

NIBE



2008
ANNUAL REPORT

Contents

The NIBE Group

NIBE Operations at a Glance	4
The Chief Executive's Report	6
NIBE Shares	8
NIBE – always there to help	10
Management Philosophy	12
Business Concept	14
Growth Model	16
Human Resources	18
Environment	20
Quality	21

Business Area Operations

NIBE Element	22
NIBE Heating	28
NIBE Stoves	34

Financial Information

Administration Report	40
Five-year Review	41
Risk Management	43
Annual Accounts 2008	44
Income Statements	47
Balance Sheets	48
Statements of Cash Flows	51
Notes	52
Audit Report	64

Corporate Governance

Corporate Governance Report	65
Swedish Code of Corporate Governance	68
Board of Directors, Senior Executives and Auditor	70
Addresses	71

Annual General Meeting

The Annual General Meeting of shareholders will be held at the NIBE Marketing Centre (Marknadscenter) in Markaryd in Sweden on Thursday, 14 May 2009 at 17.00 (5 pm).

Dividend

The Board of Directors has resolved to propose that the Annual General Meeting approve a shareholders' dividend of SEK 1.15 per share for the financial year 2008, corresponding to a total payout of SEK 108.0 million. If this proposal is accepted, it is anticipated that the dividend will be despatched from Euroclear Sweden on Monday, 25 May 2009.

Financial information

The complete annual report and call to the AGM are sent to all shareholders who have not informed the company that they do not wish to receive any written information. The annual report is also published on our website www.nibe.com.

Shareholders' diary

- ▲ *14 May 2009*
First quarter report, January – March 2009
- ▲ *14 May 2009*
Annual General Meeting
- ▲ *14 August 2009*
Second quarter report, January – June 2009
- ▲ *13 November 2009*
Third quarter report, January – September 2009

A photograph of a large industrial building with a dark facade. The word "NIBE" is written in large, white, bold letters across the upper part of the building. The sun is low in the sky, creating a bright glow and lens flare effect behind the building. A tall, thin light pole stands in the foreground to the right of the building. The sky is a clear, pale blue.

2008

The year in figures

		2008	2007	Change
Net sales	SEK m	5,810.5	5,402.5	8 %
Growth	%	7.6	9.0	- 16 %
Operating profit	SEK m	625.3	528.0	18 %
Profit after net financial items	SEK m	516.7	445.0	16 %
Investments in non-current assets	SEK m	407.6	404.1	1 %
of which in existing plant & machinery	SEK m	237.5	390.9	- 39 %
Gross margin	%	14.0	12.8	9 %
Operating margin	%	10.8	9.8	10 %
Profit margin	%	8.9	8.2	8 %
Capital employed	SEK m	4,040.7	3,552.9	14 %
Equity	SEK m	1,888.7	1,547.7	22 %
Return on capital employed	%	17.1	17.2	0 %
Return on equity	%	21.3	22.6	- 6 %
Return on total assets	%	13.5	12.8	5 %
Assets turnover	times	1.20	1.28	- 6 %
Equity/assets ratio	%	36.7	34.2	7 %
Proportion of risk-bearing capital	%	39.7	36.8	8 %
Operating cash flow	SEK m	416.5	- 350.8	219 %
Interest cover	times	4.8	5.7	- 16 %
Interest-bearing liabilities/Equity	%	113.9	129.6	- 12 %
Average number of employees		5,275	5,439	- 3 %

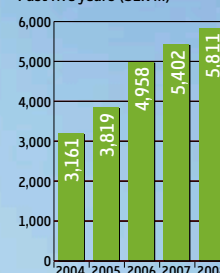
Please refer to page 45 for definitions.

The past 12 months (corresponding figures for 2007 in brackets)

- ▲ Net sales rose to SEK 5,810.5 million (SEK 5,402.5 million)
- ▲ Growth totalled 7.6% (9.0%) of which 4.5% (3.7%) was organic
- ▲ Profit after net financial items rose to SEK 516.7 million (SEK 445.0 million)
- ▲ Earnings after tax rose to SEK 376.1 million (SEK 314.7 million)
- ▲ Operating cash flow was SEK 416.5 million (SEK -350.8 million)
- ▲ Earnings per share totalled SEK 3.94 (SEK 3.35)
- ▲ The Board of Directors proposes an unchanged dividend of SEK 1.15/share
- ▲ Acquisition of KNV Umweltgerechte Energietechnik GmbH, an Austrian manufacturer of heat pumps, with annual sales equivalent to approximately SEK 50 million.
- ▲ Acquisition of a 51% stake in CJSC EVAN, a Russian manufacturer of electric boilers and large water-heaters, with annual sales equivalent to approximately SEK 100 million.
- ▲ Acquisition of TermaTech A/S, a Danish supplier of accessories for solid-fuel stoves, with annual sales equivalent to approximately SEK 55 million.
- ▲ Acquisition of business operations in Alpe SA, a Mexican manufacturer of heating elements, with annual sales equivalent to approximately SEK 76 million.

Net Sales

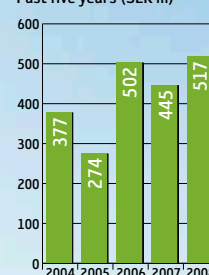
Past five years (SEK m)



Net sales rose by 7.6% in 2008

Profit after financial items

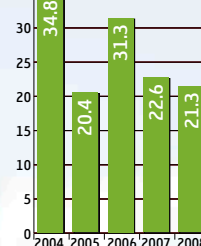
Past five years (SEK m)



Profit after net financial items rose by 16.1% in 2008

Return on equity

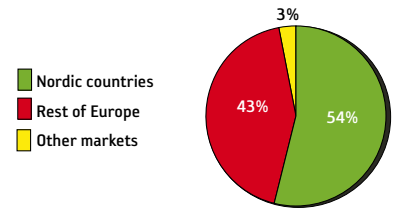
past five years (%)



Return on equity fell by 5.8% in 2008.

Operations at a glance

Group sales by geographical region

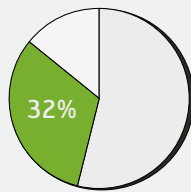


PROPORTION OF GROUP

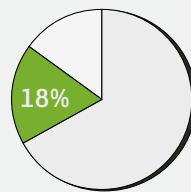


NIBE Element

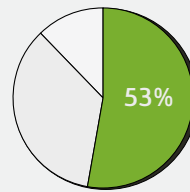
Net sales



Operating profit



Proportion of Group employees



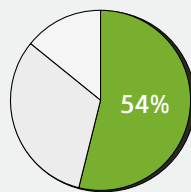
Operating margin

6.1%

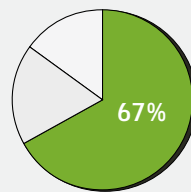


NIBE Heating

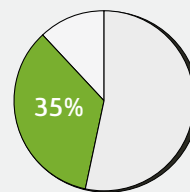
Net sales



Operating profit



Proportion of Group employees



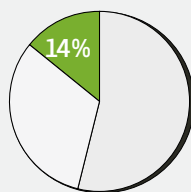
Operating margin

13.4%

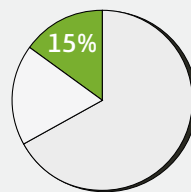


NIBE Stoves

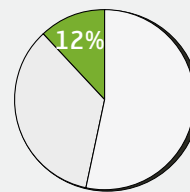
Net sales



Operating profit



Proportion of Group employees



Operating margin

11.1%

GROUP TOTAL

Net Sales	Operating profit	Employees	Operating margin
SEK 5,810.5 m	SEK 625.3 m	5,275	10.8%

KEY FACTS AND FIGURES

NIBE Element is the market leader in Northern Europe for components and systems for electric heating applications and for resistors, and one of the leading manufacturers in the rest of Europe. Customers are industrial users and components users.

Net sales 2008	SEK 1,879.3 million
Growth	+ 5.6%
Operating profit	SEK 115.4 million
Operating margin	6.1%
Average number of employees	2,798

BRANDS



Read more about NIBE Element operations on pages 22–27.

NIBE Heating is the market leader for domestic heating products in the Nordic countries, Poland and the Czech Republic, and one of the leading manufacturers in the rest of Europe. Customers are the RMI sector (Renovation, Maintenance, Improvement) and the new housing market.

Net sales 2008	SEK 3,216.4 million
Growth	+ 12.5%
Operating profit	SEK 432.2 million
Operating margin	13.4%
Average number of employees	1,867



Read more about NIBE Heating operations on pages 28–33.

NIBE Stoves is the market leader in Sweden for wood-burning stoves, and one of the foremost among leading manufacturers in the rest of Europe. Customers are private homeowners in the new and existing housing market and in the holiday homes sector.

Net sales 2008	SEK 863.6 million
Growth	– 1.2%
Operating profit	SEK 96.2 million
Operating margin	11.1%
Average number of employees	605



Read more about NIBE Stoves operations on pages 34–39.

Good profit growth in 2008 –

a return to the traditional seasonal pattern with a weaker first half and a stronger second half of the year



Gerteric Lindquist, Managing Director and CEO

The NIBE Group's sales rose to SEK 5,810.5 million in 2008, an increase of 7.6% on 2007 figures with organic growth of 4.5%.

While demand from predominantly consumer-oriented segments of the market was noticeably weaker, those segments that focus primarily on renewable energy performed significantly better. All three business areas also continued to gain market share, thanks first and foremost to successful marketing and a comprehensive range of high-performance products.

Operating profit for 2008 as a whole rose by 18.4%. This was mainly attributable to improved sales, lower costs following our implementation of a programme in 2007 to reduce stocks and make savings, and healthy profits in our new acquisitions.

Profit after net financial items climbed by 16.1% compared with earnings for 2007, despite a drop of SEK 25.6 million in net financial items that was due

mainly to a higher interest rate.

In 2008 we re-adopted a production pattern that involved temporarily increasing production capacity in the second half of the year to meet the much higher demand during this period, instead of – as in more recent years – stockpiling during the first six months to meet our peak-season delivery commitments. This changed production pattern led to a shift in profits from the first to the second half of the year, as it meant that absorption of certain indirect costs during the first half was appreciably lower or non-existent.

As the year drew to a close there were signs that some material prices were, at last, returning to more normal levels. Unfortunately, currency trends over the past twelve months as a whole saw our costs in manufacturing countries with lower payroll expenses move in the opposite direction, even though, from our perspective, this situation did show a significant improvement late in the year.

Despite the gloomy economic outlook NIBE Element succeeded in increasing sales to report an operating profit slightly above its 2007 record and an operating margin of 6.1%. The target figure of a 10% operating margin remains, but this can only be achieved once the economy has recovered to a more normal level.

Brisk demand for heat pumps in virtually all our foreign markets paved the way for positive sales trends for NIBE Heating, too. Improved sales and a tight grip on costs are the main factors behind the business area's much improved operating margin of 13.4% in 2008.

The weaker economy has had a negative effect on sales and earnings for NIBE Stoves, but even so, the business area's operating margin of 11.1% still remains above the target of 10%.

Extensive, years-long investment programme concluded

Investments in existing operations totalled SEK 238 million in 2008, which is SEK 153 million less than in 2007, but approximately SEK 40 million above the annual depreciation rate.

Our comprehensive investment programme, which has extended over a number of years with the aim of making sure that all three business areas can continue to expand in a rational manner, has now been concluded. Investments over the next few years are expected to be on the same level as, or slightly below, the annual rate of depreciation.

Focus on reducing tied-up capital and improving cash flow

During the long run of good years with very strong growth, priority was given to adapting supplies of materials, staffing levels, production equipment and premises to accommodate each year's new growth.

Now, when demand from the world around us is far more cautious and capital is in much shorter supply, it is natural for us to turn our attention to reducing tied-up capital and improving cash flow.

As far as tied-up capital is concerned, we significantly reduced our stock levels in 2008 and are continuing these efforts in 2009. In addition, we are systematically requesting longer payment terms from

our suppliers – one area to which we have not previously paid sufficient attention.

We hope that reductions in the amount of tied-up capital and in our levels of investment will contribute to a significant improvement in cash flow.

Strategic acquisitions

The acquisition of 100% of the shares in the Austrian company KNV and a 51% stake in Russia's EVAN is fully in line with NIBE Heating's strategy of serving prioritised markets through our own local presence.

The acquisition of TermaTech in Denmark not only broadens the NIBE Stoves product range but also expands its distribution network, as befits the business area's expansion strategy. In conjunction with the TermaTech takeover, an agreement was also signed giving NIBE an option to acquire Lotus Heating Systems A/S in 2010, another Danish company that fits in well with the business area's growth strategy.

Similarly, the acquisition of Alpe in Mexico is consistent with NIBE Heating's strategy of becoming a global supplier with manufacturing in Europe, Asia and North and Central America.

Priceless corporate culture

Once again we are proud to acknowledge the inestimable value of our NIBE corporate culture. This is firmly founded on the values and attitudes for which the region of southern Sweden where NIBE has its home is renowned: common sense and a simple, honest, straightforward temperament coupled with productivity, profitability, long-term thinking and the courage of one's convictions.

To see this in action, we need only look back to August–September 2007. At the first signs of a sharp drop in demand, we swiftly implemented a programme to reduce stocks and cut costs to do all we could to maintain acceptable levels of profitability in the impending economic downturn.

As probably the first listed company in Sweden to inform the market of a downturn in demand and its effects on NIBE, we were called into question and even criticised by some market observers for having more or less lost control of the

company. Not surprisingly, our share price was also badly affected by such negative comments.

The five quarters that have passed since then have demonstrated beyond any doubt that NIBE was not alone in experiencing a decline in demand: there is hardly another company that has not suffered the same fate. The difference is that our swift response enabled us to weather the storms of 2008 with our honour more or less intact as far as profitability is concerned.

Another example is our unshakeable conviction about the feasibility of running profitable manufacturing operations in Sweden and other high-cost countries; the key is an unflinching focus on productivity. Our three hypermodern, fully invested production plants in Markaryd are all good examples of practising what we preach, and prove that manufacturing in Sweden can be truly profitable. Moreover, such close contact between product developers, manufacturing and marketing brings clear advantages in terms of speed, flexibility and sensitivity to market needs – important factors, all too often overlooked when companies stare blindly at the bottom line of payroll expenses.

Yet another example is our stubborn refusal to abandon our long-term approach to business. We do not change course from one quarter to the next simply to accommodate some fancy new trend. Experience has taught us that fads come and go and that it is essential to assess their staying power. Time has shown that trend-setters who just a few years ago insisted that companies should use their profits to buy back their own shares or hand them out in dividends to their shareholders were on totally the wrong track. So it is satisfying to be able to say that NIBE has never repurchased shares and that dividends have consistently remained at between 25% and 30% of the previous year's earnings after tax. The rest is ploughed back into the business.

It is equally confidence-inspiring to know that ownership of NIBE is also long-term and industrially oriented. This facilitates quick decision-making and enables us to concentrate on developing the business. It is both sad and shocking to

see how quickly a series of rapid changes of ownership can throw a company into disarray, particularly when acquisitions lack any genuine industrial motive and are financed with borrowed money.

Our next sales target – 10 billion Swedish kronor

Our long-term goal is to double our turnover from 2006 to reach SEK 10 billion by 2011 – without jeopardising our healthy profitability. We believe we have what it takes within the company to achieve sales on this level.

If an upturn in the economy takes time to materialise, however, this goal will naturally be more difficult to attain within the timeframe. On the other hand, if the economy remains weak, this may also create opportunities for restructuring and company acquisitions.

Undiminished faith in the future

The market for our products will benefit from society's efforts to substantially increase the proportion of renewable energy used and make significant reductions in greenhouse gas emissions.

Internally we will continue our work to improve productivity, cut material costs and further reduce our tied-up capital.

We will retain the same production model as in 2008, which means that profit distribution during the year will follow a pattern similar to that in 2008.

Additional resources will be invested in product development.

NIBE's financial position remains robust, providing the necessary foundations for further organic growth and acquisitions. That is why, despite the fact that the global economy is currently in recession, we venture to remain cautiously optimistic about the year as a whole.

Markaryd, Sweden – March 2009

Gerteric Lindquist

Managing Director and Chief Executive Officer



Changes in share capital

Year	Increase in share capital (SEK)	Quota value (SEK)	Total number of shares	Total share capital (SEK)
1990 New issue ¹⁾	6,950,000	100.00	70,000	7,000,000
1991 Bonus issue	40,000,000	100.00	470,000	47,000,000
1994 Split 10:1 ²⁾	–	10.00	4,700,000	47,000,000
1997 New issue	11,700,000	10.00	5,870,000	58,700,000
2003 Split 4:1 ³⁾	–	2.50	23,480,000	58,700,000
2006 Split 4:1 ⁴⁾	–	0.625	93,920,000	58,700,000

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

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

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

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

NIBE shares

NIBE Industrier AB's class B shares were floated on the Stockholm Stock Exchange's OTC list (now the Mid Cap list, NASDAQ OMX Stockholm) on 16 June 1997 following the issue of 1,170,000 new class B shares. The subscription price then was SEK 70 per share. This corresponds to SEK 4.38 per share following the splits carried out in June 2003 and June 2006.

Share capital

NIBE Industrier AB has a share capital of SEK 58.7 million, divided into 13,160,256 class A shares and 80,759,744 class B shares. The quota value (i.e. share capital divided by shares) is SEK 0.625. Every class A share carries ten votes at the Annual General Meeting and every class B share carries one vote. All shares carry the same entitlement to the company's assets and profits. A trading lot is made up of 100 shares. At the end of 2008 the company had no outstanding convertible loans or options that could risk diluting the share capital

44.40. The Carnegie Small Companies Index fell by 47% during the same period and the OMX Stockholm All-share Index (OMXS) fell by 39%. This means that, at the end of 2008 the market value of NIBE, based on the latest price paid, amounted to SEK 4,170 million. In 2008 27,303,298 NIBE shares were traded on the NASDAQ OMXS Stockholm: this corresponds to a share turnover of 29% over the year.

Dividend policy

The aim is, over the long term, to pay a dividend equivalent to 25–30% of Group profit after tax. The Board is proposing a dividend of SEK 1.15 per share for the 2008 financial year, which equates to 29.2% of Group profit after full tax.

Share performance and turnover

During 2008 the NIBE share decreased in value by 43% from SEK 78.00 to SEK

Definitions

EPS (after full tax)

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

Equity per share

Equity divided by total number of shares in issue.

Price/equity

The year-end share price divided by the year-end equity per share.

Dividend yield

Dividend as percentage of year-end share price.

Total yield

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

Operating cash flow per share

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

Payout ratio

Dividends as a percentage of earnings per share.

PE ratio (after full tax)

Year-end share price divided by earnings per share.

Market value

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

EBIT multiple

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

EV/sales

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

Share turnover

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

Share data ¹⁾

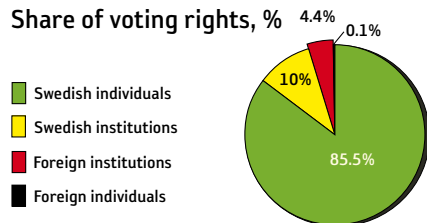
		2008	2007	2006	2005	2004
Number of shares		93,920,000	93,920,000	93,920,000	93,920,000	93,920,000
Year-end share price	SEK	44.40	78.00	115.00	60.75	46.00
EPS (after full tax)	SEK	3.94	3.35	3.74	1.94	2.97
Equity per share	SEK	20.04	16.48	13.67	10.92	9.46
Proposed dividend	SEK	1.15	1.15	1.15	0.75	0.75
Price/equity		2.22	4.73	8.42	5.56	4.86
Dividend yield	%	2.59	1.47	1.00	1.23	1.63
Total yield	%	-41.60	-31.17	91.19	33.70	46.67
Operating cash flow/share	SEK	4.43	-3.74	1.70	-0.17	1.28
Payout ratio	%	29.2	34.3	30.8	38.7	25.3
PE ratio (after full tax)		11.3	23.3	30.8	31.4	15.5
Market value	SEK m	4,170	7,326	10,801	5,706	4,320
EBIT multiple	times	9.6	17.3	21.6	21.7	13.8
EV/sales	times	1.03	1.69	2.43	1.76	1.60
Share turnover	%	29.1	71.1	36.8	38.4	30.6

¹⁾ All key ratios/share have been recalculated with regard to the 4:1 split made in June 2006.

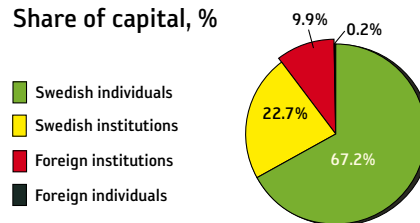
Shareholder categories

(Source: Euroclear Sweden share register 30 Dec 2008)

Share of voting rights, %



Share of capital, %



Ownership

There was a slight reduction in the number of shareholders during the year. NIBE had 18,218 shareholders at the end of 2008, compared with 18,868 twelve months previously. The ten largest shareholders held 67.6% of the votes and 44.8% of the capital.

Shareholder value

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

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

- Carnegie
Agnieszka Kaziow, tel +46 8-676 85 86
- Danske Markets Equities
Carl Gustafsson, tel +46 8 568 805 23
- Handelsbanken Capital Market
Jon Hyltner, tel +46 8 701 12 75
- HQ Bank
Alexander Vilval, tel +46 8 696 17 00
- Kaupthing Bank
Carl-Johan Blomqvist, tel +46 8 791 48 55
- SEB Enskilda
Anders Eriksson, tel +46 8 522 295 00
- Swedbank Markets
Peter Näslund, tel +46 8 585 918 23

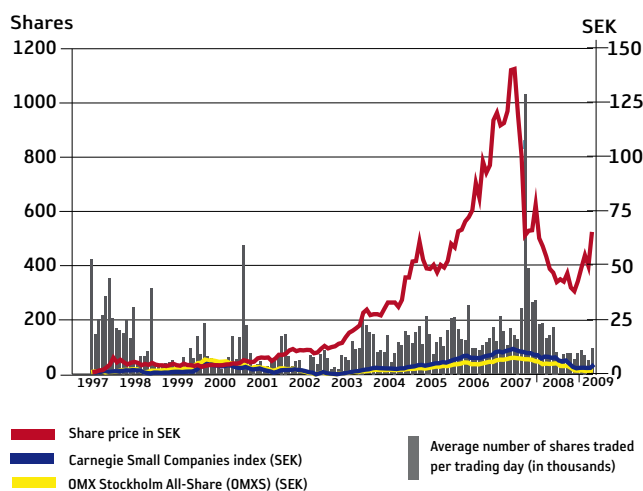
Major shareholders

(Source: Euroclear Sweden share register 30 Dec 2008)

Shareholders	No. of shares	Share of votes (%)
Current and former board members and senior executives ¹⁾	27,584,924	52.83
Melker Schörling	12,015,360	21.59
Alecta Pensionsförsäkring	7,500,000	3.53
Roburs Exportfond	1,476,500	0.70
The Northern Trust Company W9	1,324,046	0.62
Enter Sverige Fokus	1,023,800	0.48
Lannebo Småbolag	961,520	0.45
Lannebo Småbolag Select	790,000	0.37
Dub-Non-Resident	769,714	0.36
CBLDN-Skandia Global Funds PLC	683,266	0.32
Other holdings (18,188 shareholders)	39,790,870	18.75
Total	93,920,000	100.0

¹⁾ Please refer to page 70 for details of the current Board of Directors.

NIBE share performance



Shareholder structure

(Source: Euroclear Sweden share register 30 Dec 2008)

Share-holding	Share-holders	Stake (%)	No. of shares	Prop. of shares (%)
1 - 500	10,732	0.95	2,027,132	2.16
501 - 1,000	2,909	1.16	2,456,657	2.62
1,001 - 5,000	3,578	4.12	8,760,889	9.33
5,001 - 10,000	532	1.87	3,963,802	4.22
10,001 - 20,000	228	1.62	3,430,036	3.65
20,001 -	239	90.28	73,281,484	78.02
Total	18,218	100.0	93,920,000	100.0

NIBE – always there to help



The kitchen is at the heart of family life

Most household appliances from toasters and coffee-makers to freezers and refrigerators include components from NIBE Element. · **With children in the family** the washing machine is on virtually every day. The water in the washing machine and the air in the tumble-dryer are both heated by elements from NIBE Element. · **NIBE Heating's efficient geothermal heat pumps** provide an energy-saving solution to domestic heating, helping to improve family finances while preserving the environment for future generations.



A pleasant indoor climate all year round makes every day at home more enjoyable

Concept solutions from NIBE Heating provide good ventilation with energy recovery, heat in winter and cool air in summer. · **A delightful bath** with plenty of hot water from a heat pump, domestic boiler, district-heating module or water-heater from NIBE Heating is guaranteed to bring a smile to most children's faces.



NIBE is always there to lend a helping hand at home, wherever and whoever you are, with products that create warmth, comfort and well-being around the clock.



The floor is the best place to play

Water-borne underfloor heating and energy-efficient heat pumps from NIBE Heating mean that children can scamper around barefoot indoors all year round. · **Environmentally adapted** wood-burning stoves from NIBE Stoves are as efficient as they are cosy. · **On a cold winter day** it's comfortable and convenient to have an engine pre-heater in your car and rear-view mirrors that are kept frost-free by foil elements from NIBE Element.



Relaxing in the cosy glow of a wood-burning stove is a great way to unwind

A crackling fire in a NIBE wood-burning stove creates a wonderful atmosphere and provides a pleasant source of heat. · **Heat pumps from NIBE Heating** require the minimum of supervision and leave you with time to relax with a cup of fresh coffee from a coffee-maker equipped with tubular elements from NIBE Element.



NIBE – a world-class heating company

The factors behind our success

Our management philosophy builds on eight principles which provide the impetus for continued profitable growth. These principles are the glue that holds the NIBE Group and all of its employees together. Creating an awareness of our management philosophy is crucially important when we

recruit employees or acquire companies. At NIBE, we believe there should never be any doubt about the principles that underpin our work and permeate the working environment that new employees are joining.

Good profitability

Good profitability is, and has always been, a tradition at NIBE.

All NIBE employees work to ensure that their business unit reports an operating margin of at least 10% over a full business cycle.

As an example of this, neither of the original companies in the NIBE Group (Backer BHV AB and NIBE AB) has ever reported an operating loss. This track record – dating back no fewer than 60 and 57 years respectively – generates respect for the fact that it really is possible to make money under all circumstances.

We find it hard to under-

stand why various forces in society have so often called corporate profits into question over the years. Profitability is a measure of efficiency, and good profitability is the ultimate goal of any business. It is only through good profitability that a company can develop and safeguard its long-term survival.

Good profitability also affords freedom of action and independence. This, in turn, creates job satisfaction and job security for employees, and attracts ambitious new employees.

Market-oriented expansion

Growth is a must for all business development.

Good, sustained growth is absolutely essential to create the right conditions for productivity improvements, organisational development and innovation. The combination of good organic growth and carefully balanced expansion through acquisitions is the best possible way of constantly breathing new life into an organisation.

NIBE's growth philosophy builds on the common-sense notion that we must always be sensitive to the market's

changing needs by offering a broad range of products with high standards of performance to guarantee the best possible solution for every customer.

Expansion into new markets must be carefully prepared and methodically undertaken, step by step.

Whatever the market, the customer must always regard NIBE as a reliable and constructive partner, and NIBE's successes must also benefit the customer in the form of value-for-money products.

Aggressive product development

NIBE continuously invests substantial resources in product development.

The rationale behind aggressive product development is that customers' changing needs must be quickly identified and translated into the best possible solutions in any given market situation.

Market-leading product development is crucial to sustaining organic growth and establishing a foothold in new markets.

A sharp focus on product development also facilitates the evaluation and introduc-

tion of new technologies.

Another major advantage of focusing on product development is that a basis for good production efficiency is established right from the concept stage. Together, the high levels of value added, passion for productivity and extensive product development resources at NIBE make for an invaluable holistic approach to the profitability of our products.

Quality in everything – focus on the customer

The customer must always be able to rely on both the company and its products and employees.

Quality is one of the hallmarks of NIBE – a key competitive factor and a strong selling point for our products.

We aim to be forerunners when it comes to quality and the environment. This can never be accomplished through isolated initiatives or by hanging certificates on the wall. It can only be achieved through resolute, day-to-day efforts that focus on constantly trying to do things better, and when all employees take responsibility for and show commitment to these issues.

For us, quality also means

that we must always have the capacity to assist our customers, and that they must always be dealt with in a professional and friendly manner.

The goal, of course, is for our approach to quality and the environment to result in as few mistakes as possible, thus making NIBE as cost-effective as possible. Despite these efforts, it is inevitable that problems will arise from time to time. When they do, they must be identified and dealt with quickly. Quite simply, a NIBE customer must always be a satisfied customer.

High productivity

High productivity is crucial to maintaining a competitive position.

Our productivity ethos can be simply summarised in two points.

- ▲ Firstly, everything can and must constantly be improved. We must never allow ourselves to rest on our laurels. No matter how successful current solutions may seem, we must always strive for improvement.
- ▲ Secondly, if you can't measure it, you can't improve it.

In stark contrast to the current trend of outsourcing as much business as possible to other suppliers, NIBE continues to focus firmly on in-house production. We are convinced that high value added internally provides the foundation for strong growth in productivity and, by extension, good profitability.

This approach makes it natural to invest heavily in modernising our factories and offices to make sure that they are rational and use the most efficient equipment.

NIBE's profitability and expansion have been achieved largely through high productivity based on uncomplicated organisational structures, rational production processes, the prudent use of time, and flexible wage systems for as much of the workforce as possible.

We are convinced that flexible wage systems based on accurate time measurement are of crucial importance for the vast majority of industrial companies. Employees who excel in their work should be motivated by the prospect of higher earnings, which in turn provides an incentive for further improvements.

Accurate time measurement also ensures that the data on which our calculations are based is correct. This facilitates production and gives decision-makers a reliable basis for investment decisions and meaningful follow-up analyses.

Regrettably, the uninitiated often associate high productivity and flexible wage systems with stress and dissatisfaction. In fact, the optimal use of time and a firm focus on work result in greater job satisfaction as a result of fair pay and a well-organised workplace.

The new IT economy's tools for rationalising administration harmonise well with our productivity philosophy in a number of areas, particularly as far as design tools, purchasing efficiency, production management and order management are concerned.



Committed employees

NIBE embraces uncomplicated organisational structures that give employees freedom with accountability.

We are the first to admit that we ask a lot of all our employees. But, together with openness and clear communication, this creates the kind of clarity that is greatly appreciated in the workplace.

Initiative, modesty and common sense are the ideal qualities on which co-workers at NIBE can build a career.

We favour a hands-on management style, based on the conviction that managers must have an eye for detail and be genuinely interested in their areas of responsibility if they are to be able to lead and develop their co-workers. All managers must always lead by example.

This environment provides the ideal conditions for all employees to develop, both through their own personal initiatives and through targeted training.

Firm focus on three core businesses

Focusing on our three core businesses ensures clarity both internally and externally.

This focus also results in an ever increasing fund of in-depth expertise, which gives us a real analytical edge, not least when it comes to acquisitions.

All three core businesses have considerable scope for expansion, above all internationally. This provides a good basis for market leadership, synergy gains and economies of scale.

Concentrating all our energies on these three existing core businesses limits exposure to risk and generates robust earnings over a business cycle.

A long-term approach

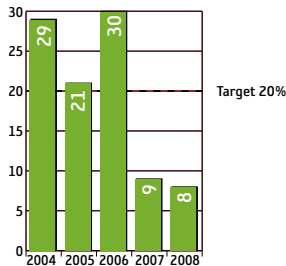
NIBE takes the long-term view, shielding us from most short-lived trends.

Naturally we keep a very close eye on the increasingly rapid pace of change in the world around us, but we are careful to test any major changes that we introduce on a small scale before implementing them throughout the organisation.

We aim to have long-term relationships with both customers and suppliers, and are convinced that responsibility, sustainability and continuity will win in the long run.

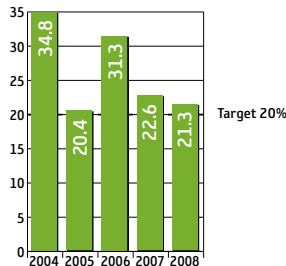
A good illustration of this is the continuity in NIBE's ownership, which enables us to concentrate fully on the development of the business while still safeguarding our independence.

Growth
past five years (%)



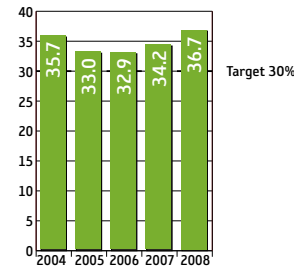
Growth over the past five years averages 18.8%

Return on equity
past five years (%)



Return on equity over the past five years averages 25.1%

Equity/assets ratio
past five years (%)



Equity/assets ratio over the past five years averages 34.6%

Internationalisation with the Nordic countries as our base

Vision

Our vision is to create a world-class heating company.

Mission statement

Our mission is to offer high-quality, innovative heating products through our three business areas: NIBE Element, NIBE Heating and NIBE Stoves. This work will build on the NIBE Group's wide-ranging expertise in the fields of product development, manufacturing and marketing.

Objectives

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

The Group has four overall financial targets:

- ▲ to achieve average year-on-year growth of 20%, half of which is to be organic
- ▲ to report average annual operating profit for each of the three business areas equivalent to at least 10% of sales over a business cycle
- ▲ to achieve an average annual return on equity over a business cycle of at

least 20% after standard deductions for tax

- ▲ to ensure that the equity/assets ratio does not fall below 30%.

Growth

will be maintained through:

- ▲ increasing our share of the market in priority markets
- ▲ focusing on new markets and segments, preferably with the help of unique products and new technologies
- ▲ making strategic acquisitions in selected markets, preferably of companies with strong brands, products that complement the existing NIBE range, and new technologies.

Competitiveness

will be improved through:

- ▲ the continuous development of leading-edge, technically sophisticated products in close cooperation with the market and customers
- ▲ continuous rationalisation of production through mechanisation, automation and the optimisation of working time through flexible wage systems
- ▲ standardisation, modularisation and the coordination of components
- ▲ economies of scale on both the purchasing and production sides
- ▲ the use of IT support for product development, purchasing, production, sales, marketing and finance.

- ▲ modern designs that reflect the quality and performance of our products
- ▲ professional marketing with an international appeal
- ▲ high quality.

Profitability

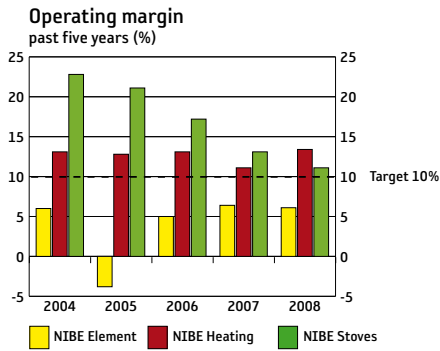
will be maintained through:

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

Co-worker commitment

will be further strengthened by:

- ▲ training and developing individual employees and the organisation as a whole
- ▲ motivating existing key employees and recruiting new ones
- ▲ schemes that give co-workers a stake in the NIBE Group.



Average operating margin over the past five years:
 NIBE Element 4.2%
 NIBE Heating 12.7%
 NIBE Stoves 16.1%

Customer satisfaction and peace of mind

will be our constant goal through:

- ▲ a broad range of products that ensures that each and every customer benefits from the best possible solutions
- ▲ the best service and customer support
- ▲ high quality
- ▲ competitive prices.

A holistic approach to environmental issues

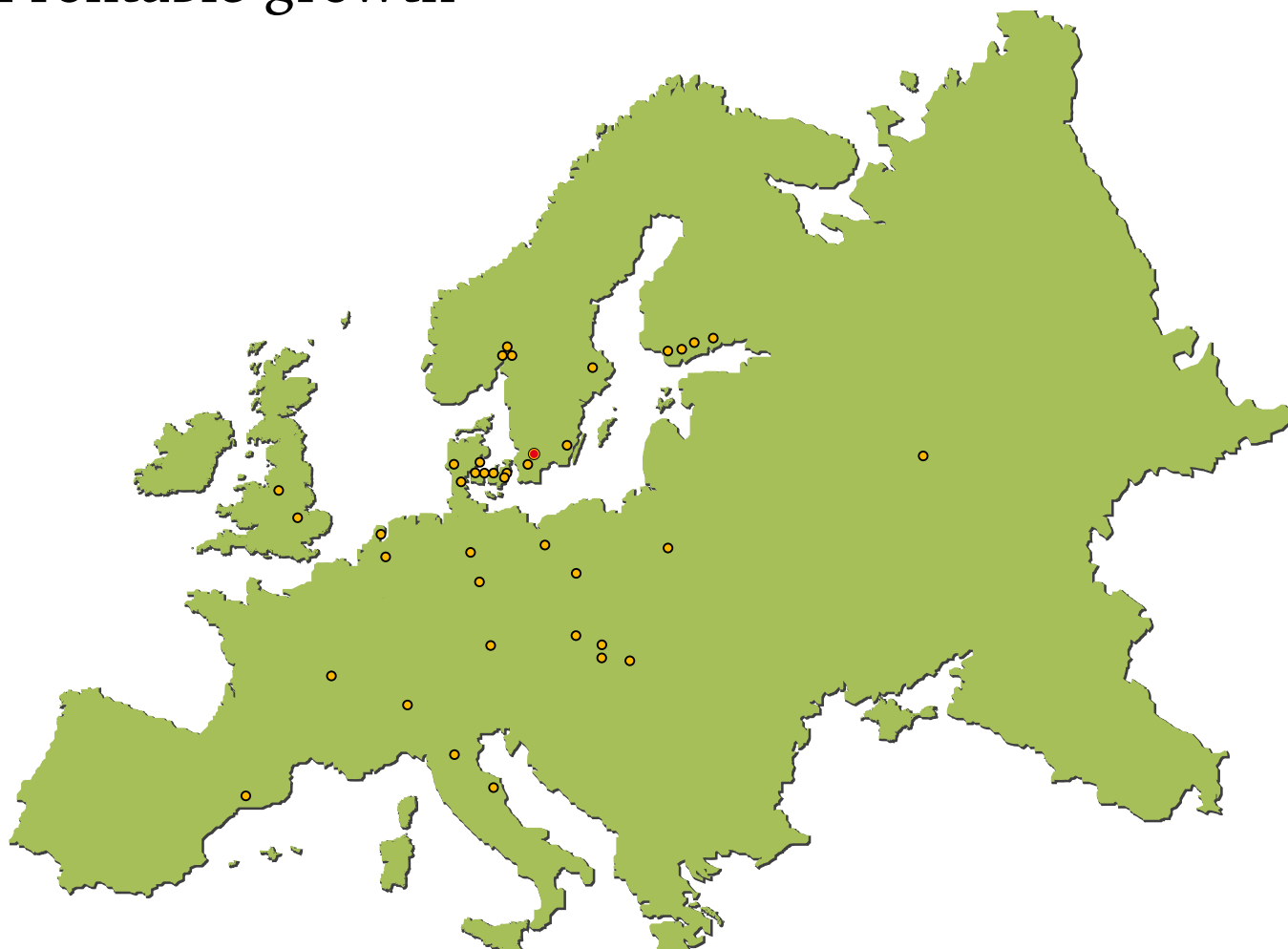
will play a key role in product development, from the choice of materials, through production and use to recycling.

Sincerity and an ethical attitude

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



Profitable growth



Today NIBE runs its own operations in 19 countries and is represented in another dozen or so through importers and dealers.



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

The background to this strategy was the realisation that continuous growth is vital for good profitability. At that time there was also much talk in Europe that companies with sales of less than SEK 600 million would find it hard to survive after the advent of the EU's internal market. Given our burning passion to remain independent, this seemed another good reason to equip ourselves for good, sustainable growth and so achieve sufficient critical mass of our own.

Organic growth

Half of our targeted average year-on-year growth (in other words, 10%) is to be organic.

Admittedly, we did not arrive at this figure as a result of any exact scientific theory: it was more an acknowledgment that organic growth of less than 5% is quite simply insufficient for good, sustainable profitability.

Since the overall underlying annual growth in demand in our three business areas is believed to be linked to GDP growth, this target means that we can never rest on our laurels, but must strive constantly to increase our share of existing markets and establish bridgeheads in new markets. Although the target may

seem ambitious (and no one knows better than us just how ambitious it is!), it is not unattainable. This is demonstrated by the fact that over the last ten years NIBE has actually generated average year-on-year organic sales growth of 11%. This is attributable to a combination of aggressive product development, continuous improvements in productivity and systematic marketing measures.

Acquisition

We have concluded that, in the mature market in which NIBE operates, organic growth alone cannot reasonably be expected to meet our overall year-on-year growth target of 20% over an indefinite period of time. We have therefore decided

Timeline for acquisitions and establishments

1994	Backer OBR (32%) Backer Oy (new establishment) Contura	2003	Danotherm Electric A/S (80%) Backer Facsa Energietechnik B.V. (new establishment) METRO THERM A/S Finohm Sinus-Bobe Termos
1995	Vølund Loval OY	2004	NETEK Shel Calesco Foil Inc. (new establishment) Kaukora (Sale of) Jøtul ASA (22%)
1996	Pyrox TMV-Pannan	2005	Northstar AS K M Jensen
1997	NIBE Polska (new establishment) Backer OBR (68%) EPD	2006	Varde Ovne A/S Danotherm Electric A/S (20%) Naturenergi IWABO AB NIBE Energy Systems Ltd (new establishment) NIBE Foyers France S.A.S. (new establishment) DZ Drazice strojirna s.r.o. Heatrod Elements
1998	Br Håkansson Värme AB Lodam Energi JEVI A/S Calesco Foil AB	2007	Lübcke Rail A/S
1999	Haato Varaajat	2008	KNV Umweltgerechte Energietechnik GmbH CJSC EVAN (51%) TermaTech A/S NIBE Wärmetechnik AG (new establishment) Alpe
2000	Cronspisen AB Biawar Backer F.E.R Coates Backer CZ Eltop Praha		
2001	Roslagsspisen Norells Sweden AB Svend A. Nielsen A/S Heise Systemtechnik GmbH		
2002	Jøtul ASA (22%) REBA		

to complement organic growth with average year-on-year growth through acquisitions of 10%. This level ensures that the additional workload is manageable, and the degree of risk is reasonable.

The Group has acquired 32 companies over the last decade, representing average year-on-year growth through acquisitions of 8%.

Acquisition criteria

NIBE is constantly analysing potential takeover candidates. Talks are always under way with a number of companies. The decisive factor behind any acquisition is that it must add new technology, new geographical markets and/or additional market share in existing markets.

The basic criteria are that the company must have strong brands and competent managers with a real entrepreneurial spirit, and that it must offer further growth potential within the framework of NIBE's strategies. If these criteria are met, we

can then be flexible about what phase the company is in purely in terms of profitability.

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

Acquisition model

▲ In the analysis phase we perform a detailed yet rapid analysis of the company. This is possible because our three sectors are so clearly defined and we have a veritable arsenal of key figures with which to make comparisons. We often also have access to several years' financial documentation.

▲ In the implementation phase there is always complete transparency about our intentions with the acquisition. We practise what we preach – there is never any hidden agenda. The fact that we are very clear and open about our

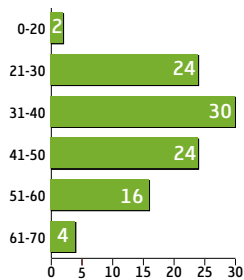
management philosophy and strategies (for example, in our annual report) generally facilitates this process.

▲ In the integration phase we aim to retain not only brands, but also skilled employees at every level. We look for synergies primarily when it comes to purchasing, but usually there is potential to make productivity improvements in the production process, as well.

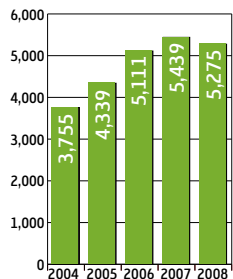
Generally speaking, our ambition is to create a decentralised organisation where new additions to the Group continue to enjoy considerable autonomy. We want integration into the NIBE Group to be about exploiting the obvious benefits of belonging to a much larger cluster of companies, and adopting the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

An international working environment founded on strong corporate values

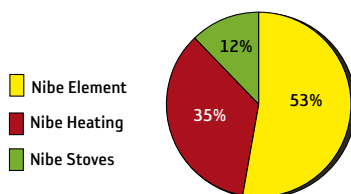
Age structure of the workforce (%)



Average number of employees past five years



Employees – by business area



Key figures	2008	2007	2006
Average number of employees	5,275	5,439	5,111
- administrative staff	% 27	24	23
- production staff	% 73	76	77
- men	% 66	68	67
- women	% 34	32	33
Average age	yrs 39	39	37
Average length of employment	yrs 7.7	6.6	6.2
Workforce turnover	% 9.5	16.0	10.4
Number of graduates	574	546	504
Employees			
- in Sweden	% 24	25	26
- abroad	% 76	75	74
Sickness, short-term	% 2.7	2.9	2.5
Sickness, long-term	% 2.6	4.0	3.2

The process of internationalisation continues. Today NIBE employs 5,400 people in 19 countries, compared with just 1,900 in seven countries at the start of the millennium. Acquisitions in 2008 have introduced many new workers in Mexico, Russia, Austria and Switzerland to a company founded on strong values. For the vast majority, the experience has been a positive one, regardless of their country of origin or local culture.

Our values and success factors are always in focus when recruiting, keeping employees informed of current developments and welcoming new co-workers into the Group following takeovers.

An attractive employer

Because our ambition is for NIBE to be perceived as an attractive place to work, filled with opportunities, we attach great importance to our success in attracting, retaining and developing staff of the right calibre.

We set our sights high and demand a great deal of our employees. In return, they can enjoy freedom with account-ability, an atmosphere at work that is characterised by common sense and a simple, straightforward approach, and excellent career opportunities. This stimulates interest in work and leads to a low incidence of sick leave, low staff turnover, a staunchly loyal workforce and many applications from job-seekers.

The Group's strong growth has also led to a steady rise in the number of employees, resulting in a combination of young, often well-educated new recruits and highly skilled, long-serving employees. This mix yields many positive benefits and enables us to preserve and pass on in a natural way the knowledge of products, production and markets that has been built up in the company over many years.

Competitive production

With more than 4,000 employees outside Sweden, NIBE is becoming increasingly international, even though the Swedish workforce still constitutes almost 25%

of the total. An unrelenting focus on productivity at every stage enables us to maintain competitively priced production in Sweden. At the same time we are also investing in production units in Eastern Europe, China and most recently Mexico, to manufacture products that are subjected to the very fiercest price competition and to create a base for ourselves in these high-potential growth markets.

Impressive breadth of knowledge

Thanks to our restrictive attitude to outsourcing we are able to accumulate a great deal of valuable knowledge within the Group, which leads to a rich mix of professional skills in product development, marketing, manufacturing and administration.

It also paves the way for mutually rewarding collaboration with universities and colleges across a broad spectrum, not least by offering interesting degree projects, work placement opportunities and – this year – a new trainee programme.

We also believe that it is important to spread the word about the huge variety of careers on offer in modern manufacturing industry, so we work extensively with local schools, giving pupils of all ages an insight into the various jobs and career opportunities open to them

Training with a future focus

At NIBE training is not an end in itself, but a direct response to relevant, well-defined needs. The underlying aim behind all training is to ensure that we stand well equipped with the skills and attitudes that are needed to meet the future.

The benchmark is straightforward, work-related training. Often we use teachers and tutors from our own workforce who possess unique skills to share knowledge specific to NIBE's operations in a stimulating, cost-effective way.

Another important contribution is made in conjunction with our induction programmes, where new recruits learn about the NIBE corporate culture and take part in product training at levels appropriate to their future duties.



Name: Marcus Sternegård
Age: 30
Family: Girlfriend
Hobbies: Motorcycles and sailing
Education: Electrical Engineering, Malmö University
Job: Development Engineer, NIBE Heating

Marcus has a real passion for technology that he can indulge in his work at NIBE, which focuses mainly on electronic control systems for NIBE heat pumps.

When you graduated you chose NIBE and the village of Markaryd rather than a larger company in a big city. Do you still feel you made the right choice?
"Absolutely! I've been part of some very exciting developments at NIBE. When I started here, our products could do little more than produce hot water and heating for private homes. Today they can also be used for cooling, dockings and heating

large premises – and there are all sorts of accessories, too."

NIBE has always been technically driven and invested heavily in product development.
"There's an understanding of and an interest in technology here. So you have exciting opportunities to take your own initiatives and work out your own solutions. We've already made some major advances, but I'm convinced this progress will continue – with a greater focus on user-friendliness and easier installation."



Name: Robert Nilsson
Age: 43
Home: Malmö
Family: Wife, three children and a dog
Interests: History ("I'm fascinated by the rise and fall of the great empires, particularly the Roman Empire.")
Came to Sweden: From Poland in 1977, together with his mother
Education: Vocational training in control engineering
Job: Site Manager for OBR in Poland and Marketing/Technical Manager for the Backer Group

Robert started work as an 18-year-old on the Backer production line in Sösådal. He then rose through the ranks to become a Quality Technician and later Quality Manager, before assuming responsibility for marketing and technical development in 2000.

You've advanced from the production line to become one of NIBE Element's senior managers. What's the secret of your success?

"NIBE's management has good insights into and a keen interest in all aspects of the company."

Managers can spot competent individuals at all levels in the company. It's a great feeling to be recognised and rewarded for your hard work and effort."

Robert has experienced NIBE's unprecedented growth over the past 10-15 years.
"It's been astonishing. In the early 1990s NIBE Element's annual sales were around 140 million Swedish kronor. Today sales are 1.9 billion kronor. And it won't stop there! There are still plenty more opportunities for lots of other 18-year-olds at NIBE."



Name: Bruno Fernandez
Age: 44
Home: Marseilles, France
Hobby: Driving his motor boat in the Mediterranean and cooking (preferably Italian food)
Job: Managing Director, NIBE Foyers France S.A.S. Started the company in 2006

NIBE's French wood-stove company has grown rapidly and shown good profits. There are now eight employees working in sales and warehousing

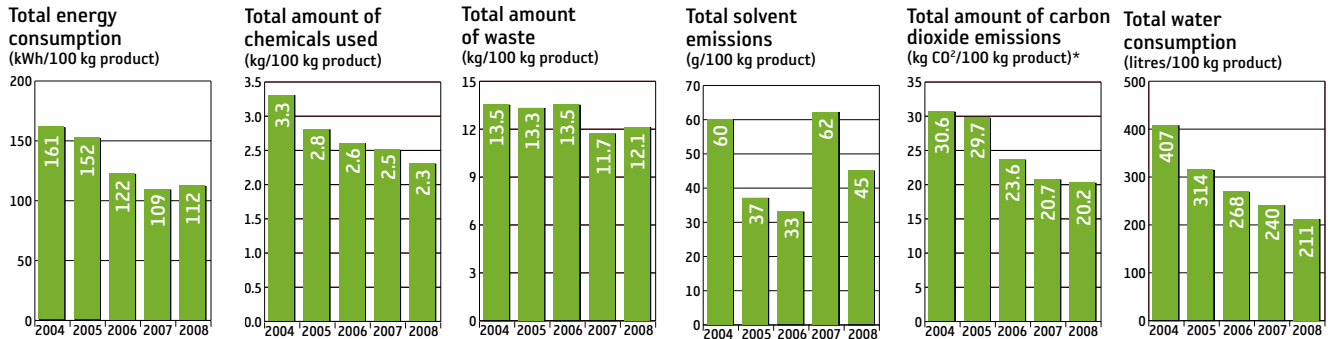
Why did you choose to work for NIBE?
"I used to work for NIBE's former wood-stove importer in France. I applied for the new job as MD of NIBE's own French subsidiary because I like NIBE's style and stoves. I've not regretted it for a minute. What I appreciate most about NIBE is its philosophy of freedom with accountability and the interest shown by managers and colleagues. We

can be honest in our exchange of opinions, and we get constant feedback and information even though we're thousands of kilometres away."

Is it really possible to sell wood-burning stoves in the sunny south of France?

"France is actually one of Europe's biggest wood-stove markets. It's only the Mediterranean region that's hot and sunny. In the Alps and in Brittany the weather is often cold and windy. There's also plenty of wood there – and plenty of money, too!"

Sharing responsibility for the environment



Most environmental key figures show a positive development, which proves that our environmental work is moving in the right direction. The increase in energy consumption is partly a consequence of bringing on-line the new NIBE Stoves plant during the year while production was still taking place at other units that will be phased out early in 2009.

At NIBE responsibility for the environment is shared by each and every employee. Everyone is made aware of this by training and information about the demands and targets that the company has adopted. Through a process of continuous improvement, staff can help to reduce environmental impact and create the right conditions for long-term sustainable development.

One of the tools we have to help us advance our positions in our environmental work is the NIBE environmental policy. This has been updated during the year to incorporate a sustainability perspective that is now the guiding principle at NIBE.

A number of units are already ISO 14001 certified with internal or external audits. However, environmental work is decentralised and each unit has its own organisation that works in compliance with the principles laid down in this internationally recognised environmental management system

Five key areas

The NIBE Group's international expansion means that global environmental issues are becoming increasingly important. Under the maxim "A holistic view of the environment", our environmental work focuses on five key areas, each closely monitored via key figures for the entire Group as part of our aim to achieve long-term sustainable development. Examples include:

Product development

- Products for heating, ventilation and

cooling that use renewable energy are being developed and refined to pave the way for phasing out fossil fuels and reducing CO₂ emissions.

- Improved combustion efficiency in wood stoves, etc. reduces both fuel consumption and emissions
- As a subcontractor, NIBE Element often liaises closely with clients in product development work to create products that last longer and consume less energy

Choice of materials

- New materials are being investigated with the aim of reducing our use of chemicals, increasing material recycling rates and, by extension, minimising the environmental impact of the company's products and processes
- When choosing suppliers we evaluate their environmental performance.

Production plant

- New, improved production processes are continually being introduced to reduce our environmental impact.

Product function

- Product development maintains a firm focus on optimising energy consumption while simultaneously improving the useful life and dependability of the product.

Recycling

- Continuous development of our waste sorting system and the efficient use

of components and materials reduce environmental impact and save money, too!

- We make every endeavour to use recyclable packaging materials wherever possible.

2008

Worldwide there has been a huge surge of interest in the climate issue and efficient energy consumption

NIBE's most important contribution towards reducing environmental impact is through our products, the ultimate aim of which is to save energy and minimise environmental impact. For example, heat pumps are now recognised as making a positive contribution to the environment and are defined as renewable energy sources throughout the EU. Our product range is constantly expanding to include an ever greater proportion of energy-saving products for larger premises.

We are also working internally within NIBE to improve our own environmental performance. Our new production plant for stoves is heated by one of Sweden's largest heat-pump configurations and has a destruction facility for solvents that is forecast to halve emissions of solvents in 2009.

Elsewhere we have invested in recovering the heat from spent air to reduce energy consumption in our older production facilities. And we have taken measures to protect our immediate surroundings by preventing contamination in surface water drains.

* Source for calculation of CO₂ emissions: IEA

Greater quality consciousness throughout

The quality of our products and services is a key factor behind our competitiveness and a strong reason for choosing NIBE. If we are to meet customer demands, it is essential that our quality policy forms a common platform for all our work, and that all employees in all areas of operations view quality as their own personal responsibility and do their utmost to produce flawless products.

Continuous improvement

Continuous improvement plays a crucial role in improved efficiency and quality, and we are constantly engaged in maintaining and improving the pace of this work. The work itself varies from unit to unit, but high priority is always given to problem-solving and to creating new best practice: quantifiable quality targets are set and we seek continuous improvement by establishing new objectives. In addition, we work closely with customers and suppliers to compare our performance with that of our competitors to ensure that we always lead the way in our three chosen segments

Production environments and manufacturing equipment are continually being developed and improved and staff are given the necessary training in quality issues.

Existing products are improved and new ones developed to secure our future position in the market by raising our customers' expectations with regard to quality and dependability.

We are also gradually extending cooperation with subcontractors to guarantee the quality of components and subassemblies.

Achievements in 2008

Over the past year we have reinforced our quality organisation and fine-tuned our systems and methods to meet the increased competition within the industry. The Group's global expansion means that our products are now being sold on new markets. This makes even greater demands on products and routines, as our new customers are further away and have different expectations, needs and circumstances.

Priority is being given to improving internal communication between production units to boost quality consciousness even further.



All stove bodies are robot-welded to guarantee high quality.

Quality assurance

Quality assurance work is undertaken within the parameters of integrated quality management systems that accord with ISO 9001 specifications for internal and external checks and audits. Quality work is decentralised: each unit has its own quality organisation.

The quality management system is continuously updated based on input from new experiences, and this is used to steer operations and processes in the direction of the objectives we have established.

Product development is quality-assured by strict controls on the work carried out. Verification at all stages of the development process ensures that all new products sold to customers meet the most stringent quality standards.

As a subcontractor to industry, NIBE Element's most important competitive advantage is the consistently high quality of its products: all products are factory-tested before despatch.

The very highest quality is also an essential prerequisite for products from NIBE Heating, especially in the case of high-tech functions and components that must always perform flawlessly for the end-user. Components are tested before they leave our suppliers' premises and matched against our specifications. Products are tested repeatedly during the manufacturing process before they pass on to the next stage, and extensive functional tests are carried out prior to

despatch to ensure the quality of the final product.

For NIBE Stoves, quality means not only functionality and performance, but also the fact that all components meet stringent criteria and that the end product has an impeccable finish. Quality audits of randomly selected products are carried out continuously to assure customers of the best possible standards.

Satisfied customers

It is essential always to be receptive to comments from our customers, to incorporate what we learn into our work and to act swiftly to minimise any problems.

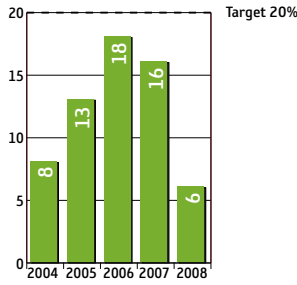
To ensure customer satisfaction and to focus more clearly on the most significant aspects of our quality control procedures, surveys are continuously carried out among customers within different market segments.

These surveys confirm that we satisfy the demands and expectations of our customers very well. However, new initiatives are regularly taken to bring about further improvements. A special focus on aspects such as delivery times, delivery reliability, precision in product development and customer support will develop our operations to meet market needs for total quality. How successful we are in achieving this will be one of the key factors behind our continued growth in an increasingly competitive market.



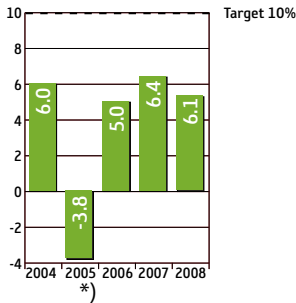
Christer Fredriksson,
Business Area Manager

Objective fulfilment
Growth (%)



Growth over the past five years averages 12.2%

Objective fulfilment
Operating margin (%)



Operating margin over the past five years averages 4.2%

*) Figures affected by provisions of SEK 70 million for a restructuring reserve.

NIBE Element

is the market leader in Northern Europe and a leading international manufacturer of components and systems for electric heating and resistors.

NIBE Element's mission is to supply components and systems for electric heating to both manufacturers and users of heating products.

The market consists of two main groups: OEM (Original Equipment Manufacturing), where, for example, an element is used as a component in the customer's product, and Industry, where the element is used in the customer's own manufacturing process.

Strategy

NIBE Element's goal is to rank among Europe's leading manufacturers. To do this, it will make appropriate acquisitions to increase the number of domestic markets in which it operates. In these domestic markets it will maintain a local presence and sell a complete range: elsewhere the main focus will be on medium to large-scale serial production. Unique special products will be marketed worldwide.

Objective

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

The year in brief

Invoiced sales in 2008 were lower than the previous year's for all consumer-oriented segments, particularly for traditional home-heating products. Alternative products in the domestic heating seg-



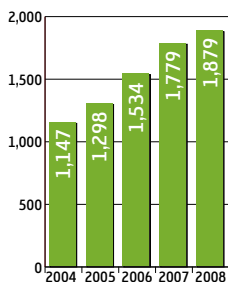
A wind farm requires many heating elements and resistors to guarantee functionality and continuity of supply.

ment, however, such as components and systems for heat pumps, continued to do well.

Demand from industrial users was strong during 2008 as a whole, but tailed

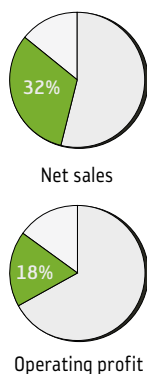
off towards the end of the year even in certain industrial segments, particularly those linked to construction. On the other hand, demand remains brisk for elements and resistors for energy-saving applica-

Net sales (SEK m)

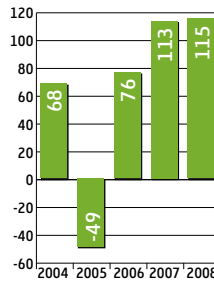


Net sales rose by 5.6% during 2008

Contribution to Group

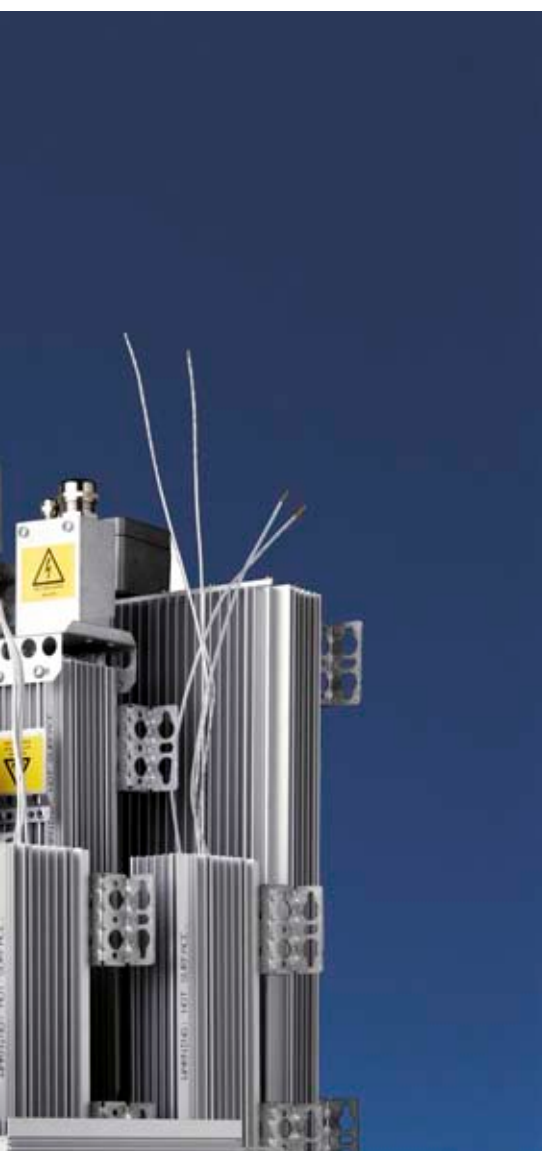


Operating profit (SEK m)



Operating profit rose by 1.8% during 2008

Average number of employees



tions and energy production equipment.

Equipment for infrastructure investments in rail transport has also developed well.

Weaker demand as the year drew to

a close led to lay-offs in most production units as capacity was adapted to falling order levels.

Prices for most base metals plummeted late in the year, but volatile exchange rates have cancelled out the positive effects of this. With fluctuating metal prices and unstable currencies, the competitive situation in many markets remains turbulent, and the picture is further complicated by steep rises in payroll expenses in certain low-cost countries. However, we remain confident that our strategy of diversifying volume production across several currency zones and geographical regions gives us a strong competitive advantage and greater flexibility in times when the changes in the world around us are as dramatic as they have been in recent years.

To reduce our tied-up capital and logistics costs we have worked across a broad front to transfer administration to our low-cost units and facilitate direct deliveries to our international customers. These efforts are now leading to progressively lower costs and improvements in customer service.

We have carried out intensive product development during the year to increase the proportion of OEM components and products that will be of strategic importance in the future, particularly those for energy-saving applications and infrastructure investments.

In September NIBE acquired the Mexican element manufacturer Alpe SA, with 200 employees, sales of some SEK 76 million a year and pre-tax profits of approximately 10% of that amount. Alpe is one of Mexico's biggest element manufacturers: the company supplies the industrial and volume sectors and delivers both directly and indirectly to the US market.

Outlook for 2009

The main focus for 2009 will be on continuing to develop product areas related to the sales of system products to the professional sector. For many of these market segments, especially in the energy and transport sectors, the planning horizon is long, so they are not directly affected by the downturn in the market that has hit other sectors.

It is likely that, as a result of stimulation packages approved by governments worldwide, there will be some rise in demand for product segments related to infrastructure investments.

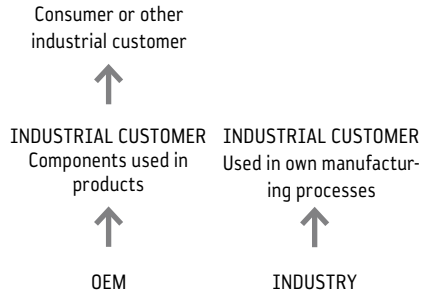
Within the more consumer-oriented sector, where volumes tend to reflect the current state of the economy, the trend has been generally downwards since autumn 2007. However, the process of structural change continues unabated in this sector as manufacturing is transferred to countries with lower production costs.

Our decisions in recent years to transfer production have been fully justified. Access to low-cost production in Poland, the Czech Republic, China and Mexico gives us the flexibility to adapt to fluctuating exchange rates and cost trends on three continents, while optimising our logistics at the same time.

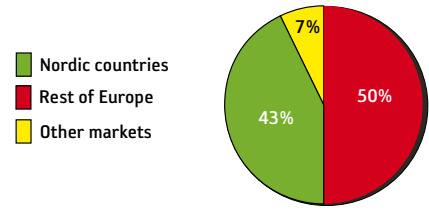
It is our opinion that our strategy of combining intensive product development and rational production with a local presence will stand us in good stead to capture more new shares of the market during the year.

However, while the changes we have implemented have moved us one step closer towards an operating margin of 10%, it is essential for the economy to recover to more normal levels if we are to achieve this target.

Distribution



Sales by geographical market



Market

The market for components and systems for electric heating tends to keep pace with national industrial development and the growth in national GDP. As a result, trends in most of our domestic markets – and also in former growth markets, such as Eastern Europe and Asia – pointed downwards in 2008.

Many markets are showing considerable interest in alternative energy production and more efficient energy use, which is still fuelling growth in these segments. However, it can be difficult to accurately forecast demand from year to year as sales in these segments are even more dependent than before on various types of government grant and energy-saving incentives.

Our goal remains to gradually increase our total of “domestic” markets by establishing local operations capable of manufacturing small series and providing local technical support. Often these companies also develop their own products, specially adapted to local needs and conditions. The past year saw us add Mexico to our list of domestic markets.

In certain major markets, either because of the prohibitive cost of running our own manufacturing operations, or simply because we prefer to adopt a cautious approach, we have chosen a presence in the form of a sales office instead. Today we have sales offices in the USA, Germany and France.

We have also set up a regional sales office in Shanghai, to focus predominantly on the Chinese engineering industry.

The process of structural change differs from industry to industry, and in certain segments the pace picked up even more last year. There is an increasing tendency for manufacturers in highly price-

sensitive segments – such as household appliances and, to some degree, white goods – to establish production facilities in China or purchase “off-the-shelf” products designed, developed and produced by Chinese manufacturers. This has put increased pressure on prices and volumes in Europe. In the washing machine and electric oven segments, however, the situation is less clear-cut. The trend is towards specialisation in European production plants while expanding capacity in Eastern Europe.

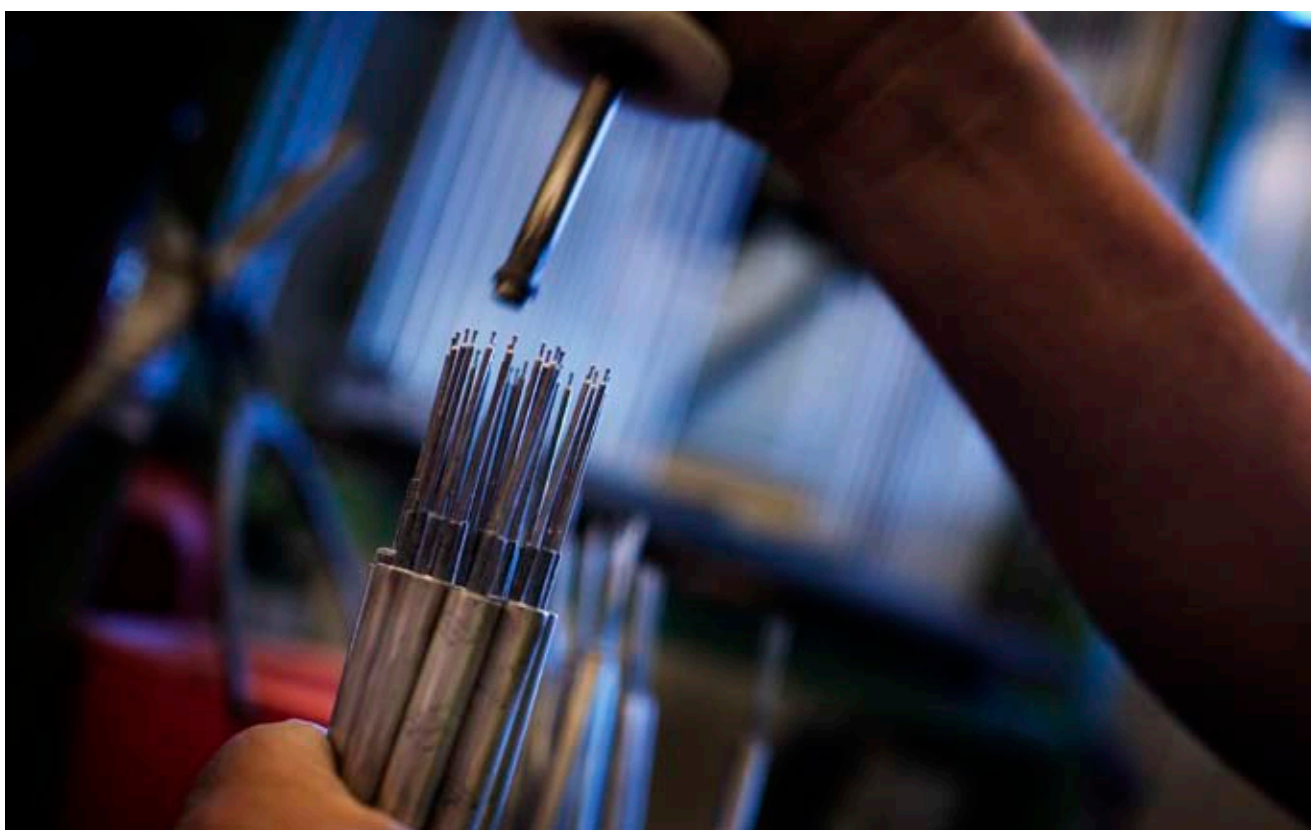
Recent developments have also meant that products for electric direct-heating of domestic properties, which have traditionally been manufactured in Western Europe, are now increasingly being made in low-cost countries in Eastern Europe and China. We believe that we are well placed to meet these trends thanks to our units in Poland, the Czech Republic and China. However, this segment is expected to contract as heating solutions based on renewable sources of energy gradually gain ground.

For equipment for professional use, the trend is different once again. Here production is continuing in existing units, but there is increased interest in buying complete systems from subcontractors. We are meeting this trend with a wider range of products and increased resources for developing and manufacturing complete systems.

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

Opportunities and threats

- + Industry restructuring and expansion through acquisitions
 - + Purchasing and production synergies
 - + Position on the various domestic markets provides opportunities to market a broader range of products
 - + Strong brands
 - + Rational, flexible production
 - + Access to rational production in countries with lower labour costs
 - + Market position as one of the leading manufacturers in Europe
 - + Intensive product development
- New technologies
 - Increased competition
 - Development in price of raw materials
 - Cost trends in our production countries
 - Low-price competition
 - Product liability in the event of series faults
 - Sharp downturn in demand from the engineering industry as a whole
 - Changes in exchange rates
 - Payment problems among certain customers



Manufacturing tubular elements.

Industry trends

The industry has been buffeted for several years by fierce competition in those segments where elements are used in consumer products.

When it comes to products for professional users, the situation has been more stable and profitability has been satisfactory. The widespread trend towards expanding the product programme and increasing the content of deliveries to customers has fuelled relatively good growth in this segment.

The industry is gradually moving

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

Several competitors have followed NIBE's lead in establishing production

units in low-cost countries in Eastern Europe, Mexico and China, but recent years have also heralded increased competition in Western Europe, particularly from the Chinese, who are successively increasing exports of their own products.

We believe that our strategy of offering industry and the professional segment locally manufactured products, while our units in low-cost countries manufacture mostly for the volume segment, is well suited to industry trends and will further strengthen our position and potential in the future.

PRODUCT AREAS



Comfort – water

- | | |
|-----------------------|--------------------------------------|
| Water heaters | Heat pumps |
| Domestic boilers | Instantaneous water-heating elements |
| High-pressure washers | |



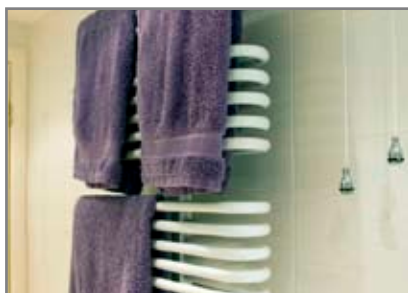
Domestic white goods

- | | |
|------------------|-----------------|
| Dishwashers | Ovens |
| Washing machines | Drying cabinets |
| Tumble-dryers | Mangles |
| Refrigerators | |



Small household appliances

- | | |
|-----------------|------------------|
| Grills | Waffle irons |
| Clothes irons | Food warmers |
| Deep-fat fryers | Pressure cookers |
| Coffee machines | Electric kettles |



Comfort – air

- | | |
|------------------|------------------|
| Radiators | Storage heaters |
| Convectors | Infrared heaters |
| Air conditioning | Frost protection |
| Air curtains | Sauna heaters |
| Duct heaters | Waterbed heaters |



Vehicles and transport

- | | |
|---------------------------------|--------------------------|
| Railway switch (points) heaters | Rear-view mirror heaters |
| Engine pre-heaters | Car heaters |



Professional equipment

- | | |
|----------------------|----------------------------|
| Boilers | Washing machines |
| Frying tables/grills | Tumble-dryers |
| Ovens | Refrigerators and freezers |
| Drinks machines | Drying cabinets |
| Dishwashers | |

Products

NIBE Element's product range comprises mainly components and systems for electric heating applications and electric resistors.

The range includes a number of technologies that can, in principle, be used both for heating elements and for resistors in a broad spectrum of applications:

- ▲ tubular elements
- ▲ aluminium elements
- ▲ foil elements
- ▲ thick film elements
- ▲ PTC elements
- ▲ high-power elements
- ▲ heating cables
- ▲ ceramic elements.

Tubular elements, which remain the most widely used technology, are found in numerous applications from mass-produced washing machines to one-off process heaters for the offshore industry.

The basic technology has long remained unchanged, but the products themselves have been perfected over the years in terms of the materials used, performance, quality and manufacturing technology.

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

One of the strategies behind our acquisitions is to complement the basic range with specialist products to make NIBE Element a "one-stop" supplier of all sorts of systems and components for electric heating, including high-energy elements, which are primarily used in the plastics industry, and ceramic elements for the surface-treatment industry.

As the product range becomes broad-

er, the marketing and service concept is also being developed to pave the way towards establishing NIBE Element as the leading supplier of electric heating components for industrial customers in each of the business area's respective domestic markets.

In some instances, technologies within the business area can be used for applications other than electric heating. One example is the resistors used for power electronics in lifts/elevators and railway equipment, where both traditional tubular elements and ceramic elements have already demonstrated their capabilities. Another is the vacuum-soldering technique employed for elements used in medical technology applications. This technique is now part of the production process for plate heat-exchangers used primarily for various water-heating applications.



Process industry/projects

- Instantaneous water-heating elements
- Heater batteries
- Explosion-proof equipment
- Disinfection equipment
- Galvanic baths
- Temperature control



Maintenance/spares

- Plastic extrusion equipment
- Vacuum tables
- White goods spares



Special

- Frequency converters
- Brake resistors
- Medical equipment
- Load resistors
- Printing/photographic industry

Development process

The development process at NIBE Element is divided into four stages.

- ▲ Product development focuses on new types of elements or embedded functions, such as control and regulation. R&D work also aims to improve the qualities of heating elements with regard to temperature ranges, insulation, etc. One example, launched last year, is the new range of instantaneous heaters developed for use in salt-water environments.
- ▲ Product adaptation is usually conducted in close collaboration with clients to arrive at a solution that suits their specific needs, or, if required, to assume responsibility for the entire system, as with the delivery in 2008 of complete new system solutions for rail transport.
- ▲ Process development is carried out with the aim of optimising production

as regards the choice of materials, the quality and the technical performance of a product. In 2008 we carried out further materials optimisation projects in order to be able to use thinner gauge materials.

- ▲ Production engineering development seeks to develop methods and machinery that will rationalise the manufacturing process. During the year, new methods have been developed for rationalising and increasing the production of heat-accumulating elements.

Production

NIBE Element has 28 manufacturing units in Europe, Mexico and China. The main reason for spreading production across so many countries and factories is that our ability to supply small and medium-sized series with short lead times is one of our competitive strengths. However, the various units are gradually becoming more

specialised when it comes to large series and unique products.

During the course of 2009 our new standardised business system will also be rolled out at our foil element units, paving the way for further coordination and integration of the various production units.

Following the transfer of volume business to the Polish unit, production in our Norwegian operations concentrated exclusively on the industrial segment in 2008, with a large number of project assignments for the offshore industry. As part of this restructuring process, the Norwegian company has moved to new premises better suited to current needs.

A number of projects undertaken during the year have sought to reduce tied-up capital and logistic costs. One result of this has been a leap in the proportion of directly invoiced sales from our low-cost units, leading to improvements in customer service and reductions in costs.



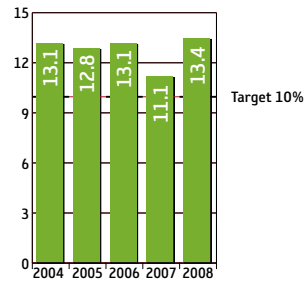
Kjell Ekermo,
Business Area Manager

Objective fulfilment
Growth (%)



Growth over the past five years averages 23.9%

Objective fulfilment
Operating margin (%)



Operating margin over the past five years averages 12.7%

NIBE Heating

is the largest manufacturer of domestic heating products in the Nordic countries and a market leader in Northern Europe in its main focus areas of heat pumps and electric water-heaters.

NIBE Heating's mission is to supply homes and buildings with products that provide domestic hot water and ensure a comfortable indoor climate.

Over the years the range has developed from fairly basic heating products to high-tech solutions for heating, cooling, ventilation and heat recovery.

Strategy

NIBE Heating's strategy is to consolidate its position as market leader in Northern Europe and to develop its position in other European markets. The number of "domestic" markets will gradually be increased by acquisitions, the establishment of subsidiaries, or the use of other established sales channels.

Objective

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

The year in brief

The overall Swedish market for heat pumps has stabilised after the steep dip in 2007.

The domestic market for electric water-heaters and district-heating products also shows signs of a more stable development, while demand for boilers and pellet-fuelled products continues to dwindle. As a result of these develop-



Rational, quality-controlled assembly of cooling modules in serial production.

ments we closed our manufacturing unit in Trelleborg in 2008 and transferred production of domestic boilers and heat accumulators to the plants in Poland and Markaryd respectively.

Demand for air/water heat pumps is rising in most European markets, primarily thanks to a combination of improved product performance, simpler installation procedures and the continued availability of installation grants in a number of countries. Most markets also continue to show a growing interest in ground-source/geothermal heat pumps.

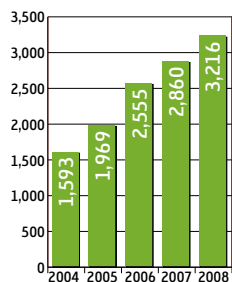
The cutbacks in the construction of single-family homes that now affect virtually all markets have had some effect on heat-pump sales, but there is still

great potential in the replacement market. This has enabled us to fully compensate for the weaker performance of the construction sector with increased sales in the replacement market and increased market share in the new-builds segment.

In line with the growing global interest in energy-efficient heating and indoor comfort products that have a low environmental impact, political decisions were made during the year aimed at increasing the use of renewable energy and reducing carbon dioxide emissions. In December, a decision was taken by the European Parliament to encourage the increased use of heat pumps, etc.

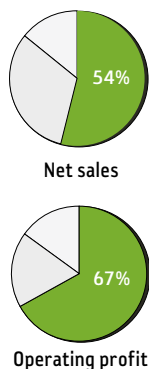
During the year we increased our sales in virtually all foreign markets, primarily

Net sales (SEK m)

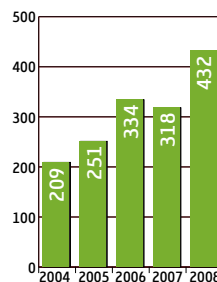


Net sales rose by 12.5% during 2008

Contribution to Group

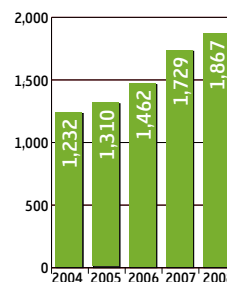


Operating profit (SEK m)



Operating profit rose by 35.8% during 2008

Average number of employees



as a result of stronger positions in the heat-pump segment. The steep growth in foreign sales, especially during the second half of the year, has meant that, despite major investments in expanding production capacity, delivery capacity has not been totally satisfactory.

The cost-cutting programme implemented during the second half of 2007 in combination with an increase in invoiced sales has, however, led to a distinct improvement in operating margin.

At the beginning of the year, we acquired the Austrian heat pump specialists KNV Umweltgerechte Energietechnik GmbH, which has annual sales of around SEK 50 million and pre-tax profits of some SEK 5 million. In the second quar-

ter we extended our stake in the Russian company CJSC EVAN, a market leader in Russia in electric boilers, to 51%. The company has annual sales of around SEK 100 million and a pre-tax profit level of just over 20%. The integration of both operations has gone well, despite the fact that the Russian market exhibited signs of instability at the end of the year, largely as a result of the financial crisis.

In September, we established a subsidiary in Switzerland with a special focus on the heat-pump market.

Outlook for 2009

Our international expansion is making an ever greater impact on operations as we systematically market ourselves as a reliable supplier of complete, high-performance solutions.

Product development, corporate acquisitions and our own organisation are increasingly being adapted to our ongoing internationalisation, which it is hoped will provide an even broader and firmer platform for the business area to stand on.

It is our opinion that the international market for ground-source/geothermal heat pumps and air/water heat pumps will continue to develop positively. We are also seeing increased international interest in exhaust-air heat pumps.

In addition to heating during the winter months, there is an ever more urgent need for cooling during the summer months, especially in Southern Europe.

In addition to the fact that the European Parliament's decision is expected to encourage the use of heat pumps in the EU, several countries have already introduced government grants to encourage energy-saving installations, and it looks likely that further forms of financial support will be made available in the months and years to come.

The Swedish heat-pump market has

been Europe's largest for many years, but it has now been pushed into third place behind France and Germany in terms of the number of heat pumps installed per year.

There is also a distinct increase in interest from politicians outside Europe, most noticeably in the USA, to promote the use of environmentally sound heating solutions.

Our significantly increased investments in product development are now also beginning to result in ever more frequent product launches. The first quarter of 2008 saw the introduction of a brand new generation of technically sophisticated, high-performance ground-source/geothermal heat pumps. In addition to conventional heating applications, these can also be used to meet the need for ventilation and cooling. A new generation of air/water heat pumps released during the year also combines both heating and cooling functions in the same product.

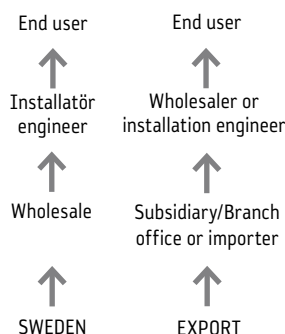
Because of planned changes in Swedish building standards we are liaising with Sweden's private home-builders – who, in our opinion, are international leaders in the industry – to adapt our products to the new requirements.

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

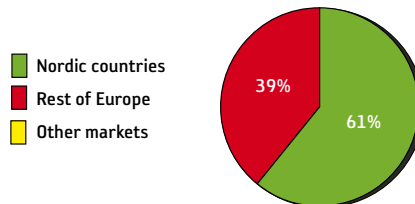
Interest in solar energy products is also picking up in Sweden and the rest of Europe, and in many cases is supported by government subsidies. We, too, have now begun to work with this segment of the market.

On the whole, assuming that developments in the international economy do not lead to any further downturn in demand, we see good opportunities for continued expansion, chiefly in markets outside Sweden.

Distribution



Sales by geographical market



Market

Sweden

The Swedish market, which is NIBE Heating’s operational base, can be divided into two segments: the construction of new, single-family homes, and the home improvement or RMI sector (Renovation, Maintenance, Improvement), which currently accounts for the lion’s share of sales.

The RMI sector has expanded as consumer interest in investing in and renovating homes has increased. Consumers’ eagerness to reduce their heating bills while also improving indoor comfort provides the perfect scenario for a heat-pump installation. The most common and economical alternative is to replace the existing heating system – the domestic boiler – with a ground-source/geothermal heat pump. While it is true that demand in Sweden for this type of heat pump contracted significantly in 2007 compared with 2006 (when sales were vastly inflated by government subsidies), the market did stabilise last year. The market for air/water heat pumps, a smaller segment in the RMI sector than ground-source/geothermal pumps, grew slightly in 2008. The electric water-heater market, which is also predominantly

RMI-oriented, remained stable during the year.

Around 10,400 new, single-family homes were built in Sweden in 2008, compared with some 13,500 in 2007. Although a relatively low level by both historical and international standards, this is expected to decrease even further in 2009, due mainly to the weak state of the economy. The vast majority of new, single-family homes are fitted with a heating system based on exhaust-air heat pumps that recover energy from spent air evacuated from the building.

The second major alternative for newly built homes is district heating. However, as this is more or less confined to urban areas, it tends to be favoured mainly by the owners of large, new properties.

Foreign markets

Our products have enormous sales potential in the European market. Interest in energy-efficient heat pumps is steadily increasing and, as these still constitute only a small proportion of the heating market as a whole, the potential for the future appears to be extremely good.

We estimate that some five million pieces of heating equipment per year need to be replaced in single-family and two-family homes in the EU, Switzerland

and Norway. Parallel with this, during a normal year around one million new heating units are installed in new builds in the same geographical area.

We are already the market leader for heat pumps in the Nordic region, Poland and the Czech Republic, as well as in a number of other European markets. Now, as we expand beyond these regions, we are also gradually increasing our market share in our prioritised segments.

Within the heating market as a whole we remain a medium-sized player across much of Europe, as we do not deal in heating products that use gas or oil, which are still predominant in this part of the world. We are growing all the time, but the competition is intensifying. Large international companies are showing an interest in energy-efficient heating solutions that can counteract wild fluctuations in oil and gas prices, and several are investing in new production facilities to meet increased demand for alternative heating solutions.

Strong expansion on the large French market for heat pumps over the past three years – sustained by very generous state grants for heat-pump installations – has propelled France to the number one position among Europe’s largest markets for heat pumps for water-borne systems.

After several years’ very strong growth, demand on the German heat-pump market slowed dramatically in 2007 as the construction of new, single-family homes plummeted and certain state subsidies were withdrawn. However, a new programme for supporting investment in energy-saving technology – including heat pumps – was introduced in Germany at the start of 2008 and extends to 2012. This has helped sales of heat pumps there to recover, and we have witnessed a strong expansion over the past 12 months.

Most other foreign markets where we are active also report growth in heat-pump sales, which is good news for



Broad-based, detailed product training for our customers is one of the factors behind our success.

Opportunities and threats

- + A very large market outside the Nordic region
 - + Strong brands
 - + Broad range of products
 - + One of Europe's most modern heat pump plants
 - + Access to rational production in countries with lower labour costs
 - + Highly sophisticated in-house product development
 - + Political decisions on energy and the environment
 - + Expansion through acquisitions
- New laws, official decisions, energy taxes etc. with a short-term perspective
 - Increased competition
 - New technologies outside our current areas of expertise
 - Low-price competition
 - New distribution channels
 - Global economic downturn

our expansion in Europe. At the same time, the fall in the number of new homes being built is bound to impact on growth.

Marketing of our district-heating products, which concentrates mainly on Denmark, Sweden, the UK, Germany and the Netherlands, has shown some signs of growth over the year.

Industry trends

NIBE is actively involved in the process of structural rationalisation that is taking place in the European heating, ventilation and sanitation industry, an industry consisting of a large number of players of varying sizes. Our expertise in heat-pump technology, together with the breadth of experience we possess in manufacturing electric water-heaters and other heating products, are two decisive factors in this process that speak loudly in our favour.

Product design and distribution channels differ from country to country, but most markets show a clear trend towards more energy-efficient, environmentally adapted solutions. At the same time, requirements for ventilation and heat recovery in newly built properties are becoming tougher, and there is a clear ambition in most markets to reduce energy consumption. The process of drawing up common standards and regulations for the entire EU is now under way, but much remains to be done in a situation where local norms and conventions still frequently dictate the technical specifications for which products can be sold.

In a number of markets, government authorities are imposing measures designed to reduce the total amount of energy needed for heating domestic properties. Regrettably, measures in the form of short-term subsidies for different heating alternatives often create an imbalance: consumer choice is governed by the focus of the grants and subsidies rather than by any objective considera-



2009 saw the introduction of new generations of heat pumps with optimised performance and a more modern design.

tion of the inherent features and properties of the product itself.

Sustained price spirals for electricity, gas and oil have had a negative impact on the industry's interest in heating alternatives based on these energy sources, both in Sweden and many other European markets.

Interest in energy-efficient heating solutions for large properties, however, is growing both in Sweden and elsewhere. This represents a clear potential for the industry, but it also makes great

demands on knowledge in areas such as systems management and technical dimensioning.

Increased competition and, in its wake, increased pressure on prices in a number of product segments has led many companies to transfer manufacturing to low-cost countries. However, with modern, highly rational production facilities in the Nordic countries, Poland, the Czech Republic and Russia, NIBE Heating is well placed to assert itself in tomorrow's European market.

PRODUCT AREAS



Ground-source/geo-thermal heat pumps

For heating single-family and multiple-unit properties, as well as large premises of all types. With or without an integrated water heater. The source of the heat can be either surface soil, bedrock or the water in a nearby lake.



Exhaust-air heat pumps

For heating domestic premises and tap water. An exhaust-air pump ventilates the building and recovers the energy in the warm air, reusing it for heating water or central heating.



Water heaters

NIBE Heating is the only supplier in Europe able to offer water heaters with a choice of three types of corrosion protection: copper, enamel or stainless steel.



Domestic boilers and pellet burners

A modern domestic boiler for wood or pellets can represent a viable heating alternative for a reasonable outlay. And the design is appealing as well.

Products

NIBE Heating has a wide range of products enabling end-users in single-family and multi-family homes to choose a solution that best suits their needs with regard to domestic heating and indoor comfort. Our unique ability to offer, for example, water-heaters with a choice of three types of corrosion protection – stainless steel, copper or enamel – underscores our resolve to satisfy the personal requirements of each and every customer.

The range comprises eight product areas:

- ▲ heat pumps
- ▲ domestic boilers
- ▲ pellet burners
- ▲ district-heating products
- ▲ solar panels
- ▲ water-heaters with direct or indirect heating
- ▲ instantaneous water-heaters
- ▲ the subcontracted production of non-corroding pressure vessels.

We are committed to making the hallmarks of our products:

- ▲ unsurpassed technical performance
- ▲ a high degree of innovation
- ▲ a competitive price
- ▲ high quality
- ▲ modern design.

In order to live up to this, we maintain a sharp focus on development, production and marketing, while working ceaselessly to increase efficiency in all areas.

During the year a number of new products were launched in all product areas, reinforcing market perceptions of NIBE Heating as a leading European name in these fields.

In spring 2009 NIBE Heating will make its two biggest ever product launches – a brand new generation of high-performance ground-source/geo-thermal heat pumps and exhaust-air heat pumps, and a new technological platform for air/water heat pumps that incorporates both heating and cooling options.

Work is ongoing on a large number of

products that can be used as components in existing and new product solutions.

Development process

To satisfy market demands for improved energy efficiency, environmentally sound, cost-effective solutions for heating needs and a comfortable indoor climate, NIBE Heating is investing more than ever in product development. As part of our ambition to develop all-round solutions that meet every imaginable customer need with regard to hot water and a pleasant indoor climate, we are convinced that our future product programme must be characterised by:

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



Solar cells

Our range of solar panels for use in conjunction with other NIBE products strengthens our concept offer based on the use of renewable energy.



Air/water heat pumps

These pumps extract heat from the ambient outside air. In contrast to simpler types of air-to-air heat pumps, this type is connected to the building's heating system and produces both heat and hot water.



District heating products

District-heating substations developed in consultation with installation engineers and energy authorities for simple installation, dependability and easy servicing.



Accumulators

Large heat accumulators for supplying hot water to apartment blocks, etc. can be manufactured in sizes of up to 1,000 litres in volume.

A process of continuous improvement and the rationalisation of product development are essential if we are to achieve the goals we have set for ourselves regarding the integration of innovative solutions into easy-to-use products with an appealing design. Continually reinforcing our team with highly educated engineers who possess the necessary key skills is essential for success in this respect.

A substantial portion of our development resources is allocated to the heat-pump business, where much of the work is innovation-driven. Market demands are highly varied and the ambition is to meet different wishes with a standardised basic concept that nevertheless offers the potential to make market adaptations. Our specialised R&D centre for heat pumps in Markaryd is considered to be world-class.

The technology for domestic boilers, pellet burners, water-heaters and district-heating substations is well established, and resources here focus on developing high-quality, cost-efficient, environmen-

tally adapted products. Design, too, has become an increasingly significant feature for end-users.

Environmental considerations are also very important and play a big part in all our product development work.

NIBE Heating has strong and highly competent R&D resources, both in Markaryd and out among the subsidiaries, and there is an increased focus on international product requirements in all areas of operation.

Production

NIBE Heating has ten production plants in Sweden, Denmark, Norway, Finland, Poland, the Czech Republic, Russia and Austria, all of which are continuously engaged in rationalising production and modernising processes by investing in new machinery and production equipment.

The plant in Markaryd, Sweden, which is NIBE Heating's largest, has seen major investments over recent years, enabling us to meet the increased demand for new heating products. During the first half

of 2009 we will be upgrading our heat-pump production facilities in order to be able to manufacture the new generation of heat pumps under the most rational conditions.

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

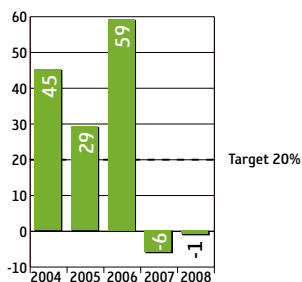
Our stake in the Russian electric boiler manufacturer EVAN has further bolstered our manufacturing capacity and given us improved access to cost-effective production.

A review of manufacturing methods is undertaken each year within the Group in order to optimise the production process. The strategy of building up a number of manufacturing units, each highly skilled in its own specialist area, has already produced positive effects in terms of production control, productivity and, not least, quality.



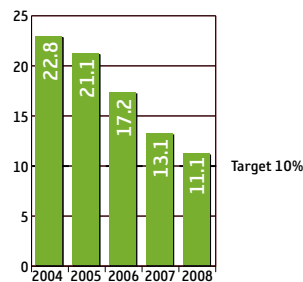
Niklas Gunnarsson,
Business Area Manager

Objective fulfilment
Growth (%)



Growth over the past five years averages 22.6%

Objective fulfilment
Operating margin (%)



Operating margin over the past five years averages 16.1%

NIBE Stoves

is the market leader for wood-burning stoves in Sweden and one of the absolute front-rank players in the European wood-stove market.

NIBE Stoves' mission is to supply the market with attractively designed, value-for-money solid-fuel stoves and chimney systems developed and manufactured with genuine concern for the natural environment.

Strategy

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

Objective

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

The year in brief

After a number of years of relatively high and stable demand for wood stoves in Sweden, the market has plunged dramatically during the past year. The poorer market performance is largely due to a general reduction in demand for durables in response to the deteriorating economic climate.



Technical expertise combined with a high degree of automation is the recipe for success in NIBE Stoves' new production plant.

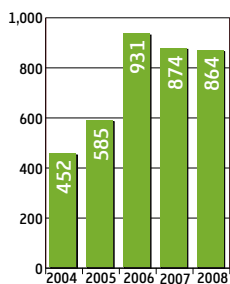
In the other Nordic markets, too, demand for wood stoves has fallen appreciably as a result of the general slowdown in the economy and a reluctance among consumers to invest in durables.

In Germany, on the other hand, sales rallied significantly in comparison to the preceding year, which was abnormally weak. The increase in demand is partly

explained by the serious concerns consumers have about rising energy prices.

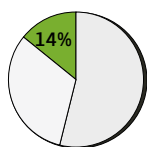
Demand for wood stoves in France has been high in recent years, thanks to state grants for the purchase of these heating sources. The grants will continue, but the level will be somewhat lower with effect from the beginning of 2009.

Overall we retain a very strong mar-

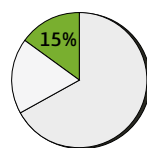
Net sales
(SEK m)

Net sales fell by 1.2% during 2008

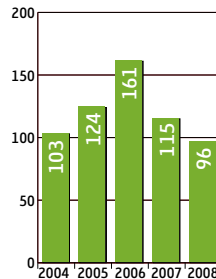
Contribution to Group



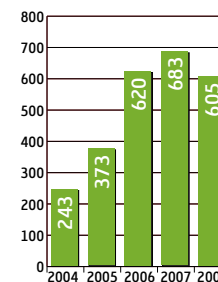
Net sales



Operating profit

Operating profit
SEK m

Operating profit fell by 16.5% during 2008

Average number
of employees

ket position in our principal markets as a result of our consistent marketing efforts and direct distribution to a well-organised retail network. In addition, we have a broad product range that offers the combustion technology, environmental profile and design that the market wants.

Our new production facility in

Markaryd came on stream during the year and, despite a slight dip in capacity in connection with the transfer to the new plant, delivery capacity has matched market demand. The plant will be fully up and running during 2009.

The cost-cutting programme adopted in autumn 2007 was fully implemented during the year at the same time as we adjusted inventory levels to market requirements. The fall in volume, substantial depreciation/amortisation costs on the new wood-stove factory and deteriorating profitability at our Polish manufacturing unit in the wake of changes in the exchange rate for the zloty have all combined to reduce operating profit despite the cost-cutting measures that have been implemented.

During the year, production at Varde Ovne in Denmark was terminated. Volume production was transferred to the new production plant in Markaryd, while the production of short series was outsourced to external suppliers.

At mid-year we acquired TermaTech A/S, Denmark, which is a full-range supplier of connecting flues and accessories for all types of wood stoves. These products complement the rest of the business area's range very well. TermaTech has annual sales of some SEK 55 million and pre-tax profits of around SEK 8 million.

An option was signed during the year for the acquisition of Lotus Heating Systems A/S in 2010. Lotus is one of Denmark's leading manufacturers of sheet metal wood-stoves, with annual sales in the region of SEK 100 million.

Outlook for 2009

It is our opinion that there will be a slight contraction in demand for wood-stove products in most European markets as a result of the continued decline in economic growth as a whole. There

are, however, other contributory factors behind the drop in demand.

For example, there are discussions in several European countries about the environmental impact of heating with wood and about what limits should be imposed on wood-stove emissions in the future. Unclear rules create uncertainty among consumers and have a negative impact on sales. At the same time, tougher criteria represent a competitive advantage for NIBE in the long term, as we have a broad product range, are a forerunner in terms of environmental adaptation and are continually developing new products with even better performance.

We are investing more and more in product development, and in the first quarter of 2009 alone we will be presenting several new models of free-standing wood-stoves and a brand new series of fairly large fire-boxes with concrete surrounds.

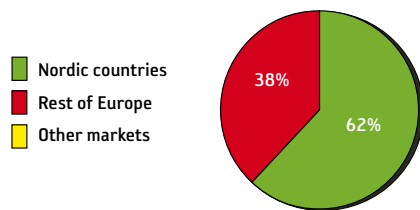
Our attractive product programme and systematic marketing have won us a strong market position in Germany and the Nordic countries, and we believe that this will be reinforced in a situation where demand begins to fall. Our shares of many large European markets are still fairly modest and the prospects are therefore good for us to grow through the continued expansion of our international network of distributors and via further takeovers.

Our lean cost structure, highly favourable market position and brand new, highly efficient production plant in Markaryd mean that we are well placed to continue to deliver good profitability despite the uncertainties in the world around us.

Distribution



Sales by geographical market



Market

Sweden

The market for wood-burning stoves tends to follow the business cycle, with sales of capital items rising during times of economic prosperity. However, energy prices and government energy policies also impact on sales. Demand for wood-burning stoves rose constantly from the mid-1990s to the end of 2006, as a result of escalating energy costs and economic policies that gave Swedish households greater scope for consumption. However, the downturn in the market in 2007 persisted and worsened in 2008.

Most sales are made to home-owners and those with weekend cottages, but sales to new builds are rising constantly as more and more house-buyers opt for a wood-burning stove as an additional source of heat for their new home.

Thanks to a broad and comprehensive product range, NIBE Stoves is the undisputed market leader in Sweden. Our aim is to defend and strengthen this position by vigorous marketing and a steady stream of attractive new products.

Foreign markets

The market abroad also reflects the general state of the economy.

In the Nordic countries, where a relatively large proportion of properties are heated by electricity, the price of electricity also plays a key role in steering demand. Elsewhere in Europe sales are affected to a much greater degree by the

price of gas and oil. In recent years burgeoning interest in renewable energy has proved to be an important factor behind the demand for wood-stove products throughout the continent.

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

Germans and Danes share basically similar tastes for lightweight, steel-plate stoves with contemporary styling.

Further south, in France and Italy for example, larger-bodied stoves with a stone or concrete surround predominate. Similar designs are also common in Eastern Europe and Russia.

Such distinctive variations in taste are generally the result of the fact that a specific style has been established in a market by one or more domestic manufacturers. In recent years, several markets have also begun to show a much greater willingness than before to accept new products in a new design from foreign manufacturers.

Opportunities and threats

- + Sales potential in new product segments
 - + Very large export market
 - + Strong, in-house product development
 - + Strong brands
 - + Broad range of products
 - + Many different types of products satisfy a broad customer segment and minimise exposure to risk
 - + Rational production
 - + Expansion through acquisitions
- New government energy policies with a short-term perspective
 - Local authority decisions on restrictions relating to wood-burning products
 - Low-price ranges
 - General economic climate

Industry trends

Over the past 15 years the structure of the Swedish market has been totally transformed from a large number of small manufacturers to a handful of big names. NIBE has been a driving force behind this development, acquiring many of the market's best-known brands and setting a trend among competitors to build up large ranges to cater for all tastes.

Among our Scandinavian neighbours, however, the situation differs from country to country. In Norway, which has only a few domestic stove-builders, there has recently been a marked shift in demand from the total dominance of traditional cast-iron stoves to stoves in sheet metal with an international design. Finland has several fairly large companies, mostly specialising in heavy, warm-body stoves, while Denmark has many small or medium-size manufacturers, almost all of them producing stoves in steel plate and many with a long tradition of supplying the German market. There are also a number of manufacturers of varying size in Central Europe, for whom wood-burning stoves are just one of many different types of product in their range. It seems likely, therefore, that the process of structural change in Europe will continue over the next few years.

The trend in most markets is a move away from big, bulky, heat-accumulating products towards relatively inexpensive, lightweight stoves. It is here that we believe tomorrow's growth is to be found – in product segments where companies succeed in combining efficient, environmentally sound combustion with modern design and competitive prices.

Today most companies producing wood-burning stoves invest in their own product development, but some successful models are plagiarised, produced in low-cost countries and sold at low prices,



Fairly large fire-boxes with surrounds in distinctively contemporary styles are a new product segment under the Contura brand.

first and foremost by Europe's big DIY multiples. This suggests that it will be more than product technology alone that determines a manufacturer's future success. Long-term planning, financial stabili-

ty, a company's environmental credentials and its ability to show due concern for its dealers and end-customers will all grow in significance over the years to come.

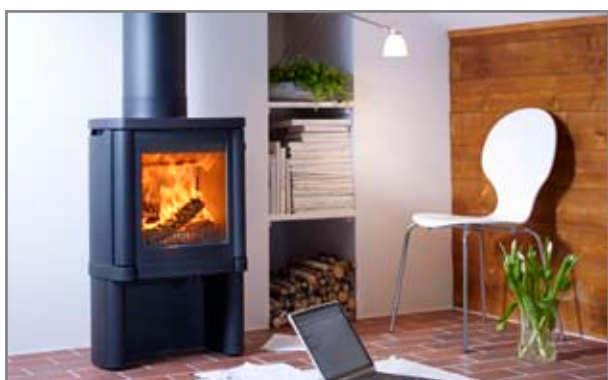
PRODUCT AREAS



Wood-burning stoves (sheet metal)
Modern designs in sheet metal. Sold under the Contura, Handöl, Varde Ovne, Nordpeis and TermaTech brands.



Wood-burning stoves (choice of surrounds)
Modern designs in sheet metal with various types of surround in soapstone, tiles, etc. Sold under the Handöl, Contura, Varde Ovne and TermaTech brands.



Cast-iron stoves
Stoves made entirely in cast iron, sold under the Handöl, Nordpeis and Varde Ovne brands.



Masonry stoves
Stove bodies and fire boxes in steel or cast iron with concrete surrounds. Sold under the Nordpeis, Contura and Handöl brands.

Products

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

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

Our brands and trademarks, which send out certain signals about product quality to our customers, will also become increasingly important. Today NIBE Stoves owns several well-known and highly respected brands and has a clear strategy for strengthening, integrating and developing these in the future.

We develop and sell our own products under the Handöl, Contura, Cronspisen, Roslagsspisen, Nordpeis, Varde Ovne and TermaTech brands. As all our brands are so strong, particularly in their own domestic markets, all have been duly protected as trademarks.

For customers who do not already have a chimney in their home, NIBE offers complete modular chimney systems specially designed for use with stoves sold by NIBE. These easily assembled, stainless steel systems can be installed without the need for an existing chimney flue and offer very good value for money.

There are clear signs that products are becoming more similar throughout Europe in terms of function and design. We believe that the current, international design trend for lightweight fire-boxes with clean lines and large expanses of glass will gain ground in all of our sales markets – as evidenced by the sales successes of our latest stoves incorporating this kind of design.

Development process

NIBE Stoves has a long tradition of product development. Substantial resources are allocated to developing and refining combustion technology, primarily to minimise the impact of our products on the environment and to improve their efficiency.

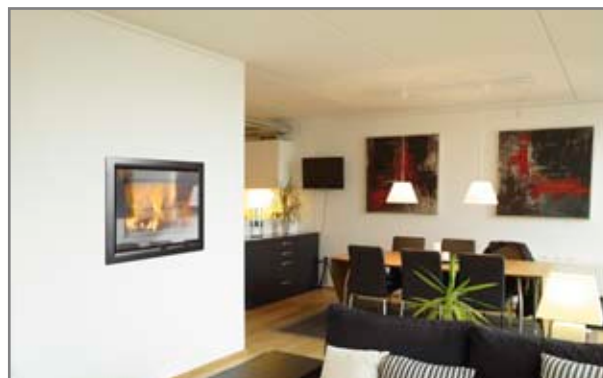
As proof of this, NIBE Stoves has become the first stove manufacturer in Sweden to have a number of its products “P-marked” in accordance with criteria for enhanced quality and environmental certification drawn up by the Swedish National Testing and Research Institute (SP). These guarantee that the stove’s heat output can be regulated and that the stove produces low emissions and delivers high efficiency.

As part of the process of reinforcing our reputation as a forerunner in product development, we also market a number of products that carry the Nordic Swan mark. This means that the manufacturing process is environmentally adapted and that the products meet even higher environmental criteria than the regulations



Tiled stoves

Heat-retaining stoves, sold under the Cronspisen brand.



Wood-burning inserts

Inserts for built-in or open fireplaces, sold under the Handöl, Nordpeis, Roslagsspisen and Varde Ovne brands.



Chimneys

Complete chimney/flue systems in stainless steel for all types of wood-burning stoves. Sold under the Premodul brand.



Accessories

Connecting pipes, flues and wood-stove accessories sold under the TermaTech brand.

require, with highly efficient combustion processes and very low emissions.

Moreover, our products have consistently shown the highest rate of heating efficiency in comparison with competing products in a number of officially conducted performance tests.

There are currently a number of different test standards across Europe, but work is under way to formulate a single EU standard and series of requirements. It is expected to take a relatively long time before a new standard can be introduced and before it begins to impact on the market, but the majority of stoves in our product range already comply with the anticipated new criteria.

Product design accounts for much of our development work, as fashions in wood-burning stoves tend to reflect home furnishing trends. To this end, our development department works in close collaboration with external industrial designers in Sweden and abroad.

To maintain an attractive and profitable range in both the short and the long term, development projects are created

based on both existing and totally new fire-boxes and models. We have a clear strategy governing what we believe a successful range of models should look like, and the sales performance of all our models is continuously assessed with an eye to profitability.

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

As we owe much of our success to the appeal of our designs among consumers, we endeavour always to protect the design of new models by registering them with the relevant authorities.

Production

Most of NIBE Stoves' products – lightweight wood-burning stoves in steel plate – are manufactured in the new pro-

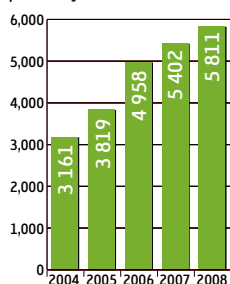
duction plant in Markaryd that opened in the summer of 2008.

Production in the new plant builds on the concept we have successfully used for many years, but with a much greater degree of automation. This means greater productivity and even higher quality in the final product. With Europe's most modern and most efficient stove manufacturing facility, NIBE Stoves has further strengthened its claim to lead the way in restructuring the European wood-stove industry.

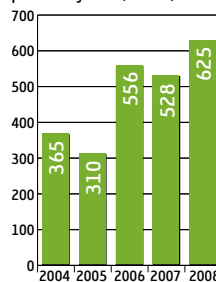
The acquisition of Nordpeis has given NIBE Stoves access to its own unit in Poland for manufacturing concrete surrounds and tiled stove modules and for assembling stove products. In future, the manufacture of all products involving a relatively large proportion of assembly work will be transferred to this unit, which will gradually be extended and modernised.



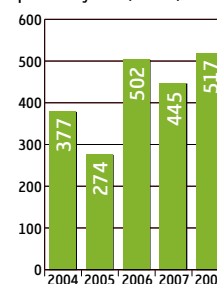
Leif Gustavsson, Financial Director

Net sales
past five years (SEK m)


Net sales rose by 7.6% in 2008

Operating profit
past five years (SEK m)


Operating profit rose by 18.4% in 2008

Profit after financial items
past five years (SEK m)


Profit after financial items rose by 16.1% in 2008

The Board of Directors and Managing Director of NIBE Industrier AB (publ), corporate identity number 556374-8309, with its registered office in Markaryd, Sweden, hereby present their annual report for the parent company and the NIBE Group for the 2008 financial year.

Business activities

NIBE Industrier is a European heating technology company whose operations are organised in three separate business areas, NIBE Element, NIBE Heating and NIBE Stoves.

The Group has more than 5,400 employees and business activities in 19 countries in Europe, North America and Asia.

The legal structure of the Group consists of a number of subsidiaries, who run their own operations via their own companies or branch offices.

The operations of the parent company, NIBE Industrier AB, constitute group support functions such as financing, currency management, corporate acquisitions and

new establishments together with financial management and other policy issues.

Income statement over the past five years

Sales have grown steadily over the past five years. The target during the period has been annual growth of 20%, preferably with half of this being organic and half via acquired business. Sales have risen from SEK 2,451.1 million to SEK 5,810.5 million during the period, through a combination of organic growth and an aggressive acquisition strategy that has seen the Group take over 14 different companies and lines of business.

Growth during the period has averaged 18.8%, with organic growth account-

ing for 11.4% and acquired sales for 7.4%.

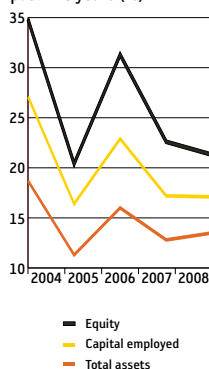
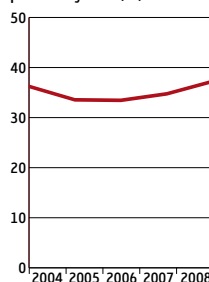
The profitability target during the period has been an operating margin of at least 10% in each of the Group's business areas, and a return on equity of at least 20% for the Group as a whole.

NIBE Element's operating margin during the period has averaged 5.2% excluding provisions for the restructuring reserve, and 4.2% including these provisions. The average operating margin for NIBE Heating is 12.7%, and for NIBE Stoves 16.1%.

The Group's return on equity during the period averaged 25.1% including provisions to the restructuring reserve.

Income statements

(in millions of SEK)	2008	2007	2006	2005	2004
Net sales	5,810.5	5,402.5	4,958.0	3,819.1	3,161.0
Cost of goods sold	- 4,108.7	- 3,828.2	- 3,409.0	- 2,763.9	- 2,170.8
Gross profit	1,701.8	1,574.3	1,549.0	1,055.2	990.2
Selling expenses	- 917.7	- 838.2	- 786.2	- 578.0	- 471.1
Administrative expenses	- 347.1	- 292.3	- 266.4	- 224.0	- 177.0
Other operating income	188.3	84.2	59.6	56.9	23.3
Operating profit	625.3	528.0	556.0	310.1	365.4
Net financial items	- 108.6	- 83.0	- 54.5	- 36.5	11.8
Profit after net financial items	516.7	445.0	501.5	273.6	377.2
Tax	- 140.6	- 130.3	- 150.7	- 89.9	- 97.7
Net profit for the year	376.1	314.7	350.8	183.7	279.5
<i>Non-controlling interest's participation in profit after tax</i>	6.3	-	-	1.7	1.1
<i>Includes the following amounts for depreciation according to plan</i>	188.3	163.7	141.0	121.1	96.5

Returns
past five years (%)Equity/assets ratio
past five years (%)

Balance sheet over the past five years

Over the past five years total assets have risen from SEK 1,889.9 million to SEK 5,146.7 million.

Inventories and current receivables (mainly trade receivables) account for around 44% of total assets. In principle, both of these items are directly related to sales and, therefore, growth.

Intangible assets consist mainly of goodwill arising on the acquisition of companies and lines of business. Goodwill is tested annually for impairment by calculating the present value of each business area's cash flows. When calculating these cash flows, account is taken of normal working capital requirements and the need for investments, corresponding to the annual rate of depreciation.

Tangible non-current assets consist

solely of property, plant and equipment, the value of which has increased by SEK 841.2 million over the five-year period. Of this increase, around 28% was added through acquisitions of companies and lines of business, and the remaining 72% through investments in existing businesses, primarily in the Group's facilities in Markaryd, Sweden, where most of the production facilities for NIBE Heating and NIBE Stoves are located.

Non-current, non-interest-bearing liabilities and provisions consist mainly of deferred tax, warranty provisions and restructuring provisions, and have grown from SEK 140.7 million to SEK 246.9 million during the past five years.

Current and non-current interest-bearing liabilities and provisions consist of pension provisions and loans from banks and other financial institutions,

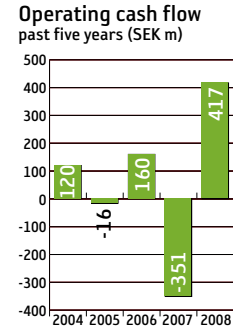
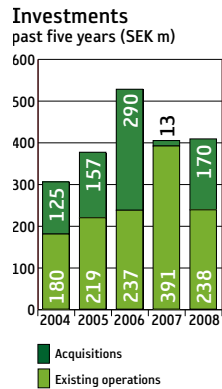
and have grown from SEK 658.3 million to SEK 2,152.0 million during the period. The increase is due partly to the expansion of existing units in the NIBE Group and partly to interest-bearing liabilities at companies and lines of business acquired.

The Group's target is for the equity ratio (equity/assets) not to fall below 30%. The average for this key figure during the period was 34.6%.

Current non-interest-bearing liabilities and provisions have grown by SEK 435.0 million during the period, from SEK 424.1 million to SEK 859.1 million. Accrued expenses and customary trade payables, which are both directly related to the expansion of the business, account for approximately 74% of the total.

Balance sheets

(in millions of SEK)	2008	2007	2006	2005	2004
Intangible assets	944.7	732.2	670.3	458.5	304.7
Tangible assets	1,500.5	1,374.4	1,116.3	1,015.2	875.7
Financial assets	63.3	35.7	28.2	36.0	10.6
Total non-current assets	2,508.5	2,142.3	1,814.8	1,509.7	1,191.0
Inventories	1,227.5	1,344.0	1,007.9	831.1	690.2
Current receivables	1,059.1	829.3	857.0	651.2	525.4
Investments	2.3	-	4.8	1.1	0.9
Cash and bank balances	349.3	207.9	218.3	132.2	88.6
Total current assets	2,638.2	2,381.2	2,088.0	1,615.6	1,305.1
Total assets	5,146.7	4,523.5	3,902.8	3,125.3	2,496.1
Equity	1,888.7	1,547.7	1,283.5	1,031.0	891.6
Long-term liabilities and provisions, non-interest-bearing	246.9	210.2	247.8	265.2	205.1
Long-term liabilities and provisions, interest-bearing	1,971.2	1,866.5	1,317.8	1,025.8	730.3
Current liabilities and provisions, non-interest-bearing	859.1	760.3	914.0	685.4	586.9
Current liabilities and provisions, interest-bearing	180.8	138.8	139.7	117.9	82.2
Total equity and liabilities	5,146.7	4,523.5	3,902.8	3,125.3	2,496.1



Cash flow over past five years

Cash flow before changes in working capital

Over the latest five-year period, cash flow from day-to-day operations has shown a positive trend.

Working capital

The Group requires that working capital, measured as current assets minus current liabilities, is within the range of 20–25% of sales for all units. Over the past five years, the Group's working capital has averaged around 24% of sales.

Investment in existing operations

In 2004 investment in existing operations was just over SEK 170 million. This totalled more than SEK 200 million in 2005 and again in 2006, rose to almost SEK 400 million in 2007 and was more than SEK 200 million in 2008. Most of the investment has been in the Group's plants in Markaryd, Sweden, where the majority of the production

facilities for NIBE Heating and NIBE Stoves are located. Major investments have also been made in Poland as part of the restructuring of element manufacturing operations.

Operating cash flow

With the exception of 2007, the Group has had a stable operating cash flow throughout the past five-year period.

Sales expectations for 2007 were substantially higher than the actual outcome, which meant that the customary stock-building process during the first six months of the year resulted in excess stocks at the year-end – and a large negative cash flow.

During 2008 stock levels more or less reverted to normal, and the rate of investment was lower.

Acquisition of businesses

Over the years, NIBE Industrier has pursued an aggressive acquisitions strategy. In the five years up to the end of 2008,

14 takeovers of companies and lines of business have been made, of which five relate to the NIBE Element business area, six to NIBE Heating and three to NIBE Stoves. The company intends to continue to make acquisitions in the future.

Financing

All capital requirements over the past five years – for takeovers and investments in existing operations, as well as for operating capital for organic expansion and share dividends – have been financed exclusively by the company's own internally generated cash flows and by traditional bank financing.

Shareholders' dividends

NIBE Industrier aims to pay share dividends of 25–30% of the net profit for the year after full tax. Over the most recent five-year period, share dividends have accounted for between 25.3% and 34.3% of the net profit for the year after full tax but before allocations to the structural reserve.

Statements of cash flows

(in millions of SEK)	2008	2007	2006	2005	2004
Cash flow before change in working capital	480.0	439.5	489.9	312.6	381.8
Change in working capital	174.0	- 399.4	- 93.4	- 109.4	- 82.0
Cash flow from operating activities	654.0	40.1	396.5	203.2	299.8
Investments in current operations	- 237.5	- 390.9	- 236.6	- 219.0	- 179.5
Operating cash flow	416.5	- 350.8	159.9	- 15.8	120.3
Acquisition of companies	- 170.1	- 13.2	- 289.8	- 156.7	- 125.6
Cash flow after investments	246.4	- 364.0	- 129.9	- 172.5	- 5.3
Financing	-14.2	451.6	291.4	296.1	54.8
Dividend to shareholders	- 108.0	- 108.0	- 70.4	- 70.4	- 43.4
Cash flow for the year	124.2	- 20.4	91.1	53.2	6.1
Liquid funds at the beginning of the year	207.9	218.3	132.2	88.6	81.5
Exchange rate difference in liquid funds	17.2	10.0	- 5.0	- 9.6	1.0
Liquid funds at year-end	349.3	207.9	218.3	132.2	88.6

	Base for calc SEK m	Change %	Impact SEK m
Net sales (margin constant)	5,810.5	+/- 1.0 %	20.5
Operating margin (volume constant)		+/- 0.1 %	5.8
Material costs	2,491.3	+/- 1.0 %	24.9
Payroll expenses	1,399.1	+/- 1.0 %	14.0
Interest-bearing liabilities (interest constant)	2,152.0	+/- 10.0 %	12.1
Interest rate % (interest-bearing liability constant)	5.6	% +/- 1.0 %-point	21.5

Based on Income Statement 2008

Risk Management

Dependence on customers

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

Dependence on suppliers

All components in the products sold by the Group's three business areas are manufactured by a large number of suppliers in Europe and elsewhere in the world. When selecting suppliers, a thorough review is made of the supplier's ability to meet the Group's requirements. We always have alternative suppliers for all the components we use.

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

Price risks

Material prices

A significant proportion of the materials used to manufacture the Group's products is priced in US dollars and quoted on the London Metal Exchange. To avoid overdependence on specific currencies and markets, purchasing procedures have been globalised.

Other operating expenses

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

Risks relating to disputes over patents and other matters

The Group holds few patents and only for components which form part of its finished products. However, NIBE does have a number of registered designs and registered trademarks. As far as we are aware, we have not infringed any third-party patents.

Other risks

It is our considered opinion that the Group has adequate cover in respect of traditional insurance risks such as fire, theft, liability and so on. The excess on our policies is between SEK 50,000 and SEK 1 million.

Within the Group's product areas, there is always a risk that a series fault could lead to product recalls, through problems with materials or for other reasons. These risks are minimised by the fact that the majority of Group companies are certified in accordance with ISO

9001. Certification means that there are control procedures for internal processes and manufacturing as well as for the use of components manufactured by other suppliers. Insurance policies have been taken out as additional risk cover for similar events

Financial risks

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

Sensitivity analysis

The Group is exposed to a number of risk factors that affect earnings trends. Several of the risks are outside the Group's control. The table above shows the effect of a variety of changes on the Group's result, based on the income statement for 2008.



Income statement 2008

Net sales

Group net sales grew by 7.6% to SEK 5,810.5 million (2007: SEK 5,402.5 million). NIBE Element's sales grew by 5.6%, of which 4.4% was organic and 1.2% acquired. For NIBE Heating the increase was 12.5%, of which 9.1% was organic and 3.4% acquired. Sales for NIBE Stoves fell by 1.2%: as acquired growth totalled 6.0%, organic growth was negative at -7.2%.

Group net sales outside Sweden amounted to SEK 4,226.9 million (2007: SEK 3,717.5 million), an increase of SEK 509.4 million. Net sales abroad accounted for 72.7% (68.8%) of total net sales. Net sales in the Swedish market fell by 6.0% to SEK 1,583.6 million (SEK 1,685.0 million).

Organic growth accounted for SEK 238.3 million of the total increase in the Group's net sales of SEK 408.0 million. The remaining SEK 169.7 million came from acquisitions: SEK 21.4 million at NIBE Element, SEK 95.4 million at NIBE Heating and SEK 52.8 million at NIBE Stoves.

Operating profit

Group operating profit totalled SEK 625.3 million, an increase of 18.4% on the figure of SEK 528.0 million recorded in 2007. The operating margin was 10.8% (9.8%).

NIBE Element's operating result grew by SEK 2.4 million from SEK 113.0 million in 2007 to SEK 115.4 million in 2008, an increase of 2.1%. The business area's operating margin was 6.1% (6.4%).

NIBE Heating's operating profit rose by SEK 114.6 million from SEK 317.6 million to SEK 432.2 million), an increase of 36.1%. The operating margin was 13.4% (11.1%).

NIBE Stoves' operating profit fell by SEK 18.6 million from SEK 114.8 million to SEK 96.2 million, a reduction of 16.2%. The operating margin was 11.1% (13.1%).

Goodwill

The Group's goodwill is tested annually for impairment by calculating the present value of each business area's cash flows. These are calculated on the basis of annual growth of 10% with deductions for increased working capital requi-

rements and investments corresponding to the annual rate of depreciation. Calculations for 2008 gave no indication of any impairment.

Profit after financial items

Profit after financial items rose by 16.1% to SEK 516.7 million (SEK 445.0 million) to yield a pre-tax profit margin of SEK 8.9% (8.2%). Financial items generated net expense of SEK 108.6 million for the year as against a net expense of SEK 83.0 million in 2007.

Tax

The tax expense for the year was SEK 140.6 million (SEK 130.3 million), which gives an effective tax rate of 27.2% (29.3%). The nominal tax rate in Sweden is 28%. There are two main reasons why the actual tax rate is lower than the nominal tax rate: deferred tax for the Group's Swedish operations has been calculated at a rate of 26.3% following the Swedish parliament's decision to reduce income tax rates with effect from 2009, and a substantial portion of the Group's business is now conducted in countries where the tax rate is lower than 28%.

Key ratios

		2008	2007	2006	2005	2004
Net sales	SEK m	5,810.5	5,402.5	4,958.0	3,819.1	3,161.0
Growth	%	+ 7.6	+ 9.0	+ 29.8	+ 20.8	+ 29.0
Operating profit	SEK m	625.3	528.0	556.0	310.1	365.4
Profit after net financial items	SEK m	516.7	445.0	501.5	273.6	377.2
Net investments in fixed assets	SEK m	407.6	404.1	526.4	375.7	305.1
Gross margin	%	14.0	12.8	14.1	11.3	14.6
Operating margin	%	10.8	9.8	11.2	8.1	11.6
Profit margin	%	8.9	8.2	10.1	7.2	11.9
Capital employed	SEK m	4,040.7	3,552.9	2,741.0	2,174.7	1,704.3
Equity	SEK m	1,888.7	1,547.7	1,283.5	1,031.0	891.6
Return on capital employed	%	17.1	17.2	22.9	16.4	27.1
Return on equity	%	21.3	22.6	31.3	20.4	34.8
Return on total assets	%	13.5	12.8	16.0	11.3	18.7
Asset turnover	times	1.20	1.28	1.41	1.36	1.44
Equity/assets ratio	%	36.7	34.2	32.9	33.0	35.7
Proportion of risk-bearing capital	%	39.7	36.9	36.1	36.7	40.4
Operating cash flow	SEK m	416.5	-350.8	159.9	- 15.8	120.3
Interest cover	times	4.8	5.7	9.2	7.2	12.3
Interest-bearing liabilities/Equity	%	113.9	129.6	113.6	110.9	91.1
Average number of employees		5,275	5,439	5,111	4,339	3,755

Balance sheet 2008

Equity ratio and returns

The Group's equity ratio at the end of the year was 36.7% (34.2%). Equity totalled SEK 1,888.7 million (SEK 1,547.7 million).

The Group's return target is a return on equity of at least 20% in the long term. The return on equity in 2008 was 21.3% (22.6%). The return on capital employed was 17.1% (17.2%). The profitability target for the business areas is an operating margin of at least 10% for each profit centre over a complete business cycle. For NIBE Element the operating margin was 6.1% (6.4%), for NIBE Heating 13.4% (11.1%) and for NIBE Stoves 11.1% (13.1%). The operating margin for the Group as a whole was 10.8% (9.8%).

Cash and cash equivalents

The Group had cash and cash equivalents of SEK 349.3 million (SEK 207.9 million) at the end of the year. It also had unused overdraft facilities of SEK 794.4 million (SEK 645.2 million). The Group's overdraft facilities were extended by SEK 155.6 million net during the year. Overdraft facilities of SEK 72.4 million were added through acquisitions, which means that existing facilities were increased by SEK 83.2 million.



Definitions – key ratios

Growth

Percentage change in net sales compared with previous year.

Gross margin

Operating profit before depreciation as a percentage of net sales.

Operating margin

Operating profit as a percentage of net sales.

Profit margin

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

Capital employed

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

Equity

Taxed equity plus untaxed reserves minus tax.

Return on capital employed

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

Return on equity

Profit after net financial items minus tax at standard rate (28%) as a percentage of average equity.

Return on total assets

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

Asset turnover

Net sales divided by the average balance sheet total.

Equity/assets ratio

Assets as a percentage of balance sheet total.

Proportion of risk-bearing capital

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

Operating cash flow

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

Interest cover

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

Interest-bearing liabilities / Equity

Interest-bearing liabilities as a percentage of equity.

Cash flow 2008

Cash flow from operating activities

The consolidated cash flow for 2008 after changes in working capital amounted to SEK 654.0 million (2007: SEK 40.1 million).

Investment

Group acquisitions of subsidiary companies/lines of business totalled SEK 170.1 million (SEK 13.2 million). Investment in existing units totalled SEK 237.5 million (SEK 390.9 million), allocated as follows:

(in millions of SEK)	2008	2007
Machinery and equipment	150.3	208.8
Properties	3.0	31.4
Construction in progress	28.0	124.5
Other fixed assets	56.2	26.2
Total	237.5	390.9

Consequently, cash flow after investment activities was SEK 246.4 million (SEK -364.0 million).

Operating cash flow (i.e. after investments, but excluding acquisitions of subsidiary companies/lines of business) was SEK 416.5 million (SEK -350.8 million).

Credits from finance institutions and pensions funds etc.

(in millions of SEK)	2008	2007
Loans with floating interest and repayments over 10 yrs	1,291.8	1,151.9
Utilised portion of overdraft-facilities w. floating interest rate	833.9	827.5
Pensions provisions	26.2	24.4
Other provisions	0.1	1.4
Total interest-bearing liabilities	2,152.0	2,005.2
Unutilised overdraft facilities	794.4	645.2
Total credit available	2,946.4	2,650.4

The Group's total interest-bearing liabilities at the year-end amounted to SEK 2,152.0 million (SEK 2,005.2 million). The average interest expense for the total of interest-bearing liabilities was 5.6% (5.1%).

The Group's net liabilities, which consist of interest-bearing liabilities minus cash and bank balances and short-term investments totalled SEK 1,800.4 million (SEK 1,797.3 million).

Important events during the year

During the year the Group took over KNV Umweltgerechte Energietechnik GmbH (Austria) and TermaTech A/S (Denmark) and acquired a 51% stake in CJSC EVAN (Russia). In addition the Group took over the business operations of Alpe SA

(Mexico). For further details, please see Note 29.

In July an option was signed for the acquisition of Lotus Heating Systems A/S in 2010. Lotus is one of Denmark's leading manufacturers of sheet-metal wood-burning stoves, with annual sales in the region of SEK 100 million.

Remuneration

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

The Annual General Meeting also determines the guidelines for the remuneration of the managing director and other senior executives, in accordance with which the Board subsequently determines the remuneration of the managing director. The remuneration of other senior personnel is determined by the managing director in consultation with the Chairman of the Board. Decisions are reported to the Board. For further details, please see Note 6.

Apart from pension benefits, which are currently under review, the Board proposes that remuneration for 2009 is determined according to the same principles as those laid down in 2008.

Human resources

It is our ambition to ensure that NIBE is perceived as an attractive employer that offers numerous opportunities. NIBE has a strong set of corporate values that the great majority of people perceive as positive. These values characterise all our communication, both to existing employees and when recruiting.

Environmental issues

NIBE's environmental work is governed by the maxim "A holistic view of the environment" and accords priority to five key areas: product development, choice of materials, production plant, product function and recycling. During the year NIBE has begun to manufacture wood-burning stoves in new, environmentally adapted facilities in Markaryd.

Research and development

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

Future prospects

The market for our products will benefit from society's efforts to substantially increase the proportion of renewable energy and make significant reductions in greenhouse gas emissions.

Internally we will continue our work to improve productivity, cut material costs and further reduce our tied-up capital.

We will also retain the same production model as in 2008, which means that profit distribution during the year will follow a pattern similar to that in 2008.

Additional resources will be invested in product development.

NIBE's financial position remains robust, providing the necessary foundations for further organic growth and acquisitions. That is why, despite the fact that the global economy is currently in recession, we venture to remain cautiously optimistic about the year as a whole.

Ownership

NIBE's share capital is divided into 13,160,256 "A" shares and 80,759,744 "B" shares. Each "A" share carries ten votes at the Annual General Meeting and each "B" share carries one vote. For "A" shares, which represent approximately 62% of the votes, the company's articles of association prescribe an obligation to give existing shareholders first refusal of any shares that are offered for sale.

Appropriation of profits

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

Profit brought forward	SEK 81.5 m
Profit for the year	SEK 185.4 m
Total	SEK 266.9 m

The Board of Directors proposes issuing a dividend to shareholders of SEK 1.15 per share: in total, SEK 108.0 million. It is anticipated that the dividend will be paid on 25 May 2009.

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

Income statements

(in millions of SEK)		Group		Parent Company	
		2008	2007	2008	2007
Net sales	Note 3	5,810.5	5,402.5	2.4	2.4
Cost of goods sold		- 4,108.7	- 3,828.2	-	-
Gross profit		1,701.8	1,574.3	2.4	2.4
Selling expenses		- 917.7	- 838.2	-	-
Administrative expenses	Note 5	- 347.1	- 292.3	- 20.0	- 19.3
Other operating income	Note 10	188.3	84.2	0.1	0.8
Operating profit	Note 3 - 10	625.3	528.0	- 17.5	- 16.1
Profit from financial investments					
Profit from participations in Group companies	Note 11	-	-	240.6	226.1
Profit/loss from participations in associated companies	Note 11	-	- 0.2	-	-
Interest income and similar profit/loss items	Note 12	25.7	12.0	37.0	25.9
Interest expense and similar profit/loss items	Note 13	- 134.3	- 94.8	- 74.6	- 57.5
Profit after financial items		516.7	445.0	185.5	178.4
Tax on the profit for the year	Note 14	-140.6	- 130.3	- 0.1	-
Profit for the year		376.1	314.7	185.4	178.4
Parent company's share of net earnings		369.8	314.7	-	-
Non-controlling interest's participation in net earnings		6.3	-	-	-
Depreciation/amortisation according to plan		188.3	163.7	0.1	0.1
Number of shares at year-end		93,920,000	93,920,000		
Net earnings per share in SEK	Note 22	3.94	3.35		
Proposed dividend per share in SEK		1.15	1.15		

Quarterly data

Consolidated income statement

(in millions of SEK)	2008				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	1,236.5	1,329.7	1,517.5	1,726.8	1,284.8	1,247.3	1,337.2	1,533.2
Operating expenses	- 1,143.3	- 1,229.9	- 1,324.5	- 1,487.5	- 1,162.0	- 1,142.5	- 1,204.7	- 1,365.3
Operating profit	93.2	99.8	193.0	239.3	122.8	104.8	132.5	167.9
Net financial items	- 23.0	- 26.0	- 31.9	- 27.7	- 14.1	- 18.6	- 24.4	- 25.9
Profit after net financial items	70.2	73.8	161.1	211.6	108.7	86.2	108.1	142.0
Tax	- 21.8	- 20.8	- 44.6	- 53.4	- 31.1	- 23.6	- 37.2	- 38.4
Net profit for the year	48.4	53.0	116.5	158.2	77.6	62.6	70.9	103.6
Net sales - by business area								
NIBE Element	458.2	471.5	435.9	513.7	463.8	443.5	418.2	453.6
NIBE Heating	649.1	755.5	876.4	935.4	661.3	717.9	717.1	763.6
NIBE Stoves	163.5	138.0	235.4	326.7	189.4	125.2	230.9	328.6
Group eliminations	- 34.3	- 35.3	- 30.2	- 49.0	- 29.7	- 39.3	- 29.0	- 12.6
Group total	1,236.5	1,329.7	1,517.5	1,726.8	1,284.8	1,247.3	1,337.2	1,533.2
Operating profit - by business area								
NIBE Element	34.1	21.0	19.2	41.1	36.3	27.8	24.5	24.4
NIBE Heating	56.8	83.5	147.2	144.7	69.8	88.4	75.8	83.6
NIBE Stoves	5.0	0.4	30.7	60.1	20.8	- 5.7	35.8	63.9
Group eliminations	- 2.7	- 5.1	- 4.1	- 6.6	- 4.1	- 5.7	- 3.6	- 4.0
Group total	93.2	99.8	193.0	239.3	122.8	104.8	132.5	167.9

Balance sheets

Assets (in millions of SEK)	Group		Parent company		
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007	
NON-CURRENT ASSETS					
Intangible assets					
Goodwill	Note 15	862.8	691.1	-	-
Other intangible assets	Note 16	81.9	41.1	-	-
Total		944.7	732.2	-	-
Tangible assets					
Land and buildings	Note 17	752.2	551.3	-	-
Machinery and equipment	Note 18	713.7	646.5	0.1	0.1
Construction in progress	Note 19	34.6	176.6	-	-
Total		1,500.5	1,374.4	0.1	0.1
Financial assets					
Shares in subsidiaries	Note 20	-	-	1,282.8	1,113.3
Receivables from Group companies		-	-	634.4	506.9
Shares in associated companies	Note 21	-	-	-	-
Investments held as non-current assets		0.6	0.6	-	-
Deferred tax asset	Note 14	59.4	29.9	30.4	7.4
Other long-term receivables		3.3	5.2	-	-
Total		63.3	35.7	1,947.6	1,627.6
TOTAL NON-CURRENT ASSETS		2,508.5	2,142.3	1,947.7	1,627.7
CURRENT ASSETS					
Inventories					
Raw materials and consumables		619.5	656.3	-	-
Work in progress		114.8	155.9	-	-
Finished products and goods for resale		493.2	531.8	-	-
Total		1,227.5	1,344.0	-	-
Current receivables					
Accounts receivable - trade		867.6	704.2	-	-
Receivables from Group companies		-	-	6.5	6.2
Tax asset		69.0	29.5	0.5	0.5
Other receivables		73.9	52.2	0.4	6.8
Prepaid expenses and accrued income		48.6	43.4	0.3	0.4
Total		1,059.1	829.3	7.7	13.9
Current investments		2.3	-	-	-
Cash and bank balances		349.3	207.9	10.5	2.8
TOTAL CURRENT ASSETS		2,638.2	2,381.2	18.2	16.7
TOTAL ASSETS		5,146.7	4,523.5	1,965.9	1,644.4

Equity and liabilities (in millions of SEK)	Group		Parent company	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
EQUITY				
Share capital	Note 22	58.7	58.7	58.7
Capital contributed/restricted reserves		67.4	74.9	74.9
Total restricted equity			133.6	133.6
			Non-restricted equity	
Other reserves/Fair value reserve		131.8	- 85.2	- 19.0
Profit brought forward incl. profit for the year attributable to parent company		1,623.8	352.1	274.7
Equity attributable to parent company		1,881.7		
Non-controlling interest		7.0	-	-
Total non-restricted equity			266.9	255.7
Total equity		1,888.7	400.5	389.3
UNTAXED RESERVES				
Accelerated depreciation		-	0.1	0.1
Total untaxed reserves		-	0.1	0.1
NON-CURRENT LIABILITIES AND PROVISIONS				
Provisions for post-employment benefits	Note 23	29.8	-	-
Provisions for taxes	Note 14	153.7	-	-
Guarantee risk reserve	Note 24	58.9	-	-
Restructuring reserve	Note 24	0.1	-	-
Other provisions, interest-bearing	Note 24	13.7	-	-
Bank overdraft facilities	Note 25	833.9	198.9	140.5
Liabilities to credit institutions	Note 7	1,110.7	1,077.3	971.0
Liabilities to Group companies		-	185.2	50.1
Other liabilities, interest-bearing		0.3	-	-
Other liabilities, non-interest-bearing		17.0	-	-
Total non-current liabilities and provisions		2,218.1	1,461.4	1,161.6
CURRENT LIABILITIES AND PROVISIONS				
Liabilities to credit institutions		180.8	98.8	79.5
Accounts payable		343.1	-	0.8
Advance payments from customers		6.5	-	-
Liabilities to Group companies		-	0.2	0.2
Tax liability		14.9	-	-
Other liabilities		199.2	0.3	7.9
Accrued expenses and deferred income	Note 26	295.4	4.6	5.0
Total current liabilities and provisions		1,039.9	103.9	93.4
TOTAL EQUITY AND LIABILITIES		5,146.7	1,965.9	1,644.4
Pledged assets	Note 27	1,987.5	365.0	335.0
Contingent liabilities	Note 28	24.4	32.7	30.5

Changes in equity

Group

(in millions of SEK)	Share capital	Contributed capital	Other reserves ¹⁾	Profit brought forward incl. profit for the year	Equity attributable to parent company	Non-controlling interest	Total equity
Equity 31 Dec 2006	58.7	67.4	2.1	1,155.3	1,283.5		1,283.5
Market value of commercial forward exchange agreements after tax allowance			1.3		1.3		1.3
Exchange rate differences			56.2		56.2		56.2
Profit for the year				314.7	314.7		314.7
Total income and expense for the period			57.5	314.7	372.2		372.2
Dividend				- 108.0	- 108.0		- 108.0
Equity 31 Dec 2007	58.7	67.4	59.6	1,362.0	1,547.7		1,547.7
Market value of commercial forward exchange agreements after tax allowance			- 9.9		- 9.9		- 9.9
Exchange rate differences ²⁾			82.1		82.1	0.1	82.2
Profit for the year				369.8	369.8	6.3	376.1
Total income and expense for the period			72.2	369.8	442.0	6.4	448.4
Change in participations by non-controlling interest						0.6	0.6
Dividend				- 108.0	- 108.0		- 108.0
Equity 31 Dec 2008	58.7	67.4	131.8	1,623.8	1,881.7	7.0	1,888.7

1) Other reserves

(in millions of SEK)	Revaluation reserve	Exchange rate difference	Total other reserves
Other reserves 31 Dec 2006	1.5	0.6	2.1
Market value of commercial forward exchange agreements after tax allowance	1.3		1.3
Exchange rate differences		56.2	56.2
Other reserves 31 Dec 2007	2.8	56.8	59.6
Market value of commercial forward exchange agreements after tax allowance	- 9.9		- 9.9
Exchange rate differences ²⁾		82.1	82.1
Other reserves carried forward 31 Dec 2008	- 7.1	138.9	131.8

2) Specification of the year's exchange rate difference in equity

The year's exchange rate difference for foreign subsidiaries translated in accordance with the current method	138.7
The year's exchange rate difference on translation of loans to foreign subsidiaries	14.9
The year's exchange rate difference on translation of loans in foreign currencies in connection with the acquisition of foreign subsidiaries: SEK -96.3 million, of which the tax effect is SEK -24.9 million	- 71.4
Total exchange rate difference for the period	82.2
Specification of accumulated exchange rate difference on translation of figures for foreign subsidiaries	
Accumulated exchange rate difference at start of year	77.1
Exchange rate difference for the year in foreign subsidiaries	138.7
Accumulated exchange rate difference at year-end	215.8

Parent company

(in millions of SEK)	Share capital	Statutory reserve	Fair value reserve	Profit brought forward	Total equity
Equity 31 Dec 2006	58.7	74.9	8.4	204.3	346.3
The year's exchange rate difference on translation of loans in foreign currencies in connection with the acquisition of foreign subsidiaries: SEK -38.0 million, of which the tax effect is SEK -10.6 million.			- 27.4		- 27.4
Profit for the year				178.4	178.4
Dividend				- 108.0	- 108.0
Equity 31 Dec 2007	58.7	74.9	- 19.0	274.7	389.3
The year's exchange rate difference when recomputing loans in foreign currencies in connection with the acquisition of foreign subsidiaries: SEK - 89.2 million of which the tax effect is SEK - 23.0 million			- 66.2		- 66.2
Profit for the year				185.4	185.4
Dividend				- 108.0	- 108.0
Equity 31 Dec 2008	58.7	74.9	- 85.2	352.1	400.5

Statements of cash flows

(in millions of SEK)	Group		Parent company	
	2008	2007	2008	2007
OPERATING ACTIVITIES				
Operating profit	625.3	528.0	- 17.5	- 16.1
+ depreciation/amortisation & impairment charged to this profit	188.4	163.7	0.1	0.1
+ capital losses / - capital gains	- 29.4	0.4	-	-
- non-controlling interest's participation in net earnings	- 6.3	-	-	-
Total	778.0	692.1	- 17.4	- 16.0
Interest received and similar items	25.7	12.1	37.0	25.9
Interest paid and similar items	- 133.6	- 95.9	- 74.6	- 57.6
Tax paid	- 190.1	- 168.8	- 0.1	- 0.1
Cash flow before change in working capital	480.0	439.5	- 55.1	- 47.8
Change in working capital				
Change in inventories	239.3	- 292.6	-	-
Change in current receivables	- 113.4	95.6	6.1	3.2
Change in current liabilities	48.1	- 202.4	10.5	5.3
Cash flow from operating activities	654.0	40.1	- 38.5	- 39.3
INVESTING ACTIVITIES				
Investments in machinery and equipment	- 168.9	- 215.0	-	-
Investments in buildings and land	- 42.1	- 31.4	-	-
Investment in construction in progress	- 28.4	- 124.5	-	-
Investment in goodwill	-	- 0.2	-	-
Investment in other intangible assets	- 25.0	- 20.7	-	-
Sale of machinery and equipment	18.6	6.2	-	-
Sale of buildings and land	39.1	-	-	-
Sale of construction in progress	0.4	-	-	-
Change in non-current receivables and other securities	- 31.2	- 5.3	- 150.7	- 207.5
Cash flow from investing activities	- 237.5	- 390.9	- 150.7	- 207.5
OPERATING CASH FLOW	416.5	- 350.8	- 189.2	- 246.8
Acquired companies/lines of business ¹⁾	- 170.1	- 13.2	- 149.3	- 0.7
FINANCING ACTIVITIES				
Change in non-controlling interest	6.7	-	-	-
Profit from participation in Group companies	-	-	240.6	226.1
Amortisation of non-current loans	- 179.4	- 185.2	- 82.4	- 43.8
Other changes in non-current liabilities and provisions	158.5	636.8	296.0	175.0
Shareholders' dividend	- 108.0	- 108.0	- 108.0	- 108.0
Cash flow from financing activities	- 122.2	343.6	346.2	249.3
Cash flow for the year	124.2	- 20.4	7.7	1.8
Cash and cash equivalents at the beginning of the year	207.9	218.3	2.8	1.0
Exchange rate difference for cash and cash equivalents	17.2	10.0	-	-
Cash equivalents at year-end	349.3	207.9	10.5	2.8

¹⁾ For further information about the acquisition of companies, please refer to Note 29.

Note 1 General information about the business

NIBE Industrier is a European heating technology company whose business operations are organised in three separate business areas: NIBE Element, NIBE Heating and NIBE Stoves.

The Group has more than 5,400 employees and conducts business activities in nineteen countries in Europe, North America and Asia. The legal structure of the Group comprises a number of subsidiaries, who run their own operations via their own companies or branch offices.

The operations of the parent company, NIBE Industrier AB, constitute group support functions such as financing, currency management, corporate acquisitions and new establishments together with financial management and other policy issues.

This consolidated financial statement was approved for publication by the Board on 23 March 2009. The consolidated financial statement can be amended by the company's shareholders subsequent to approval by the Board.

Note 2 Accounting and valuation principles

The NIBE Group applies International Financial Reporting Standards (IFRS) as they have been adopted by the EU, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1.1 ("Supplementary accounting rules for groups"). The policies applied are unchanged from those adopted in the preceding year.

The parent company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2.1 "Accounting for legal entities". Where the parent company applies accounting policies that differ from those applied by the Group, this is indicated under the appropriate section in this note. The parent company's accounting policies are unchanged from those adopted in the preceding year.

At the time of the preparation of the consolidated financial statements as at 31 December 2008, a number of standards, amendments and interpretations had been published, but were not yet effective. A preliminary assessment of the effect of the introduction of these standards and interpretations on the NIBE Group's financial statements is given below.

IAS 1 (Revised) Presentation of Financial Statements

The amendments are effective for annual periods beginning on or after 1 January 2009. The revised standard forbids presentations of income and expense items (i.e. changes in equity excluding transactions with owners) in statements of changes in equity. It requires these to be reported in equity as a separate component from changes that relate to transactions with shareholders. It requires that all changes in equity that do not relate to owners be reported as a statement (statement of total income and expense) or in two statements (a separate income statement and a statement of total income and expense). If an entity makes a retroactive restatement or a reclassification of comparable information, it must present a balance sheet as at the beginning of the comparative period, in addition to the standing requirement that it present balance sheets at the end of the current period and the comparative period. NIBE will apply IAS 1 (Revised) with effect from 1 January 2009.

IAS 23 (Revised) Borrowing Costs

The principal change is that the immediate expensing of certain borrowing costs is prohibited. This applies to borrowing costs related to assets that take a substantial period of time to prepare for use or sale. Such borrowing expenditure must be capitalised. The amendment becomes effective on 1 January 2009. Borrowing expenditure of this type is not capitalised by the NIBE Group at present. The amendment is expected to have a marginal impact on the consolidated financial statements.

IAS 27 (Revised) Consolidated and Separate Financial Statements*

The amendments are effective for annual periods beginning on or after 1 July 2009. The revised standard requires that the effects of all transactions with non-controlling shareholders are recognised in equity unless they lead to a change in control, and these transactions no longer give rise to goodwill or gains and losses. The standard also states that when a parent company loses control, any remaining participation is revalued at fair value, and a gain or loss recognised in profit or loss. The NIBE Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling shareholders with effect from 1 January 2010.

IFRS 3 (Revised) Business Combinations*

The standard is effective for annual periods beginning on or after 1 July 2009. The standard continues to prescribe that the acquisition method be applied to business combinations, but with a number of significant changes. For example, all consideration for acquisitions is recognised at fair value on the acquisition date, while any subsequent contingent consideration is classified as a liability which is then revalued in profit or loss. Non-controlling interests in business combinations may be valued on a transaction-by-transaction basis either at fair value or the non-controlling interest's proportionate

share of the net assets of the acquired company. All transaction costs in respect of the acquisition must be expensed. The NIBE Group will apply IFRS 3 (Revised) prospectively to all business combination with effect from 1 January 2010.

IFRS 8 Business segments

The standard becomes effective on 1 January 2009 and applies for annual periods beginning on or after that date. The standard deals with the division of the company's operation into its component segments. Under the standard, the company will determine its reportable segments on the basis of its internal structure for financial statements. In the opinion of the NIBE Group, this standard will not involve any additional reportable segments, since the NIBE Group already presents financial information on a segment basis for the Group. The new standard will, however, involve a change in the presentation of information, since, for example, the concepts of primary and secondary segments are no longer to be used, and information on income within Sweden is to be provided separately. The NIBE Group will apply IFRS 8 with effect from 1 January 2009.

*) These standards and interpretations have not yet been adopted by the EU.

Classification

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

Consolidated accounts

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

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

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

One of the implications of IFRS 3 is that the net assets in an acquired company are determined on the basis of a market valuation of assets and liabilities on the date of acquisition. Such market valuations constitute the Group's acquisition cost, which is referred to as "historical cost". The historical cost of an acquired business consists of the fair value of assets transferred in settlement and liabilities that arise or are taken over from the date of transfer plus costs directly attributable to the acquisition itself. The difference between the historical value of the shares in the subsidiary and the value of the net assets calculated in the acquisition analysis is recorded as Group goodwill. If the difference is a negative one, it is recognised in the income statement.

In the preparation of the consolidated balance sheet, untaxed reserves have been divided into a portion recognised as a deferred tax liability under the heading non-current liabilities and provisions, and a residual portion which is recognised under profits brought forward including net profit for the year. Accordingly, appropriations which involve changes in untaxed reserves have been omitted. The tax portion of these changes is recognised along with the tax cost for the year in the income statement, while the equity portion is included in net profit for the year. The percentage rate used in calculating deferred tax in Swedish subsidiaries is 26.3 (28.0) per cent; the rate used for foreign subsidiaries is the appropriate tax rate in each respective country. The necessary provisions have been made for internal profits.

The Group applies the policy of recognising transactions with non-controlling interests as transactions with third parties. In acquisitions of non-controlling interests where the consideration paid exceeds the carrying amount of the non-controlling interest's share of the net assets of the subsidiary, the difference is recognised as goodwill. On disposals to non-controlling interests, where the consideration received differs from the carrying amount of the share of net assets disposed of, the gain or loss is recognised in profit or loss.

Associated companies

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

according to the equity method and in the parent company according to the cost method. The equity method means that the participation is initially reported at the value at the time of acquisition and subsequently adjusted according to the Group's participation in the associated company's profit.

Group contribution and shareholders' contribution

The company recognises Group contribution and shareholders' contribution in accordance with the statement of the Swedish Financial Accounting Standards Council's Emerging Issues Task Force. Shareholders' contribution is recognised directly in equity by the recipient and is capitalised in shares and participations by the contributor to the extent that impairment is not required. Group contribution is recognised in accordance with its financial purpose. This means that Group contribution given and received with the aim of minimising the Group's total tax is recognised directly in profit brought forward after the deduction of tax.

Statement of cash flow

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

Revenue recognition

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

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

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

Segment reporting

Operationally, the primary segmentation of the Group's activities is into product group orientated business areas on account of the differences in risk and opportunities associated with the various product groups. The secondary segmentation is, for the same reason, geographical by market. See also Notes 3 and 4.

Transactions with related parties

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

Other operating revenue

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

Accounting of income tax

Income tax accounting has been carried out using IAS 12.

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

For items reported in the income statement, the associated tax effects are also reported in the income statement. Tax is recognised directly in equity if the tax is attributable to items that are recognised in equity.

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

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

Currency hedging

The NIBE Group applies IAS 39, "Financial Instruments: Recognition and Measurement" for hedge accounting of currency futures. The application of this recommendation means, among other things, that derivatives in the form of future contracts are recognised at fair value in the balance sheet, both initially and after subsequent remeasurement.

To meet the requirements for hedge accounting, there must be a clear link between the derivative and the hedged items. In addition, the effectiveness of the hedging must be continuously assessed, and all the hedge conditions documented in accordance with the requirements of IAS 39. For hedging of cash flows, changes in the fair value of the hedging instruments are recognised under equity, insofar as they are effective, until the underlying hedged item is recognised in revenue. That portion that is ineffective is expensed immediately. For further information on currency derivatives, refer to the section on "Transactions risks" in Note 7 "Financial instruments and financial risk management".

Hedging of net investment

Hedging of net investment in foreign operations is accounted for in a way similar to that used for a cash flow hedge. The portion of gain or loss on a hedging instrument which is assessed as effective hedging is recognised in equity. The portion that is ineffective is recognised immediately in the income statement. See also Note 7 "Financial instruments and financial risk management" (the section on "Translation risks"). The parent company similarly recognises exchange fluctuations on borrowings in foreign currency as a portion of the net investment in the fair value reserve in equity in accordance with the options permitted by the Swedish Financial Reporting Board's recommendation RFR 2.1 "Accounting for legal entities".

Leasing

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

Borrowing costs

In recognising borrowing costs, the benchmark treatment described in IAS 23 is applied. This means that borrowing costs are treated as expenses for the period to which they relate.

Goodwill

Goodwill has arisen in connection with the acquisition of operations and companies. The useful life of these assets cannot be calculated with certainty, since it is dependent on a number of unknown factors such as technological developments and market trends. NIBE applies IFRS 3 ("Business combinations"), which means that goodwill is no longer amortised. Instead, an annual impairment test is carried out in accordance with IAS 36. The assets are valued by business area, which means that future cash flows from each business area as a cash generating unit are estimated. The value recognised per business area is shown in Note 15. In estimating future cash flows, the following assumptions have been made:

- An annual growth rate of 10 % (10 %), which experience has shown to be conservative.
- A discount rate of 12.0 % (11.2 %), based on actual cost of capital.
- A forecast period of 5 years (5 years).

The estimates have not indicated that there is a need for impairment in any business area.

Other intangible and tangible assets

The heading "Other intangible assets" refers to tenancy rights, patents, licences, trademarks and similar assets, and the Group considers that these assets have a limited useful life.

Other intangible and tangible assets are recognised at historical costs less accumulated amortisation/depreciation and any impairment. Borrowing expenses are not included in historical cost, but are recognised as an expense on a current basis. Expenditure on improving the performance of the assets, above the original level, increases the carrying amount of the assets. Expenditure on repairs and maintenance is recognised as an expense on a current basis.

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

Intangible non-current assets	10 – 20%
Buildings	2.5 – 5%
Land improvements	3.75 – 5%
Machinery and equipment	10 – 25%
Fixtures and fittings	4%

Research and development costs

Expenditure on research activities is written off as it arises.

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

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

Inventories

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

Financial instruments

NIBE classifies its financial instruments in the following categories: financial instruments valued at fair value through profit or loss, financial assets held to maturity, accounts receivable and loans receivable, financial instruments available for sale, and financial liabilities valued at accrued acquisition value. In addition, NIBE has currency derivatives for hedge accounting, see "Currency hedging" above. For financial years 2007 and 2008, NIBE has no balance sheet items classified in the category of financial liabilities valued at fair value in profit or loss.

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

The fair value of quoted financial assets is equivalent to the quoted purchase price of the asset on the balance sheet date. The fair value of unquoted financial assets is determined by using valuation techniques such as recently executed arms-length transactions, the current fair value of similar instruments and discounted cash flows. The fair value of forward contracts is calculated on the basis of current futures on the balance sheet date.

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

Financial instruments valued at fair value through profit or loss

This class of financial instrument includes financial assets held for trading. An asset is classified as held for trading if it is acquired for the purpose of selling in the short term. Derivative instruments are classified as held for trading unless they are designated for hedge accounting. Assets in this category are valued continuously at fair value, with changes in value recognised through profit and loss. NIBE holds securities classified in this category. On 31 December 2008, market value was equivalent to cost.

Loans receivable and accounts receivable

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

Accounts receivable are recognised at the amount which is expected will be received after the deduction of uncertain receivables, assessed individually. The expected term

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

Financial assets available for sale

Non-derivative financial assets, where the asset is identified as available for sale or not classified in any of the other categories, are included in the category of financial assets available for sale. Assets in this category are valued continuously at fair value with fair value changes recognised in equity to the extent that they do not involve an impairment that is assessed as significant or long-term. NIBE holds securities classified in this category. As at 31 December 2008, the recoverable amount corresponds to acquisition value.

Financial liabilities valued at accrued acquisition value

Loans and other financial liabilities, such as accounts payable, are included in this category. Financial liabilities are valued initially at fair value, net of transaction costs. Financial liabilities are subsequently valued at accrued acquisition value, and any difference between the amount received and the amount repayable is recognised in profit and loss over the period of the loan using the effective interest rate method. Non-current liabilities have an expected term longer than one year, while current liabilities have an expected term of a maximum of one year. Accounts payable and other operating liabilities with a short expected term are, therefore, normally recognised at nominal value.

Receivables and liabilities in foreign currency

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

Impairment of non-financial assets

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

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

Provisions

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

Employee benefits – post-employment benefits

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

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

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

The Group's payments in respect of the ITP occupational pension financed via Alecta are recognised as a defined-contribution plan. See the information in Note 23.

Significant estimates and assumptions for accounting purposes

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

Period of use of intangible and tangible assets

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

Impairment test for goodwill

Every year, the Group tests whether any impairment is required for goodwill in accordance with the accounting policy described under "Impairment". The estimates which must be made and the effect of these estimates are shown under "Goodwill". Neither a reduction of the assumed growth rate nor an increase in the assumed discount rate of two percentage points would lead to an impairment requirement.

Provisions

Further information in respect of provisions for the year for the guarantee risk reserve is shown in Note 24.

Provisions for the present value of post-employment benefit obligations are dependent on a number of factors determined on the basis of actuarial assumptions. Every change in these assumptions will affect the carrying amount of the post-employment benefit obligations. Significant assumptions relating to post-employment benefit obligations are based partly on prevailing market conditions. Further information is given in Note 23.

Note 3 Net sales and operating profit by segment

Breakdown by business area

(in millions of SEK)	Net sales		Operating profit	
	2008	2007	2007	2008
NIBE Element	1,879.3	1,779.1	115.4	113.0
NIBE Heating	3,216.4	2,859.9	432.2	317.6
NIBE Stoves	863.6	874.1	96.2	114.8
Group adjustments	- 148.8	- 110.6	- 18.5	- 17.4
Group total	5,810.5	5,402.5	625.3	528.0

Breakdown by geographical region

(in millions of SEK)	Net sales		Assets		Investments	
	2008	2007	2008	2007	2008	2007
Nordic countries	3,148.6	3,189.3	3,801.9	3,519.2	125.8	293.4
Rest of Europe	2,512.5	2,052.7	1,218.4	939.1	76.3	88.4
Other markets	149.4	160.5	126.4	65.2	3.7	4.0
Group total	5,810.5	5,402.5	5,146.7	4,523.5	205.8	385.8

All parent company sales are sales to Group companies.

Note 4 Information about business areas

(in millions of SEK)	Element		Heating		Stoves		Eliminations		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Income										
Total earnings	2,192.2	2,246.6	3,765.7	3,242.3	979.2	978.9	- 1,126.6	- 1,065.3	5,810.5	5,402.5
Internal sales	- 312.9	- 467.5	- 549.3	- 382.4	- 115.6	- 104.8	977.8	954.7	-	-
External sales	1,879.3	1,779.1	3,216.4	2,859.9	863.6	874.1	- 148.8	- 110.6	5,810.5	5,402.5
Profits										
Profit per business area	115.4	113.0	432.2	317.6	96.2	114.8	-	-	643.8	545.4
Undistributed costs									-18.5	- 17.4
Operating profit									625.3	528.0
Financial income									25.7	11.8
Financial expense									- 134.3	- 94.8
Tax for the year									- 140.6	- 130.3
Net profit for the year									376.1	314.7
Other information										
Assets	1,671.6	1,489.7	2,467.2	2,160.9	1,038.5	942.9	- 1,362.0	- 1,227.7	3,815.3	3,365.8
Undistributed assets									1,331.4	1,157.7
Total assets									5,146.7	4,523.5
Liabilities	1,514.5	1,381.2	1,511.7	1,452.5	680.6	593.0	- 1,379.7	- 1,219.3	2,327.1	2,207.4
Undistributed liabilities									930.9	768.4
Total liabilities									3,258.0	2,975.8
Investment	39.1	71.1	89.7	148.1	77.0	166.6				
Depreciation/amortisation	59.2	54.0	95.8	85.5	33.3	24.2				

Note 5 Payments to the auditors

During the year the Group paid SEK 5.3 million for auditing services (SEK 0.4 million of this sum related to the parent company) and SEK 1.5 million for financial services other than auditing (SEK 0.4 million for the parent company).

(in millions of SEK)	2008		2007	
	Auditing services	Other services	Auditing services	Other services
SET Revisionsbyrå AB	0.9	0.5	0.8	1.0
Other accountants	4.4	1.0	4.2	1.3
Group total	5.3	1.5	5.0	2.3

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

(in millions of SEK)	2008	2007
Parent company	6.2	5.6
Subsidiaries	1,115.9	1,089.1
Group total	1,122.1	1,094.7

(in millions of SEK)	2008		2007	
	Social security contrib's	of which pension expenses	Social security contrib's	of which pension expenses
Parent company	4.4	1.7	3.8	1.4
Subsidiaries	284.0	68.5	286.3	69.1
Group total	288.4	70.2	290.1	70.5

Of parent company pension costs, SEK 0.6 million (SEK 0.3 million) relate to the MD.

The parent company has no outstanding pension commitments to the Board or MD. The corresponding sum for the Group is SEK 3.3 million (SEK 3.5 million). Outstanding Group pensions to the previous Board/CEO total SEK 0.9 million (SEK 1.3 million).

(in thousands of SEK)	2008		2007	
	Salaries and other remuneration	Retirement benefit contributions	Salaries and other remuneration	Retirement benefit contributions
Arvid Gierow	280	-	280	-
Georg Brunstam	140	-	140	-
Hans Linnarson	140	-	140	-
Bill Tunbrant	-	-	140	-
Arne Frank	140	-	-	-
Rune Dahlberg	-	95	-	86
Gerteric Lindquist	2,552	556	2,212	281
Other senior executives: 4 (4) individuals	7,171	2,304	7,175	1,950
Total Group	10,423	2,955	10,087	2,317

Remuneration principles and other terms of employment for senior executives

Pursuant to a resolution of the annual general meeting, the following principles applied during 2008. The Board proposes that, with the exception of the principles for retirement benefits, which are under review, the same principles continue to apply for 2009, namely:

The company shall offer competitive remuneration on market terms in order to attract and retain personnel. Remuneration shall be payable as fixed salary, variable salary, retirement benefit contributions or other benefits, such as a company car.

Directors' fees shall not be payable to members of the Board who are employed in the Group. The period of notice from the company for the CEO shall be six months. The CEO shall have the right to severance pay equivalent to twelve months' salary. Other key management personnel shall receive salary during a period of notice which varies from 6-12 months.

All key management personnel shall have pension benefits corresponding to the ITP occupational pension plan up to 30 basic amounts for social security purposes. For portions of salary above this, a premium of a fixed 30% is payable in accordance with the principles in the new defined-contribution ITP plan, which is effective from 1 January 2007. There shall be no special agreements for key management personnel to retire before reaching the official retirement age while still receiving a certain proportion of their salaries until the official retirement age. As an incentive, key members of staff will be entitled to a variable salary component that is payable if set targets are achieved. The variable component shall be restricted to three months' salary. The CEO shall not participate in any incentive scheme. The Board may ignore the guidelines if there are reasons for doing so in individual cases.

Agreement on severance pay

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

Gender distribution at board/management level

	2008		2007	
	Total	Men	Total	Men
Board of directors				
Parent company	5	5	5	5
Subsidiaries	90	87	80	74
Corporate management				
Parent company	2	2	2	2
Subsidiaries	93	85	95	81

Salaries and other remuneration by country for the Board/MD and other employees

(in millions of SEK)	2008		2007	
	Board and MD	Other employees	Board and MD	Other employees
Parent company	3.2	3.8	2.9	3.4
Subsidiaries in				
Sweden	3.9	393.8	4.3	422.0
Norway ¹⁾ (0.1 and 0.3)	4.2	69.8	4.0	71.4
Finland ¹⁾ (0.4 and 0.3)	6.6	123.8	6.1	134.3
Denmark ¹⁾ (0.6 and 0.5)	9.8	195.8	10.5	192.7
France ¹⁾ (0.2 and 0.1)	1.1	2.0	1.0	1.3
Germany ¹⁾ (0.1 and 0.2)	2.0	21.5	1.2	21.5
Poland ¹⁾ (0.1 and 0.2)	4.0	112.3	3.6	89.4
Czech Rep. ¹⁾ (0.2 and 0.2)	5.4	52.4	4.4	39.0
Slovakia ¹⁾ (0.0 and 0.1)	0.2	0.3	0.2	0.3
Italy	0.9	9.0	0.7	8.2
Netherlands (0.1 and 0.0)	2.0	14.8	1.1	14.2
UK ¹⁾ (0.1 and 0.1)	2.0	23.1	1.6	25.6
Spain	1.4	15.1	0.9	14.6
Russia	0.5	6.8	-	-
Austria	0.8	7.7	-	-
Switzerland	0.2	0.4	-	-
China	1.0	15.5	0.4	12.0
Mexico	0.1	3.4	-	-
USA	0.4	1.8	0.8	1.7
Group total	49.7	1,073.1	43.7	1,051.6

¹⁾ (of which bonus in millions of SEK)

Average numbers of employees and gender distribution

	2008		2007	
	Number of employees	Number of Men	Number of employees	Number of Men
Parent company	5	3	5	3
Subsidiaries in				
Sweden	1,239	1,017	1,380	1,152
Norway	152	121	164	126
Finland	410	279	438	306
Denmark	440	315	483	345
France	7	4	6	3
Germany	60	42	71	52
Poland	1,552	871	1,550	859
Czech Republic	603	357	597	349
Slovakia	5	4	3	2
Italy	38	23	36	22
Netherlands	35	29	35	28
UK	87	53	98	77
Spain	59	44	59	44
Russia	106	81	-	-
Austria	21	14	-	-
Switzerland	1	1	-	-
China	355	186	509	305
Mexico	94	48	-	-
USA	6	6	5	5
Group total	5,275	3,498	5,439	3,678

Note 7 Financial instruments and financial risk management

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

Credit risks

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

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

Overdue accounts receivable (in millions of SEK)

	2008	2007
Accounts receivable which have been wholly or partly impaired		
- overdue by less than 3 months	5.4	5.3
- overdue by more than 3 months	24.7	15.5
Accounts receivable which have not been impaired		
- overdue by less than 3 months	189.1	117.8
- overdue by more than 3 months	15.5	21.8
Total overdue accounts receivable	234.7	160.4
Provision for bad debt losses	-23.7	-10.6
Total accounts receivable overdue but not impaired	211.0	149.8

Provision for bad debt losses (in millions of SEK)

	2008	2007
Provisions brought forward	13.8	16.5
Provisions in acquired companies	0.5	-
Established bad debt losses	-2.0	-2.2
Reversed provisions	-4.2	-5.9
Provisions for the year	14.7	4.9
Translation differences	0.9	0.5
Provisions carried forward	23.7	13.8

The profit for the year has been charged with SEK 11.1 million (SEK 4.5 million) in respect of bad debt losses which arose on the Group's accounts receivable.

Since the Group is a net borrower from the bank, the credit risk in respect of the Group's bank balances is insignificant.

Currency risks

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

Transaction risks

The term "transaction risk" refers to the risk of bad debt losses on operating business transactions in foreign currency through, for example, an account receivable in a foreign currency falling in value as a result of fluctuations in the exchange rate in that currency. As part of the Group's currency hedging policy, operating sales and purchases which take place in foreign currencies or are linked to changes in foreign currencies, must be hedged under a rolling 12-month plan within the range 60-100% of the estimated flow. The degree of hedging of future flows determines where in the range the figure is to lie. During 2008 the Group's flows in foreign currencies were as shown below. The term "flow" refers to flows in currencies other than local currency. The term "weakening" refers to a fall in the value of the Swedish krona.

Currency	Group		Parent company	
	Net flow in (+) / out (-)	Weakening by 1%	Net flow in (+) / out (-)	Weakening by 1%
CHF	10.0	0.1	-0.6	-
CNY	-39.1	-0.4	-	-
CZK	-0.1	-	-	-
DKK	119.3	1.2	-0.9	-
EUR	663.4	6.6	-0.6	-
GBP	115.1	1.2	-0.1	-
HKD	-7.0	-0.1	-	-
JPY	-2.9	-	-	-
NOK	109.0	1.1	-0.1	-
PLN	-21.6	-0.2	-	-
RUB	2.9	-	-	-
SKK	6.1	0.1	-	-
USD	-46.8	-0.5	-	-
Total	908.3		-2.3	

At the end of 2008 the Group had outstanding currency forward contracts in accordance with the table below. The total net value of the contracts translated to SEK at the closing day rate amounts to SEK 356.1 million (SEK 155.7 million).

The difference between the amount of all contracts translated to SEK at the contract date rate and the amount of all contracts translated to SEK at the closing day rate at the end of 2008 constitutes an unrealised exchange gain of SEK 24.0 million.

The item "Other receivables" in the consolidated balance sheet includes derivatives with positive fair values of SEK 8.9 million (SEK 2.4 million). The item "Other liabilities" includes derivatives with negative fair values of SEK 33.0 million (SEK 0.4 million).

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

Curr- ency	Flow Q 1	Flow Q 2	Flow Q 3	Flow Q 4	Average forward rate	Closing day rate	Unrealised gain 31 Dec 08	Unrealised gain 31 Dec 07
DKK	8.8	11.9	4.8	9.5	1.31	1.47	-5.5	-0.3
EUR	5.3	5.2	5.6	7.6	9.77	10.94	-27.5	2.1
GBP	1.4	1.3	1.0	1.8	12.67	11.25	7.9	0.2
NOK	4.5	4.5	0.5	-	1.18	1.10	0.7	-0.2
USD	-0.1	-0.1	-	-	6.33	7.75	0.4	0.2
Total							-24.0	2.0
Of which recognised in profit or loss on the closing date							-14.6	-2.0
Of which recognised in the hedge reserve on the closing date							-9.4	4.0

Translation risks

The term "translation risks" refers to the risk of exchange losses on the translation of the income statements and balance sheets of foreign subsidiaries into the Swedish krona, the Group's presentation currency. To minimise translation risks, assets are financed where possible in the same currency: this means that exchange-rate fluctuations on the loans are recognised direct in equity after the deduction of tax. At the end of 2008, the Group held net assets in foreign currencies in accordance with the figures given below with financing taken into account. Net assets also include assets other than those classed as financial instruments.

Currency	2008	2007
CHF	2.3	-
CZK	125.1	95.9
DKK	160.6	126.8
EUR	253.7	253.9
GBP	-3.9	-29.3
HKD	57.3	29.6
MXN	52.3	-
NOK	172.3	98.1
PLN	227.9	189.4
RON	1.5	-
RUB	6.7	-
SKK	3.8	1.6
USD	-31.9	18.0
Total	1,027.7	784.0

If the Swedish krona falls in value by 1% against the named currencies, this means that the Group's equity is strengthened by SEK 10.3 million (SEK 7.8 million). If the Swedish krona rises in value by 1% against the named currencies, the reverse pertains. Without currency hedging through financing in the same currency, the corresponding amount would have been SEK 17.9 million (SEK 14.0 million).

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

Currency	2008	2007
CZK	219.6	190.7
DKK	258.8	170.7
EUR	199.2	97.4
NOK	42.4	122.8
Total	720.0	581.6

If the Swedish krona rises in value by 1% against the named currencies, this means that the parent company's equity is strengthened by SEK 7.2 million (SEK 5.8 million). If the Swedish krona falls in value by 1% against the named currencies, the reverse pertains.

Gains and losses on financial instruments

	Group		Parent company	
	2008	2007	2008	2007
Exchange gains and exchange losses on currency derivatives used for hedge accounting				
- recognised in profit and loss	-0.5	-1.3	-	-
- recognised direct in equity	-13.4	1.8	-	-
Exchange gains and exchange losses in other financial assets and liabilities	15.1	5.5	5.1	-1.4
Bad debt losses on accounts receivable	-11.1	-4.5	-	-
Total	-9.9	1.5	5.1	-1.4

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

Fair value of financial instruments

Fair value may deviate from carrying amount, partly as a consequence of changes in market interest rates. Since all borrowing on the balance sheet date is at variable interest rates, fair

value is assessed as the same as the carrying amount for the Group's financial liabilities. Fair value is assessed as the same as the carrying amount for non interest-bearing assets and liabilities such as accounts receivable and accounts payable.

	Loans receivable and accounts receivable	Assets held for trading	Assets available for sale	Currency derivative used for hedge accounting	Non- financial assets	Total carrying amount	Fair value
Assets 31 Dec 2008							
Intangible assets	-	-	-	-	944.7	944.7	
Tangible assets	-	-	-	-	1,500.5	1,500.5	
Investments held as non-current assets	-	-	0.6	-	-	0.6	0.6
Deferred tax assets	-	-	-	-	59.4	59.4	
Other non-current receivables	3.3	-	-	-	-	3.3	3.3
Inventories	-	-	-	-	1,227.5	1,227.5	
Accounts receivable	867.6	-	-	-	-	867.6	867.6
Tax assets	-	-	-	-	69.0	69.0	
Other receivables	65.0	-	-	8.9	-	73.9	73.9
Prepaid expenses and accrued income	-	-	-	-	48.6	48.6	
Current investments	-	2.3	-	-	-	2.3	2.3
Cash and bank balances	349.3	-	-	-	-	349.3	349.3
Total assets	1,285.2	2.3	0.6	8.9	3,849.7	5,146.7	

	Loans receivable and accounts receivable	Assets held for trading	Assets available for sale	Currency derivative used for hedge accounting	Non- financial assets	Total carrying amount	Fair value
Assets 31 Dec 2007							
Intangible assets	-	-	-	-	732.2	732.2	
Tangible assets	-	-	-	-	1,374.4	1,374.4	
Investments held as non-current assets	-	-	0.6	-	-	0.6	0.6
Deferred tax assets	-	-	-	-	29.9	29.9	
Other non-current receivables	5.2	-	-	-	-	5.2	5.2
Inventories	-	-	-	-	1,344.0	1,344.0	
Accounts receivable	704.2	-	-	-	-	704.2	704.2
Tax assets	-	-	-	-	29.5	29.5	
Other receivables	49.8	-	-	2.4	-	52.2	52.2
Prepaid expenses and accrued income	-	-	-	-	43.4	43.4	
Cash and bank balances	207.9	-	-	-	-	207.9	207.9
Total assets	967.1	-	0.6	2.4	3,553.4	4,523.5	

	Financial liabilities valued at accrued acquisition value	Currency derivative used for hedge accounting	Non- financial items	Total carrying amount	Fair value
Equity and liabilities 31 Dec 2008					
Equity	-	-	1,888.7	1,888.7	
Provisions	-	-	256.2	256.2	
Non-current liabilities*	1,961.9	-	-	1,961.9	1,961.9
Current liabilities to credit institutions	180.8	-	-	180.8	180.8
Accounts payable	343.1	-	-	343.1	343.1
Advance payments from customers	6.5	-	-	6.5	6.5
Tax liabilities	-	-	14.9	14.9	
Other liabilities	166.2	33.0	-	199.2	199.2
Accrued expenses and deferred income	295.4	-	-	295.4	295.4
Total equity and liabilities	2,953.9	33.0	2,159.8	5,146.7	

* of which SEK 764.3 million refers to loans in foreign currencies to hedge net investment in foreign operations.

	Financial liabilities valued at accrued acquisition value	Currency derivative used for hedge accounting	Non- financial items	Total carrying amount	Fair value
Equity and liabilities 31 Dec 2007					
Equity	-	-	1,547.7	1,547.7	
Provisions	-	-	213.6	213.6	
Non-current liabilities*	1,863.1	-	-	1,863.1	1,863.1
Current liabilities to credit institutions	138.8	-	-	138.8	138.8
Accounts payable	325.7	-	-	325.7	325.7
Advance payments from customers	5.5	-	-	5.5	5.5
Tax liabilities	-	-	25.4	25.4	
Other liabilities	123.2	0.4	-	123.6	123.6
Accrued expenses and deferred income	280.1	-	-	280.1	280.1
Total equity and liabilities	2,736.4	0.4	1,786.7	4,523.5	

* of which SEK 613.9 million refers to loans in foreign currencies to hedge net investment in foreign operations.

Financing risks

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

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

In individual years, the total capital requirement may exceed internal cash flow. It is not anticipated that there will be any difficulty in financing this capital requirement, without this giving rise to abnormal expense: this can be achieved partly through the traditional banking system and partly through the stock exchange. The amounts given in the table are the contractual undiscounted cash flows.

Due date structure of non-current financial liabilities

(in millions of SEK)	Group		Parent Company	
	2008	2007	2008	2007
1 - 3 years	369.0	332.1	197.3	152.0
3 - 5 years	286.9	253.4	167.3	152.0
5 - 7 years	241.2	210.6	150.8	135.7
7 - 9 years	167.8	143.2	96.9	73.7
10 years or more	63.1	96.3	15.8	0.8
Total	1,128.0	1,035.6	628.1	514.2

The effect of a change in interest rates is described below under the heading "Interest rate risks".

Interest rate risks

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

The Group's interest-bearing liabilities at the year-end amounted to SEK 2,152.0 million. The average interest rate was 5.6%. A change in the interest rate of 1% on constant liabilities would have a negative impact on the Group of SEK 21.5 million.

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

The parent company's interest-bearing liabilities at the year-end amounted to SEK 925.7 million. A change in the interest rate of 1% on constant liabilities would affect parent company results by SEK 9.3 million.

Hedge accounting

During 2008 hedge accounting was applied in accordance with IAS 39 in relation to:

- Cash flow hedging through currency derivatives for future receipts and disbursements in foreign currencies (see Note 2).
- Hedge accounting through financing net investments in foreign operations in foreign currency: this means that exchange-rate fluctuations on such loan liabilities are recognised direct in equity provided that there is a net asset in the consolidated balance sheet to hedge.

For information on the amount recognised in equity, see disclosures on equity on page 50.

Capital risks

The term "capital risk" refers to the risk that the Group's ability to continue its business operations may be inhibited due to a shortage of capital. The Group assesses the day-to-day risk on the basis of the equity/assets ratio, calculated as recognised equity as a percentage of total assets. The target is that the equity/assets ratio shall not fall below 30%. Over the most recent five year period, the average equity/assets ratio has been 34.6%. The Group has the ability to counteract any shortage of capital through new issues or reductions in dividends. Capital is defined in the NIBE Group as total equity as recognised in the balance sheet (see page 49).

Note 8 Leasing

During the year, Group expenses relating to finance leasing agreements totalling SEK 1.3 million (SEK 0.4 million), were capitalised. Leasing charges amounting to SEK 10.8 million (SEK 7.2 million) in respect of operating leases in the Group were expensed. The parent company has no leasing agreements. The value of the Group's agreed future leasing charges, relating to agreements for which the remaining term exceeds one year, are distributed as follows:

(in millions of SEK)	Finance leases	Operating leases
	Current value	Nominal value
Due for payment within 1 yr	1.3	10.1
Due for payment within 2-5 yrs	2.2	10.9
Due for payment in 6 yrs or more	-	-
Total	3.5	21.0

Note 9 Research and development costs

A total of SEK 97.0 million (SEK 100.9 million) is included under the heading "Cost of goods sold" to cover the cost of research and development.

Note 10 Other operating income

(in millions of SEK)	Group		Parent company	
	2008	2007	2008	2007
Profit on sale of non-current assets	32.8	1.9	-	-
Exchange gains	134.5	58.9	-	-
Other	21.0	23.4	0.1	0.8
Total	188.3	84.2	0.1	0.8

Note 11 Result of participations in Group companies and associated companies

Result of participations in Group companies

(in millions of SEK)	Group		Parent company	
	2008	2007	2008	2007
Group contributions	-	-	55.0	47.5
Dividend	-	-	185.6	178.6
Total	-	-	240.6	226.1

Result of participations in associated companies

(in millions of SEK)	Group		Parent company	
	2008	2007	2008	2007
Share in profits	-	- 0.2	-	-
Total	-	- 0.2	-	-

Note 12 Interest income and similar profit/loss items

(in millions of SEK)	Group		Parent company	
	2008	2007	2008	2007
Interest income, Group companies	-	-	23.8	20.9
Interest income, other	7.3	6.9	1.2	1.5
Exchange gains	18.3	4.9	12.0	3.5
Other financial income	0.1	0.2	-	-
Total	25.7	12.0	37.0	25.9

Note 13 Interest expense and similar profit/loss items

(in millions of SEK)	Group		Parent company	
	2008	2007	2008	2007
Interest expense, Group companies	-	-	1.7	2.2
Interest expense, other	117.3	87.7	66.0	50.5
Exchange losses	15.6	5.6	6.9	4.8
Other financial expense	1.4	1.5	-	-
Total	134.3	94.8	74.6	57.5

Note 14 Tax

(in millions of SEK)	Group		Parent company	
	2008	2007	2008	2007
Actual tax for the year	116.5	132.0	0.1	-
Actual tax attributable to preceding years	- 0.7	3.3	-	-
Deferred tax	24.8	- 5.0	-	-
Total	140.6	130.3	0.1	-

Tax in respect of items charged directly against equity

(in millions of SEK)	Group		Parent company	
	2008	2007	2008	2007
Exchange rate diff's (acquisition loans)	- 24.9	- 11.1	- 23.0	- 10.6
Financial instruments	- 3.6	- 0.5	-	-
Total	- 28.5	- 11.6	- 23.0	- 10.6

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

(in millions of SEK)	Group		Parent company	
	2008	2007	2008	2007
Pre-tax profit	516.7	445.0	185.5	178.4
Tax at current rate	144.7	124.6	52.0	49.9
Non-deductible expenses	19.5	10.0	0.1	0.1
Non-taxable earnings	- 6.3	- 7.1	-	-
Dividends from subsidiaries	-	-	- 52.0	- 50.0
Effect of changes in tax rates on deferred tax	- 6.9	-	-	-
Adjusted tax for preceding years	- 0.7	3.3	-	-
Deficit deductions not carried fwd	- 0.7	5.7	-	-
Effect of foreign tax rates	- 9.0	- 6.2	-	-
Recognised tax expenses	140.6	130.3	0.1	-

Tax rate

The current tax rate has been calculated on the basis of the tax rate which applies for the parent company, namely 28% (2007: 28%).

Temporary differences

Temporary differences arise in the event that the value of assets or liabilities in the accounts and their value for tax purposes differ. Temporary differences in respect of the following items have resulted in deferred tax liabilities and deferred tax assets.

(in millions of SEK)	Group		Parent company	
	2008	2007	2008	2007
Group surplus value in non-current assets	26.2	20.9	-	-
Untaxed reserves	93.3	81.9	-	-
Temporary differences in non-current assets	13.8	10.2	-	-
Other factors	20.4	7.7	-	-
Total	153.7	120.7	-	-

(in millions of SEK)	Group surplus value in non-current assets		Temporary differences in non-current assets		Other factors	Total
	Untaxed reserves					
Amount at start of year	20.9	81.9	10.2	7.7	120.7	
Acquired companies	4.3	-	0.6	-	4.9	
Recognised as income	0.2	10.9	1.1	12.2	24.4	
Recognised directly in equity	-	-	-	0.3	0.3	
Translation difference	0.8	0.5	1.9	0.2	3.4	
Amount at end of year	26.2	93.3	13.8	20.4	153.7	

(in millions of SEK)	Group		Parent company	
	2008	2007	2008	2007
Non-current assets	4.4	4.1	-	-
Loss carry-forwards	5.8	7.7	-	-
Hedge of net investment	32.4	7.5	30.4	7.4
Other factors	16.8	10.6	-	-
Total	59.4	29.9	30.4	7.4

(in millions of SEK)	Temporary differences in non-current assets		Hedge of net investment in foreign operations		Other factors	Total
	Loss carry forward					
Amount at start of year	4.1	7.7	7.5	10.6	29.9	
Acquired companies	-	-	-	0.2	0.2	
Recognised as income	0.2	- 2.7	-	2.1	- 0.4	
Recognised directly in equity	-	-	24.9	3.9	28.8	
Translation difference	0.1	0.8	-	-	0.9	
Amount at end of year	4.4	5.8	32.4	16.8	59.4	

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

Accumulated losses carried forward/deficit deductions which do not correspond to deferred income taxes recoverable for the Group amounted to SEK 85.5 million (SEK 91.4 million). The due dates lie within the following intervals:

Due dates for loss carry-forwards/deficit deductions which have not been balanced

(in millions of SEK)	Group	
	2008	2007
Due date 1-5 yrs	12.9	16.5
Due date 6-10 yrs	-	-
Due date 10 years -	45.6	36.0
Due date undetermined	27.0	38.9
Total	85.5	91.4

Note 15 Goodwill

(in millions of SEK)	Group	
	2008	2007
Acquisition value		
Acquisition value brought fwd	775.2	726.9
Investment for the year	97.3	10.6
Sales and retirements	-	- 2.3
Translation differences	82.4	40.0
Accumulated acquisition value carried forward	954.9	775.2

Amortisation

Amortisation brought forward	84.1	83.5
Sales and retirements	-	- 2.3
Translation differences	8.0	2.9
Accumulated amortisation carried forward	92.1	84.1
Carrying amount carried forward	862.8	691.1

Carrying amount by business area

NIBE Element	150.3	130.4
NIBE Heating	464.1	357.7
NIBE Stoves	248.4	203.0
Total	862.8	691.1

Note 16 Other intangible assets

Rights of tenancy, patents, development costs, licences, trademarks, market position and similar etc.

(in millions of SEK)	Group	
	2008	2007
Acquisition value		
Acquisition value brought fwd	64.2	43.7
Acq. value in companies acq'd	5.9	-
Investment for the year	41.4	20.7
Sales and retirements	- 3.6	- 0.3
Reclassifications	1.4	- 1.6
Translation differences	3.7	1.7
Accumulated acquisition value carried forward	113.0	64.2

Amortisation

Amortisation brought forward	20.7	14.5
Amortisation in companies acq'd	1.2	-
Sales and retirements	- 1.1	- 0.3
Reclassifications	-	- 0.2
Amortisation for the year	7.9	5.8
Translation differences	2.4	0.9
Accumulated amortisation carried forward	31.1	20.7

Impairment

Impairment brought forward	2.4	2.3
Sales and retirements	- 2.5	-
Translation differences	0.1	0.1
Accumulated impairment carried forward	-	2.4
Carrying amount carried forward	81.9	41.1

Amortisation of other intangible assets has been expensed in the following functions:

(in millions of SEK)	Group	
	2008	2007
Cost of goods sold	5.5	3.7
Selling expenses	0.7	0.7
Administrative expenses	1.7	1.4
Total	7.9	5.8

Note 17 Land and buildings

(in millions of SEK)	Group	
	2008	2007
Acquisition value		
Acquisition value brought fwd	826.2	750.2
Acq. value in companies acq'd	37.7	-
Investment for the year	42.1	31.4
Sales and retirements	- 16.0	-
Reclassifications	136.3	11.9
Translation differences	42.0	32.7
Accumulated acquisition value carried forward	1,068.3	826.2
Depreciation		
Depreciation brought forward	274.9	243.1
Depreciation in companies acq'd	0.1	-
Sales and retirements	- 6.9	-
Depreciation for the year	29.5	23.9
Translation differences	18.5	7.9
Accumulated depreciation carried forward	316.1	274.9
Carrying amount carried forward	752.2	551.3
of which, land	54.1	38.5
Carrying amount of land and buildings in Sweden	315.2	210.2
Assessed tax value (Sweden)	87.0	96.8
of which, land	13.4	15.8

New construction, renovations and rebuilds in Sweden during 2008 have not yet been assessed for tax purposes. Revaluation surpluses have been reclassified so that they form part of acquisition value brought forward.

Note 18 Machinery and equipment

(in millions of SEK)	Group		Parent company	
	2008	2007	2008	2007
Acquisition value				
Acquisition value brought fwd	1,600.4	1,384.2	0.4	0.4
Acq. value in companies acq'd	12.2	1.7	-	-
Investment for the year	168.9	215.7	-	-
Sales and retirements	- 58.9	- 44.8	-	-
Reclassifications	33.0	- 7.9	-	-
Translation differences	86.5	51.5	-	-
Accumulated acquisition value carried forward	1,842.1	1,600.4	0.4	0.4
Depreciation				
Depreciation brought fwd	952.7	825.7	0.3	0.2
Depreciation in companies acq'd	2.5	1.0	-	-
Sales and retirements	- 39.5	- 37.8	-	-
Reclassifications	- 0.4	- 0.8	-	-
Depreciation for the year	150.9	133.9	-	0.1
Translation differences	61.2	30.7	-	-
Accumulated depreciation carried forward	1,127.4	952.7	0.3	0.3
Impairment				
Impairment brought fwd	1.4	1.9	-	-
Sales and retirements	-	- 0.5	-	-
Translation differences	- 0.1	-	-	-
Accumulated impairment carried forward	1.3	1.4	-	-
Reversal of impairment amounts				
Reversal of impairment amounts brought fwd	0.2	0.2	-	-
Translation differences	0.1	-	-	-
Accumulated reversal of impaired amounts carried forward	0.3	0.2	-	-
Carrying amount carried fwd	713.7	646.5	0.1	0.1

Note 19 Construction in progress

(in millions of SEK)	Group	
	2008	2007
Acquisition value		
Acquisition value brought fwd	176,6	52,4
Expenses during the year	28,4	167,1
Sales and retirements	- 0,3	-
Re-allocations during the year	- 171,3	- 45,9
Translation differences	1,2	3,0
Accumulated acquisition value carried fwd	34,6	176,6

Note 20 Shares in subsidiaries

	Proportion of capital	Number of shares	Carrying amount
Backer BHV AB	100%	37,170	167.0
Bröderna Håkansson Värme AB	100%	15,000	13.4
Calesco Foil AB	100%	10,500	37.5
DZD Strojirna s.r.o.	100%	7	198.9
Focus Värme AB	100%	3,000	2.4
Handöl-Form AB	100%	1,000	0.1
Jevi A/S	100%	1	29.9
Kaukora Oy	100%	1,100	135.6
Loval Oy	100%	768	39.6
METRO THERM A/S	100%	3,400	179.1
NIBE AB	100%	400,000	103.2
Nordpeis AS	100%	12,100	155.4
Russian boilers holding AB	51%	102,000	71.7
SAN Electro Heat A/S	100%	13	17.7
TermaTech A/S	100%	500	55.2
Vabro Holding ApS	100%	453	76.1
Total parent company			1,282.8

Shares owned via subsidiaries

	Proportion of capital	Number of shares
Archi Form Nemi GmbH	100%	
Backer Alpe S. de R.L. de C.V.	100%	
Backer Alpe Servicios S. de R.L. de C.V.	100%	
Backer Elektro CZ a.s.	100%	
Backer Facsa S.L.	100%	34,502
Backer Fer s.r.l.	100%	
Backer OBR Sp. z.o.o.	100%	10,000
Calesco France SARL	100%	12,429
Calesco Norells North America Inc	100%	100
Calesco Utveckling AB	100%	1,000
CJSC Evan	100%	8,331
Danotherm Electric A/S	100%	1,000
DZD Slovensko Spol s.r.o.	100%	
Eitop Praha s.r.o.	100%	
Heatrod Elements Ltd	100%	68,000
Höiax AS	100%	1,000
Kiloval Oy	100%	33
KNV Energietechnik GmbH	100%	
KVM-Conheat A/S	100%	600
LübckeSan A/S	100%	1,000
METRO THERM AB	100%	1,000
Meyer Vastus AB, Oy	100%	20
Naturenergi IWABO AB	100%	1,000
NIBE Betieiligungenverwaltungs GmbH	100%	
NIBE-BIAWAR Sp. z.o.o.	100%	83,962
NIBE Element Company Ltd	100%	
NIBE Energietechnik B.V.	100%	180
NIBE Energy Systems Ltd	100%	100
NIBE Foyers France S.A.S.	100%	370
NIBE-Haato Oy	100%	15
NIBE Systemtechnik GmbH	100%	
NIBE Wärmetechnik AG	100%	100
Norske Backer AS	100%	12,000
Northstar Poland Sp. z.o.o.	100%	3,134
S.C. KNV Pompe de Caldura SRL	100%	
Shel Holding Ltd	100%	50,000
Shel NIBE Manufacturing Co Ltd	100%	1,000
Sinus-Jevi Electric Heating B.V.	100%	180
Varde Ovne A/S	100%	802

Details of subsidiaries

	Corporate ID number	Registered office
Archi Form Nemi GmbH	HRB 1490	Elmshorn, Germany
Backer Alpe S. de R.L. de C.V.	BAL0805266BA	Mexico City, Mexico
Backer Alpe Servicios S. de R.L. de C.V.	BAS080526AA8	Mexico City, Mexico
Backer BHV AB	556053-0569	Hässleholm, Sweden
Backer Elektro CZ a.s.	60469617	Hlinsko, Czech Rep.
Backer Facsa S.L.	B-62.928.361	Aiguafreda, Spain
Backer FER s.r.l.	REA: 173478 (Ferrara)	Sant'Agostino, Italy
Backer OBR Sp. z.o.o.	008358936	Pyrzyce, Poland
Bröderna Håkansson Värme AB	556108-0259	Höör, Sweden
Calesco Foil AB	556000-5034	Hallstahammar, Sweden
Calesco France Sarl	91379344781	Lyon, France
Calesco Norells North America Inc	36-4044600	Chicago, USA
Calesco Utveckling AB	556662-3525	Hallstahammar, Sweden
CJSC Evan	1065260108517	Nizhny Novgorod, Russia
Danotherm Electric A/S	10 12 60 61	Rødovre, Denmark
DZD Slovensko Spol s.r.o.	36372056	Vrútky, Slovakia
DZD Strojírna s.r.o.	45148465	Benátky nad Jizerou, Czech Rep.
Eltop Praha s.r.o.	44795751	Miretice, Czech Rep.
Focus Värme AB	556316-1412	Partille, Sweden
Handöl-Form AB	556194-1393	Markaryd, Sweden
Heatrod Elements Ltd	766 637	London, UK
Høiax AS	936 030 327	Fredrikstad, Norway
Jevi A/S	12 85 42 77	Vejle, Denmark
Kaukora Oy	0138194-1	Raisio, Finland
Kiloval Oy	0754792-2	Lovisa, Finland
KNV Energietechnik GmbH	78375h	Schörfing, Austria
KVM-Conheat A/S	14 46 85 87	Vissenbjerg, Denmark
Loval Oy	0640930-9	Lovisa, Finland
LübckeSan A/S	25 80 99 71	Brøndby, Denmark
METRO THERM AB	556554-1603	Kalmar, Sweden
METRO THERM A/S	20 56 71 12	Helsingør, Denmark
Meyer Vastus AB, Oy	0215219-8	Monninkylä, Finland
Naturenergi IWABO AB	556663-0355	Bollnäs, Sweden
NIBE AB	556056-4485	Markaryd, Sweden
NIBE Beteiligungs- verwaltung GmbH	295717d	Vienna, Austria
NIBE-BIAWAR Sp. z.o.o.	050042407	Bialystok, Poland
NIBE Element Company Ltd	440301503227017	Shenzhen, China
NIBE Energietechnik B.V.	20111793	Willemstad, Netherlands
NIBE Energy Systems Ltd	5764 775	Sheffield, UK
NIBE Foyers France S.A.S.	491 434 965	Lyon, France
NIBE-Haato Oy	09314276	Helsinki, Finland
NIBE Systemtechnik GmbH	HRB 5879	Celle, Germany
NIBE Wärmetechnik AG	CH-0203032834-0	Flurlingen, Switzerland
Nordpeis AS	957 329 330	Lierskogen, Norway
Norske Backer AS	919 799 064	Kongsvinger, Norway
Northstar Poland Sp. z.o.o.	570844191	Trzcianka, Poland
Russian boilers holding AB	556743-8295	Malmö, Sweden
SAN Electro Heat A/S	42 16 59 13	Graested, Denmark
S.C. KNV Pompe de Caldura SRL	1914 6792	Bistrita-Nasaud, Romania
Shel Holding Ltd	1 309 597	London, UK
Shel NIBE Manufacturing Co Ltd	866 531	Hong Kong, China
Sinus-Jevi Electric Heating B.V.	37106129	Medemblik, Netherlands
TermaTech A/S	27 24 52 77	Malling, Denmark
Vabro Holding ApS	21 08 92 30	Gram, Denmark
Varde Ovne A/S	21 55 49 79	Gram, Denmark

Note 21 Shares in associated companies

Shares in associated companies held by the Group/parent company

Name	Corporate ID number	Registered office	Number of shares
Linmet Glas-Keramik GmbH	HRB42968	Berlin, Germany	-
Calere Energisystem AB	556488-6967	Sollefteå, Sweden	20
Naturvärme GmbH	DE 218460267	Mühlau, Germany	7,500

	Share of equity	Carrying value	Group share of profit after tax 2008	Group share of equity 2008
(in millions of SEK)				
Linmet Glas-Keramik GmbH	33.3%	0.0	0.0	0.0
Calere Energisystem AB	20.0%	0.0	0.0	0.0
Naturvärme GmbH	30.0%	0.0	0.0	0.0
Total		0.0	0.0	0.0

Note 22 Share capital

	Quota value (SEK)	Number of A-shares	Number of B-shares	Total shares
At year-end	0,625	13,160,256	80,759,744	93,920,000

The dividend for 2008 proposed but not yet approved is SEK 1.15 per share. This corresponds to a total payout of SEK 108.0 million.

Each class "A" share entitles the holder to ten votes at the Annual General Meeting. Each class "B" share entitles the holder to one vote. All shares give the same right to dividends.

At the end of 2008 there were no convertible bonds or options that can dilute the share capital, nor were there any at the end of the preceding year.

Note 23 Provisions for post-employment benefits

	Group	
(in millions of SEK)	2008	2007
FPG/PRI pensions	26.2	24.4
Other pensions	3.6	3.4
Amount at year-end	29.8	27.8

ITP occupational pension plan secured via Alecta

The commitments for retirement pensions and family pensions for white-collar staff in Sweden are secured through an insurance policy with Alecta. In accordance with a statement from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, URA 42, this is a multi-employer defined-benefit plan. For the 2008 financial year the company has not had access to the kind of information that would enable it to recognise this plan in the accounts as a defined-benefit plan. The ITP occupational pension plan secured through an insurance policy with Alecta is, therefore, recognised as a defined-contribution plan. The contributions for the year for pension insurance policies taken out with Alecta amounted to SEK 7.8 million (2007: SEK 9.0 million). Alecta's surplus can be distributed to the policy holders and/or the insured. At the 2008 year-end Alecta's surplus in the form of the collective funding ratio was 112% (2007: 152%). The collective funding ratio consists of the market value of Alecta's assets as a percentage of the insurance commitments calculated in accordance with Alecta's actuarial commitments, which is not in conformity with IAS 19.

Defined-benefit pensions

The Group has defined-benefit pensions for Swedish companies for which the calculations and payments are handled through PRI Pensionstjänst AB. Consequently, no assets under management are held for the purpose of securing retirement benefits. As far as other countries are concerned, Norway has defined-benefit pensions which are calculated and paid by the employer.

Defined-contribution plans

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

Commitments in respect of employee benefits, defined-benefit plans

	Group	
(in millions of SEK)	2008	2007
Pension commitments in unfunded plans, present value	40.7	38.9
Unrealised actuarial gains (+), losses (-), pension commitments	- 10.9	- 11.1
Provision for pensions, unfunded plans	29.8	27.8
Net liability according to balance sheet	29.8	27.8

Total pension costs (in millions of SEK)	Group	
	2008	2007
Pensions earned during the period	1.1	0.7
Interest on the commitment	1.6	1.4
Actuarial gains/losses during the period	0.4	0.2
Pension costs, defined-benefit plans	3.1	2.3
Pension costs, defined-contribution plans	67.1	68.2
Total pension cost	70.2	70.5

Reconciliation of pension provisions (in millions of SEK)	Group	
	2008	2007
Pension liabilities, balance brought forward	27.8	28.7
Pension costs	3.1	2.3
Benefits paid	- 1.1	- 1.2
Reversals in provisions	-	- 2.0
According to balance sheet	29.8	27.8

Pension payments during 2009 are expected to total SEK 1.2 million.

Reconciliation of pension commitments (in millions of SEK)	Group	
	2008	2007
Pension commitments in unfunded plans, present value at start of year	38.9	35.7
Pension costs	3.1	2.3
Benefits paid	- 1.1	- 1.2
Reversals in provisions	-	- 2.0
Actuarial gains/losses during the year	- 0.2	4.1
Pension commitments in unfunded plans, present value at year-end	40.7	38.9

Actuarial assumptions (%)	Group	
	2008	2007
Discount rate on 1 January	4.50%	4.50%
Discount rate on 31 December	4.50%	4.50%
Expected salary increases	3.00%	3.00%
Expected inflation	2.00%	2.00%

Parent company

The parent company's reported pension liabilities amount to SEK 0.1 million (2007: SEK 0.1 million). They have been calculated in accordance with the provisions of the Swedish act on the safeguarding of pensions benefits (Tryggandelagen) and not in accordance with IAS 19.

Note 24 Other provisions

Group (in millions of SEK)	Guarantee risk reserve	Restructuring Other	Total
Amount at start of year	53.5	11.6	65.1
Provisions during the year	37.4	4.2	41.6
Amount utilised during year	- 32.1	- 3.5	- 35.6
Reversals in provisions	- 2.2	-	- 2.2
Translation differences	2.3	1.5	3.8
Amount at year-end	58.9	13.8	72.7

Guarantees are normally provided for 1 or 2 years. The guarantee risk reserve is calculated on the basis of the cost history of these commitments.

Note 25 Bank overdraft facilities

The sum of bank overdraft facilities granted in the Group as a whole amounted to SEK 1,628.3 million (SEK 1,472.7 million). During the year these have increased by SEK 155.6 million. The amount granted for the parent company is SEK 1,272.8 million (SEK 1,141.0 million) which represents an increase of SEK 131.8 million during the year. There is an agreement for long-term refinancing.

Note 26 Accrued expenses and deferred income

(in millions of SEK)	Group		Parent company	
	2008	2007	2008	2007
Accrued salaries	132.1	123.5	1.7	1.6
Accrued payroll overheads	53.8	56.1	1.4	1.4
Other items	109.5	100.5	1.5	2.0
Amount at year-end	295.4	280.1	4.6	5.0

Note 27 Pledged assets

(in millions of SEK)	Group		Parent company	
	2008	2007	2008	2007
Floating charges	142.3	166.9	-	-
Real estate mortgages	352.2	332.0	-	-
Receivables	4.0	2.0	-	-
Shares in subsidiaries ¹⁾	1,489.0	1,309.8	365.0	335.0
Total pledged assets	1,987.5	1,810.7	365.0	335.0

¹⁾ Liabilities for which shares have been pledged as collateral

	2008	2007	2008	2007
	1,273.8	1,219.7	1,273.8	1,209.0

Note 28 Contingent liabilities

(in millions of SEK)	Group		Parent company	
	2008	2007	2008	2007
Pension commitments not entered under liabilities or provisions	2.4	2.6	-	-
Contingent liabilities on behalf of other Group companies	-	-	32.7	30.5
Other contingent liabilities	22.0	28.9	-	-
Total contingent liabilities	24.4	31.5	32.7	30.5

Note 29 Acquisitions of companies

Subsidiaries

In January NIBE acquired the Austrian heat pump company, KNV Umweltgerechte Energietechnik GmbH, with annual sales of around SEK 50 million and a pre-tax profit in the order of SEK 5 million. The company is part of the NIBE Heating business area.

In May the Group acquired 51% of the Russian company CJSC EVAN, via Russian Boilers Holding AB, after the Russian competition authority approved the acquisition. The company has annual sales of approximately SEK 100 million, and a pre-tax profit of around SEK 20 million. It is now part of the NIBE Heating business area. The NIBE Group will gradually acquire the remaining 49% of the shares, with 24% of these being acquired in 2009.

TermaTech A/S of Denmark, with annual sales of around SEK 55 million and a pre-tax profit of SEK 8 million, was acquired in July. The company is part of the NIBE Stoves business area.

In September NIBE took over the Mexican element manufacturer, Alpe SA, with annual sales in the region of SEK 76 million, and a pre-tax profit of around SEK 8 million. The operation is part of the NIBE Element business area.

The consideration is made up as follows:

(in millions of SEK)	Group	
	2008	2007
Initial consideration	166.1	12.8
Contingent consideration	3.2	-
Direct acquisition costs	15.7	0.4
Total consideration	185.0	13.2
Fair value of net assets acquired	87.7	4.0
Goodwill	97.3	9.2
Consideration	185.0	13.2
Cash and cash equivalents in acquired companies	- 14.9	-
Effect on the Group's cash and cash equivalents	170.1	13.2

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

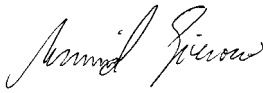
The purchase prices are made up as follows:

(in millions of SEK)	Fair value	Carrying amounts
		acquired
Market position	16.4	-
Other intangible assets	4.7	4.7
Tangible assets	47.3	47.3
Financial assets	0.4	0.4
Current receivables	31.9	31.9
Inventories	54.2	54.2
Cash and bank balances	14.9	14.9
Provisions	- 6.6	- 2.3
Liabilities	- 75.5	- 75.5
Net assets acquired	87.7	75.6

The Board's assurance

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

Markaryd, Sweden – 23 March 2009



Arvid Gierow
Chairman of the Board



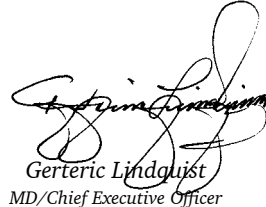
Georg Brunstam
Director



Hans Linnarson
Director



Arne Frank
Director



Gerteric Lindquist
MD/Chief Executive Officer

The balance sheets and income statements will be presented for approval at the Annual General Meeting on 14 May 2009.

To the Annual General Meeting of NIBE Industrier AB (publ) Corporate Identity Number 556374-8309



Bengt Ekenberg, Senior Auditor

For further information about auditing, please refer to: page 56, Note 5 Payments to the auditors; page 65, Corporate Governance Report.

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director/CEO of NIBE Industrier AB (publ) for the financial year 2008. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 40–63. The board of directors and the managing director/CEO are responsible for these accounts and the administration of the company as well as for the application of the Swedish Annual Accounts Act when preparing the annual accounts and the consolidated accounts of the company and the application of international financing reporting standards (IFRS) 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.

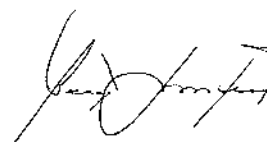
We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on 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/CEO and significant estimates made by the board of directors and the managing director/CEO 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/CEO. We also examined

whether any board member or the managing director/CEO has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the company's 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 Swedish 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 financing reporting standards (IFRS) as adopted by the EU, and the Swedish Annual Accounts Act, and give a true and fair view of the Group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual general 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 administration report and that the members of the board of directors and the managing director/CEO be discharged from liability for the financial year.

Markaryd, Sweden – 23 March 2009



Bengt Ekenberg
Authorised Public Accountant

Corporate governance report

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

NIBE has its registered office in Markaryd, Sweden, and has been listed on the Mid Cap list of the NASDAQ OMX Stock Exchange in Stockholm since 1997.

On 1 July 2008 a revision of the Swedish Code of Corporate Governance, originally introduced in December 2004, came into force. It is good practice for Swedish companies whose shares are traded on regulated markets in Sweden to comply with the Code. NIBE complies with the Code, and this Corporate Governance Report has been drawn up in accordance with the Code. In addition, and likewise in accordance with the Code, NIBE also provides information via the company's website.

The company's auditors have not reviewed this Corporate Governance Report.

Annual General Meeting

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

The most recent AGM, held on 14 May 2008 in Markaryd, was attended by 314 shareholders. Those present represented 50% of the number of shares and 76% of the total number of votes in the company. The AGM was attended by the entire Board, the Managing Director/CEO and the company's auditors.

Board procedures

NIBE Industrier's Board of Directors consists of five members, elected by the AGM. The members of the Board are presented on page 70. Directors and the Chairman of the Board are elected annually by the AGM to serve for the period until the next AGM. Company employees participate in board meetings as required to submit reports or contribute expert knowledge in individual matters.

The work of the Board is governed by formal rules of procedure adopted annually to regulate the division of work, the decision-making processes within the company, authority to sign for the company, meetings of the Board and the duties of the Chairman of the Board.

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

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

The work of the Board of Directors

During 2008 the Board of Directors held 10 meetings, three of which were telephone conferences. All meetings were minuted.

Attendance at board meetings was high: all members of the Board attended virtually all the round-table meetings. Hans Linnarson and Arne Frank were each absent from one board meeting.

The agenda includes a number of standing items, which are considered at every board meeting:

- ▲ Situation report. Report of significant events affecting operations which have not been listed in the written situation report that has been circulated.
- ▲ Financial report. Review of the financial information circulated.
- ▲ Investments. Decisions regarding investments exceeding SEK 3.0 million, based on the data circulated.
- ▲ Acquisitions. Report on ongoing discussions and decisions concerning

the acquisition of companies, as and when appropriate.

- ▲ Press releases, etc. When appropriate, a review of proposals for external reports to be published after the meeting.

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

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

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

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

External Auditors

NIBE's auditors are elected at the AGM to serve for a period of four years. The current period began in 2008 and expires after the AGM in 2012.

SET Revisionsbyrå AB was re-elected for a period of four years at the AGM in 2008. In conjunction with this decision, Bengt Ekenberg was elected as the senior auditor.

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

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

Over and above normal auditing duties, SET Revisionsbyrå assists in

particular with due diligence reviews in conjunction with corporate acquisitions and with accounting consultations. Information on the remuneration of auditors is given in Note 5.

Group management

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

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

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

Governance of business areas

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

Decision-making process

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

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

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

The company does not have a Nomination Committee, a Remuneration Committee or an Audit Committee. NIBE does not comply with the Code in

respect of nominations because of the clear ownership structure with two principal shareholder constellations which together own 75% of the company's votes, and which also enjoy mutually cordial relations. The Board of Directors is not too large to carry out the audit and remuneration tasks in a manner consistent with the Code.

Remuneration

The 2008 AGM resolved that the fees to the Board of Directors and the fees to the auditors should be paid in accordance with approved accounts. At the same time, policies for the remuneration of the Managing Director/CEO and other key management personnel were detailed.

Fees for the Board of Directors for 2008 amounted to SEK 700,000 in accordance with a resolution upheld by the AGM. Of this amount, the Chairman of the Board received SEK 280,000 in accordance with the AGM's resolution. Fees are not payable to those members of the Board of Directors who are employed in the Group.

Salary and other remuneration paid to the Managing Director/CEO in 2008 amounted to SEK 2,459,000. A free car is also provided. Salaries paid to other senior management executives totalled SEK 6,883,000. These senior executives also enjoy free use of company cars.

Severance pay

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

Pensions

The Chairman of the Board and the directors receive no retirement benefits in respect of their work on the Board. Retirement age for the Managing Director/CEO and other senior executives is 65. The Managing Director/CEO has an individual pension insurance arrangement that corresponds to ITP (supplementary pensions for salaried employees). For 2008, the premium corresponded to 19% of salary up to 30 so-called "income base amounts" (a statistical amount used in Sweden for calculating benefits, etc.). For salary to the Managing Director/



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

Incentive scheme

An incentive scheme applies to certain key members of staff, under which they are paid a variable bonus (equivalent to a maximum of three months' salary) if set targets are met. This programme does not extend to the Managing Director/CEO.



The NIBE Industrier Board (left to right): Georg Brunstam, Gerteric Lindquist, Arvid Gierow, Arne Frank and Hans Linnarson.

Communication with the stock market

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

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

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

Internal controls of financial reporting in 2008

According to the Swedish Companies Act

and the Code, the Board of Directors is responsible for internal controls. This report on internal controls and risk management with regard to financial reporting complies with the requirements in section 10.5 of the Code.

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

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

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

Consolidated financial reports containing comprehensive analyses and comments are drawn up each quarter for the

Group and its business areas. Results are also monitored every month.

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

In addition to the statutory audits of the annual report and statutory audits of the parent company and all subsidiaries, the auditors carry out an annual review of how the company is organised, of existing routines and of compliance with the instructions issued, that is based on guidelines drawn up by corporate management and approved by the Board of Directors.

This review increases insight and awareness, provides explicit instructions and proposes a clear organisation in respect of internal controls.

The internal control report is not reviewed by the company's auditors.

NIBE's compliance with the Code is outlined on the following pages.

1. ANNUAL GENERAL MEETING	Summary of points in the Code	Comp.	Motivation/Comments
1.1 Date and time of AGM etc	The date and time of the annual general meeting shall be posted on the company's website no later than in conjunction with the publication of the third quarterly report. Information shall also be provided on how a shareholder can raise a matter for consideration.	Yes	
1.2 Notice of meeting etc	The notice and other information relating to the meeting shall be drawn up and issued in sufficient time to allow shareholders to form a well-founded opinion on the matters for consideration.	Yes	
1.3 Attendance by Board of Directors, MD and auditors	A quorum of the Board, including the Chairman of the Board and the MD, shall attend shareholders' meetings. At AGMs, the members of the Nomination Committee and the auditors shall also attend.	Yes	
1.4 Proposal for Chairman of the meeting	The Nomination Committee is to propose a Chairman for the AGM, and the proposal is to be included in the Notice of the Meeting.	In part	There is no Nomination Committee, see 2.1
1.5 Language of the meeting	In Swedish, with simultaneous interpretation if warranted.	Yes	
1.6 Verifiers of minutes	Appoint shareholders or representatives of shareholders who are neither directors nor employees of the company.	Yes	
1.7 Minutes	Are to be posted on the company's website, and, if warranted by the ownership structure, translated.	Yes	
2. ELECTION AND REMUNERATION OF THE BOARD OF DIRECTORS AND AUDITORS			
2.1 Chairman, board members auditors	The company is to have a Nomination Committee. The Nomination Committee submits proposals for the Chairman, members and auditors, as well as for fees.	No	The clear ownership structure makes a Nomination Committee unnecessary. Requirement profiles for new members of the Board are prepared by the Board and submitted to the principal shareholders. After approval head-hunters are appointed for recruitment.
2.2 How the Nomination Committee is to be appointed	To be appointed by the AGM or criteria for appointment to be specified.	No	See 2.1
2.3 Composition	At least three members, of whom one shall be Chairman. The majority of the Nomination Committee is to be independent of the company and its management. One member is to be independent of the largest shareholder.	No	See 2.1
2.4 Members of the Board	May be members of the Nomination Committee, but the majority of members of the Nomination Committee are not to be members of the Board, and the Chairman of the Board is not to chair the Nomination Committee. No more than one member of the Board is to be dependent on a major shareholder.	No	See 2.1
2.5 Announcement of members of the Nomination Committee	To be posted on the company's website at least six months before the AGM.	No	See 2.1
2.6 Presentation and reasons	Detailed presentation in the notification of the meeting and on the company's website, including reasons for the proposals for members of the Board. If the outgoing MD is proposed as Chairman of the Board, special cause must be given.	In part	New members of the Board are presented in the notice of the meeting. Other members of the Board are presented in the annual report and on the website.
2.7 The duties of the Nomination Committee	At the shareholders' meeting, the Nomination Committee shall present and give reasons for its proposals, and report on how its work has been carried out.	In part	The Chairman of the Board, since there is no Nomination Committee.
3. BOARD OF DIRECTORS			
3.1 The tasks of the Board	The Board is to pay particular attention to the company's overall goals, strategies, appointment/dismissal of the managing director, follow-up, control of financial position, and ensure that external communication is open, objective and appropriate.	Yes	
3.2 Professional commitments outside the company	The managing director's professional commitments outside the company are to be approved by the Board.	Yes	
4. SIZE AND COMPOSITION OF THE BOARD			
4.1 Composition	Appropriate for the purpose, taking account of expertise, experience background and ambitions to achieve an equal gender distribution.	Yes	
4.2 Deputies	No deputies to the directors elected by the AGM.	Yes	
4.3 Members of the Board in management	Only one member of the Board elected by the AGM to be on the senior management team or in a senior management position with any of the company's subsidiaries.	Yes	
4.4 Independence	The majority of the directors elected by the AGM are to be independent of the company. Nominees are to provide the Nomination Committee with sufficient information to enable an assessment of the candidate's independence.	Yes	
4.5 Mandate period	No longer than until the end of the next AGM.	Yes	

5. TASKS OF MEMBERS OF THE BOARD	Summary of points in the Code	Comp.	Motivation/Comments
5.1 Independent opinion	Members of the Board are to form an independent opinion on matters.	Yes	
5.2 Knowledge	Members of the Board are to acquire relevant knowledge.	Yes	
6. CHAIR OF THE BOARD			
6.1 Election	The Chair of the Board is to be elected by the AGM.	Yes	
6.2 Division of work	Clear division of work between the Chair and the managing director.	Yes	
6.3 Efficient work of the Board	The Chairman of the Board is to lead the Board's work through planning, controlling and evaluating, and ensuring that new members are given the necessary training.	Yes	
7. BOARD PROCEDURES			
7.1 Instructions	Formal work plan, instruction to the managing director and reporting reporting to be reviewed annually.	Yes	
7.2 Committees	Committees may be established. The Board's formal work plan is to specify the duties and decision-making powers that the Board has delegated to the committees, and indicate how the committees are to report to the Board.	No	No committees have been established.
7.3 Minutes	Clear minutes to be sent to directors as soon as possible.	Yes	
8. EVALUATION OF THE BOARD OF DIRECTORS AND THE CEO			
8.1 Evaluation	The work of the Board is to be evaluated annually. Relevant details to be reported to the Nomination Committee.	Yes	There is no Nomination Committee see 2.1
8.2 Evaluation of the CEO	At least once a year.	Yes	
9. EXECUTIVE MANAGEMENT REMUNERATION			
9.1 Remuneration Committee	A Remuneration Committee is to be established.	Yes	The entire Board constitutes the Remuneration Committee. The CEO's salary is set by the entire Board, and reported to the AGM. Remuneration of other key management personnel is determined by the CEO in consultation with the Board.
9.2 Share-price related remuneration	To be determined by the AGM and to include all the principle terms of the scheme. Members of the Board are not to participate in share-price related incentive schemes intended for the management team. Shareholders must be able to form an opinion on the scheme in good time before the AGM.	Yes	
10. AUDIT COMMITTEE FINANCIAL REPORTING AND INTERNAL CONTROLS			
10.1 Audit Committee	To be established by the Board.	Yes	The entire Board constitutes the Audit Committee.
10.2 Work of the Audit Committee	To ensure the quality of the financial statements, to meet auditors, establish guidelines for other services procured from the auditors, evaluate the work carried out by the auditors and assist the Nomination Committee.	Yes	
10.3 Meetings with Auditors	At least once a year, the Board is to meet the auditors without any company executive being present.	Yes	
10.4 Review	The Board is to ensure that the six-month or nine-month report is reviewed by the auditors.	Yes	
10.5 Internal controls	The Board is to submit a report of the company's systems for internal controls and risk management in relation to financial reporting.	Yes	
10.6 Internal auditing	If the company does not have a separate internal audit function the need for such a function is to be evaluated annually by the Board.	Yes	
11. CORPORATE GOVERNANCE REPORT			
11.1 Report appended to annual report	Special report on corporate governance. Departures from the Code are to be clearly indicated. Parts reviewed by the auditors must be specified.	Yes	The Corporate Governance Report is drawn up in accordance with the Code, but is not reviewed by the auditors. Reasons for any departures from the Code are stated in this report.
11.2 Information on corporate governance	Information required by the Code is to be included in the Corporate Governance Report if it is not presented elsewhere in the annual report.	Yes	There is no Nomination Committee, see 2.1
11.3 Information on the company's website	There is to be a special section on the website for corporate governance matters, on which the most recent Corporate Governance Report is to be made available, together with any other information required by the Code.	Yes	

BOARD OF DIRECTORS



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



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



GEORG BRUNSTAM (born 1957)
 Board member since 2003. M.Sc. in Engineering.
 President/CEO and director of HEXPOL AB.
 Director of DIAB Group AB and AB Wilh. Becker
 Shareholding in NIBE Industrier: 0.
 Independent director.



HANS LINNARSON (born 1952)
 Board member since 2006
 B.Sc. (Electrical Engineering).
 Business Area Manager for Outdoor Products at Husqvarna and member of Husqvarna AB's management group. Director of Beijer Electronics AB.
 Shareholding in NIBE Industrier: 0.
 Independent director.



ARNE FRANK (born 1958)
 Board member since 2008. M.Sc. in Engineering. Chairman of the Board of Contex Holding A/S. Senior Advisor with Schneider Electric SA. Chairman of the Board of Carl Zeiss Vision Holding GmbH.
 Shareholding in NIBE Industrier: 19,800 B shares.
 Independent director.

SENIOR EXECUTIVES



GERTERIC LINDQUIST (born 1951)
 Please refer to Board profile on left.



LEIF GUSTAVSSON (born 1945)
 Financial Director, NIBE Industrier AB. B.Sc. in Economics. Employed by NIBE since 1966. Director of Markaryd Sparbank savings bank.
 Shareholding in NIBE Industrier: 1,504,128 A shares and 3,053,312 B shares.



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



KJELL EKERMO (born 1956)
 M.Sc. in Engineering. Business Area Manager for NIBE Heating. Employed by NIBE since 1998.
 Shareholding in NIBE Industrier: 107,200 B shares.



NIKLAS GUNNARSSON (born 1965)
 Engineer. Business Area Manager for NIBE Stoves. Employed by NIBE since 1987.
 Shareholding in NIBE Industrier: 107,200 B shares.

AUDITOR



SET REVISIONSBYRÅ AB
 Senior Auditor
 Bengt Ekenberg (born 1960)
 Authorised Public Accountant

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NIBE Industrier is an international heating technology company with business operations organised in three separate business areas, NIBE Element, NIBE Heating and NIBE Stoves



Our vision is to create a world-class heating company.



Our mission is to offer high-quality, innovative heating products. This work builds on the NIBE Group's wide-ranging expertise in the fields of development, manufacturing and marketing

NIBE

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