phone: +39 02 319 641

NETHERLANDS
Niscayah BV
Keienbergweg 50
1101 GC Amsterdam
Netherlands
Phone: +31 20 311 95 00

NORWAY
Niscayah AS
Postboks 9376 Grønland
0135 Oslo
Norway
Visiting address: Urtegata 9
0187 Oslo
Phone: +47 05 010

PORTUGAL
Niscayah SA
Rua Rodrigues Lobo, n.º 2
Edifício Securitas
2799-553 Linda-a-Velha
Portugal
Phone: +351 214 152 700

SWITZERLAND
Centre de Technologies Nouvelles
Chemin des Aulx, 18
CH-1228 Plan les Ouates
Switzerland
Phone: +41 22 703 56 00

SPAIN
Systems Niscayah S.A.U.
C/ Barbadillo, 7
28042 Madrid
Spain
Phone: +34 91 277 63 00

UK
Niscayah Ltd
Roding House
970 Romford Road
London
E12 5LP
UK
Phone: +44 20 8553 5932

SWEDEN
Niscayah AB
Box 12545
102 29 Stockholm
Sweden
Visiting address:
Lindhagensplan 70
102 26 Stockholm
Phone: +46 10 458 70 00

GERMANY
Niscayah Holding GmbH
Kanzlerstrasse 8
40472 Dusseldorf
Germany
Phone: +49 211 179960-4015

US
Niscayah, Inc.
2400 Commerce Avenue
Building 1100, Suite 500
Duluth, Georgia 30096
US
Phone: +1 678 474 1720

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