

NIBE

bringing warmth to the world



Annual Report
2005

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Shareholders' diary

11 May 2006	Annual General Meeting
11 May 2006	First quarter report: January – March 2006
17 August 2006	Second quarter report: January – June 2006
15 November 2006	Third quarter report: January – September 2006

Bringing warmth to the world

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.

- 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.

Annual General Meeting

The Annual General Meeting of shareholders will be held at the NIBE Marketing Centre (Marknadscenter) in Markaryd in Sweden on Thursday 11 May 2006 at 17.00 (5 pm).

Dividend

The Board of Directors will propose to the Annual General Meeting a dividend of SEK 3.00 per share for the financial year 2005, corresponding to a total payout of SEK 70.4 million. If this proposal is accepted, it is anticipated that the dividend will be despatched from VPC (the Swedish central securities depository & clearing organisation) on Friday 19 May 2006.

Split

The Board of Directors of NIBE Industrier AB will propose to the Annual General Meeting that a 4:1 split of the company's shares be made. By means of an amendment to the company's articles of association the quota value of the share (i.e. share capital divided by the number of shares) will be reduced to SEK 0.625 at the same time as the number of shares increase fourfold.

Financial information

The complete annual report and call to the AGM are sent to all shareholders. The annual report is also published on our website www.nibe.se.

2005

a year of good growth

- Net sales rose to SEK 3,819.1 million (figure for 2004: SEK 3,161.0 million)
- Growth totalled 20.8% (29.0%) of which 12.9% (14.5%) was organic
- Operating profit before allocations to the structural reserve rose by 4.0%
- Allocations to the structural reserve for NIBE Element totalled SEK 70 million.
- Profit after net financial items was SEK 273.6 million (SEK 377.2 million)
- Earnings after tax totalled SEK 183.7 million (SEK 279.5 million)
- Operating cash flow was SEK -15.8million (SEK 120.3 million)
- Earnings per share were SEK 7.75 (SEK 11.86)
- The Board of Directors proposes a dividend of SEK 3.00/share (SEK 3.00)
- The Board of Directors proposes a 4:1 split of the company's shares
- Two corporate acquisitions were made during 2005 of companies with aggregate annual sales corresponding to approximately SEK 150 million:

Northstar, a Norwegian manufacturer of wood-burning stoves with production facilities in Poland

K M Jensen, a small Danish manufacturer of tubular elements.

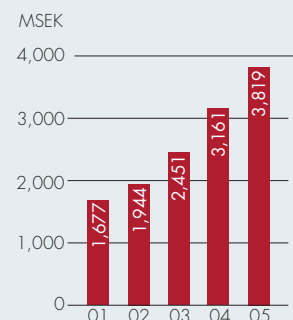
The year in figures

		2005	2004	Change
Net sales	MSEK	3,819.1	3,161.0	21 %
Growth	%	20.8	29.0	- 28 %
Profit after net financial items	MSEK	273.6	377.2	- 27 %
Investments in non-current assets	MSEK	375.7	305.1	23 %
Gross margin	%	11.3	14.6	- 23 %
Operating margin	%	8.1	11.6	- 30 %
Net profit margin	%	7.2	11.9	- 40 %
Capital employed	MSEK	2,174.7	1,704.3	28 %
Equity	MSEK	1,031.0	891.6	16 %
Return on capital employed	%	16.4	27.1	- 40 %
Return on equity	%	20.4	34.8	- 41 %
Return on total assets	%	11.3	18.7	- 40 %
Asset turnover	times	1.36	1.44	- 6 %
Equity/assets ratio	%	33.0	35.7	- 8 %
Proportion of risk-bearing capital	%	36.7	40.4	- 9 %
Operating cash flow	MSEK	- 15.8	120.3	- 113 %
Interest cover	times	7.2	12.3	- 42 %
Interest-bearing liabilities/Equity	%	110.9	91.1	22 %
Average number of employees		4,339	3,755	16 %

Please refer to page 41 for definitions.

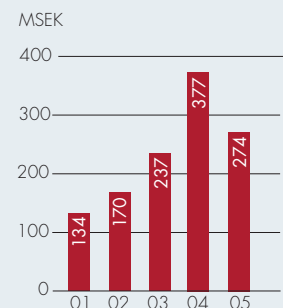
All comparison figures affected by the transition to IFRS have been recomputed.

Net sales



Net sales rose by 20.8% in 2005

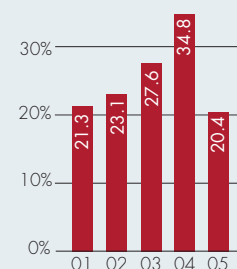
Profit after financial items



Profit after financial items fell by 27.5% in 2005

Allocations of SEK 70 million to a structural reserve had a negative effect on the result for 2005. Profits for 2004 were affected positively by earnings of SEK 43 million from the sale of the company's stake in Jøtul.

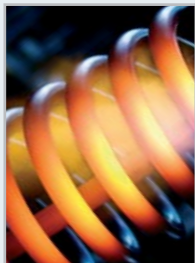
Return on equity



Return on equity averages 25.7% p.a. over the past five years.

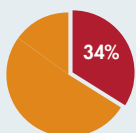
OPERATIONS AT A GLANCE

Proportion of Group

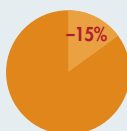


NIBE Element

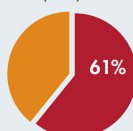
Net sales



Operating profit



Average number of employees



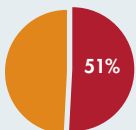
Operating margin

- 3.8%
(1.6% before allocations to structural reserve)

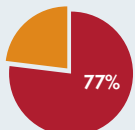


NIBE Heating

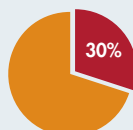
Net sales



Operating profit



Average number of employees



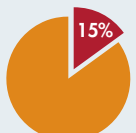
Operating margin

12.8%

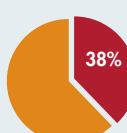


NIBE Stoves

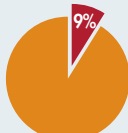
Net sales



Operating profit



Average number of employees



Operating margin

21.1%

Group total

Net sales

3,819.1 MSEK

Operating profit

310.1 MSEK

Average number of employees

4,339

Operating margin

8.1%

Key facts and figures

NIBE Element is the market leader in northern Europe and a leading European manufacturer of components and systems for electric heating applications. Customers are industrial users and components users.

Net sales 2005	SEK 1,297.7 million
Growth	13.2%
Operating profit	SEK – 49.0 million
Operating margin	– 3.8%
Average number of employees	2,651

NIBE Heating is the market leader for domestic heating products in the Nordic countries and Poland. Customers are the RMI sector (Renovation, Maintenance, Improvement) and the new housing market.

Net sales 2005	SEK 1,968.8 million
Growth	23.6%
Operating profit	SEK 251.4 million
Operating margin	12.8%
Average number of employees	1,310

NIBE Stoves is the market leader in wood-burning stoves in Sweden. Customers are private homeowners in the new and existing housing market and in the holiday homes sector.

Net sales 2005	SEK 584.6 million
Growth	29.3%
Operating profit	SEK 123.6 million
Operating margin	21.1%
Average number of employees	373

Group sales by geographic region

Nordic countries	67%
Rest of Europe	29%
Other markets	4%



Brands



Read more about NIBE Element's business operations on pages 20 – 25.



Read more about NIBE Heating's business operations on pages 26 – 31.



Read more about NIBE Stoves' business operations on pages 32 – 37.



Gerteric Lindquist, Managing Director & CEO

Strong performance by Heating and Stoves – difficult market for NIBE Element

The Group's net sales grew by 20.8% to SEK 3,819.1 million in 2005, including 12.9% organic growth.

I am delighted that all three business areas generated organic growth in excess of 10%. While this is naturally due in part to continued strong demand, it is above all the result of a highly successful combination of intensive product development and aggressive marketing.

Profit after net financial items was SEK 273.6 million, a fall of 27.5%. While earnings at NIBE Heating and NIBE Stoves continued to improve, earnings at NIBE Element were negatively affected by a very difficult market situation. This prompted us to recognise a restructuring provision of SEK 70 million, which is the main reason why the Group's profit after net financial items decreased. The figure for 2004 also included a one-off gain of SEK 43.2 million on the sale of our shares in Jøtul.

Both NIBE Heating and NIBE Stoves are continuing to report good operating margins, while developments at NIBE Element have necessitated the transfer of the whole of the business area's volume production from units in western Europe to those in eastern Europe and China. Following this restructuring programme, which is expected to be completed in the summer of 2007 and have a positive full-year profit effect of SEK 40 million, NIBE Element's operating margin is expected to head back up towards our 10% target – provided that material prices fall from their current high levels.

Group investments in existing units totalled around SEK 220 million in 2005. The bulk of these related to NIBE Heating's investment programme in Markaryd, which is now virtually complete, and to property investments at NIBE Element plants in eastern Europe made to enable the transfer of volume production.

We expect to invest roughly the same amount in 2006, but with a sharper focus on NIBE Stoves' continued expansion.

The acquisition of Northstar AS, with its complementary range, its strong market position in Norway and elsewhere, and its manufacturing unit in Poland, has proved to be a strategically sound move for NIBE Stoves. The takeover of Varde Ovne A/S in March 2006 is another fitting acquisition for NIBE Stoves, thanks to its very strong market position in Denmark and Germany, and the international appeal of its range of high-quality products. The outlook for further acquisitions seems bright.

Corporate culture building on profitability

Once again we find that our eight fundamental principles of successful enterprise (described in more detail on pages 10–11) still feel extraordinarily relevant and valid.

Our clear and ambitious profitability target serves as a guiding star for the internal work of all employees in the NIBE Group. The healthy profitability at NIBE Heating and NIBE Stoves brings a great degree of freedom, spurring us on to take further steps and become even better at what we do. The weaker profitability at NIBE Element, on the other hand, forces us to find new ways of improving our margins. In other words, profitability remains the measure of whether or not we are on the right track.

When it comes to productivity, we note with pleasure that there has recently been some "sobering up" among attitudes here in Sweden. With the growing realisation that, just as in other countries, Sweden needs to retain a strong manufacturing industry

in order to maintain high standards of living, courses for production engineers are being reintroduced in higher education. As a result, NIBE's tradition of high value added, combined with an unrelenting quest for productivity gains, feels more relevant than ever.

It has been said that successful product development depends on a passion for the product, and this certainly applies to all three of NIBE's business areas. Without the very best of products, we would not be able to keep on growing year after year at the rate at which we do. Double-insulated tubular elements, heat pumps offering unparalleled performance, and super-efficient, stylish stoves are just a few examples of first-class product development founded on a genuine passion.

Concepts such as quality and "the customer is everything" soon lose their currency if they are bandied around indiscriminately. However, the customer really does mean everything at NIBE, and so we have a simple motto: a NIBE customer must always be a satisfied customer. We are convinced that being honest and reliable will never go out of fashion, and that satisfied customers are our best ambassadors.

We are also convinced that, without significant expansion each year, a company will stagnate, leading eventually to decreased profitability and so inevitably to downsizing. Among other things, NIBE's consistently strong growth has resulted in greater scope for rationalisation, new organisational forms, bolder thinking, and the recruitment of many new employees – a combination which creates an amazing amount of energy within the organisation.

Finally, we have our focus on three business areas and our long-term approach. All three business areas have considerable potential for expansion, providing plenty of scope for further good profitability growth. At present, two of our business areas are performing really well, while the third is going through a tougher spell. Our goal of returning NIBE Element to healthy profitability stands, and we are totally focused on this work. We do not run away from problems at NIBE. We solve them.

The future is in our hands

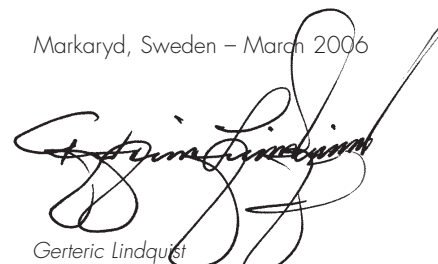
The NIBE Group remains extremely strong in terms of both finances and corporate culture.

We remain optimistic about achieving our sales target of SEK 5 billion in 2007.

As regards 2006, we expect that demand for all three business areas' product ranges will remain strong, and that we will capture further market share. This means that the NIBE Group as a whole should put in a good performance in 2006.

It is a truly wonderful feeling to see how much promise the future holds and to know that we ourselves hold the key to shaping our success in the years to come.

Markaryd, Sweden – March 2006



Gerteric Lindquist
Managing Director and Chief Executive Officer



NIBE Industrier AB's "B" shares were floated on the Stockholm Stock Exchange's OTC list (now the O list) on 16 June 1997 following the issue of 1,170,000 new "B" shares. The subscription price was SEK 70 per share. This corresponds to SEK 17.50 per share following the split in June 2003.

Share capital

NIBE Industrier AB has a share capital of SEK 58.7 million, divided into 3,290,064 "A" shares and 20,189,936 "B" shares. The quota value (i.e. share capital divided by shares) is SEK 2.50. Every "A" share carries ten votes at the Annual General Meeting and every "B" share carries one vote. All shares carry the same entitlement to the company's assets and profits. Fifty shares make up a round lot. At the end of 2005 the company had no outstanding convertible loans or options which could risk diluting the share capital.

Share performance and turnover

During 2005 the NIBE share appreciated in value by 32% from SEK 184.00 to SEK 243.00. The Carnegie Small Companies Index (Small Cap) rose by 44% during the same period. At the end of 2005 the market value of NIBE, based on the latest price paid, amounted to SEK 5,706 million. On 28 February 2006 the share price had risen even further to SEK 265.00 to give a market value of SEK 6,222 million.

A total of 9,022,740 NIBE shares were traded during 2005, equivalent to a share turnover of 38%.

Dividend policy

The aim is, over the long term, to pay a dividend equivalent to 25–30% of Group profit after full tax. The Board is proposing a dividend of SEK 3.00 per share for the 2005 financial year, which equates to 38.7% of Group profit after full tax or 29.4% excluding the non-recurring allocation to the structural reserve.

Change 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

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.

Ownership

There was a steep rise in the number of shareholders during the year. NIBE had 14,172 shareholders on 30 December 2005, compared with 11,621 twelve months previously. The ten largest shareholders held 66.3% of the votes and 38.1% 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, the Group's senior management strives continuously to develop and improve financial information relating to the company by taking an active role in meetings with analysts, investors and the media.

During the year NIBE shares have been tracked and analysed by the following banks and brokers, among others:

Carnegie	Björn Enarson, Tel +46 (0)8-676 88 00
Enskilda Securities	Anders Eriksson, Tel +46 (0)8-522 295 00
Handelsbanken Capital Market	Markus Almerud, Tel +46 (0)8-701 10 00
Kaupthing Bank	Joakim Höglund, Tel +46 (0)8-791 48 00
Nordea Markets	Johan Sevander, Tel +46 (0)8-534 922 72
Swedbank Markets	Mats Larsson, Tel +46 (0)8-585 900 00

Share data ¹⁾

		2005	2004	2003	2002	2001
Number of shares		23,480,000	23,480,000	23,480,000	23,480,000	23,480,000
Yearend share price	SEK	243.00	184.00	127.50	63.75	48.00
EPS (after full tax)	SEK	7.75	11.86	6.90	5.09	4.02
Equity per share	SEK	43.69	37.83	28.30	24.15	21.04
Proposed dividend	SEK	3.00	3.00	1.85	1.38	1.06
Price/equity		5.56	4.86	4.50	2.64	2.28
Dividend yield	%	1.23	1.63	1.45	2.16	2.21
Total yield	%	33.70	46.67	102.90	35.68	43.25
Operating cash flow/share	SEK	-0.67	5.12	0.67	1.40	0.63
Payout ratio	%	38.7	25.3	26.8	27.0	26.4
PE ratio (after full tax)		31.4	15.5	18.5	12.5	11.9
Market value	SEK million	5,706	4,320	2,994	1,497	1,127
EBIT multiple	times	21.7	13.8	14.1	9.3	9.7
EV/sales	times	1.76	1.60	1.46	0.92	0.84
Share turnover	%	38.4	30.6	22.3	15.1	17.4

¹⁾ All key ratios/share have been recalculated with regard to the 4:1 split made in June 2003.

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 yearend share price divided by the yearend equity per share.

Dividend yield

Dividend as percentage of yearend 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 balance sheet date.

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 minority interests divided by operating profit.

EV/sales

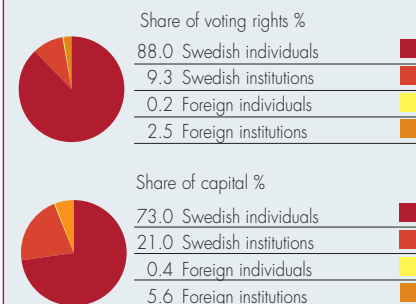
Enterprise value (the total of market value, net debt [interest-bearing liabilities less financial current assets] + minority interests) divided by net sales.

Share turnover

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

Shareholder categories

(Source: VPC AB share register 30 Dec 2005)



Major shareholders

(Source: VPC AB share register 30 Dec 2005)

Name	Number of shares	Share of vote
Current and former board members and senior executives ¹⁾		
Melker Schörling	6,981,970	53.0
Life assurance co. AB SKANDIA	3,003,840	21.6
Roburs Exportfond	502,656	0.9
Lannebo Småbolag	345,750	0.6
AMF Pensionsaktiefond (Sweden)	340,100	0.6
AMF Pensionsfond (Global)	295,200	0.6
Lannebo Småbolag Select	211,800	0.4
Omnibus AC Fund	210,700	0.4
Goldman Sachs International	200,000	0.4
Other holdings (14,142 shareholders)	193,677	0.4
	11,194,307	21.1
Total	23,480,000	100.0

¹⁾ Please refer to page 75 for details of the current Board of Directors.

NIBE share performance



Shareholder structure

(Source: VPC AB share register 30 Dec 2005)

Shareholding	Number of shareholders	Share of ownership (%)	Number of shares	Proportion of shares (%)
1 – 500	11,012	77.7	1,661,640	7.1
501 – 1,000	1,726	12.2	1,449,413	6.2
1,001 – 5,000	1,162	8.2	2,619,057	11.1
5,001 – 10,000	119	0.8	918,662	3.9
10,001 – 15,000	33	0.2	422,649	1.8
15,001 – 20,000	25	0.2	440,488	1.9
20,001 –	95	0.7	15,968,091	68.0
Total	14,172	100.0	23,480,000	100.0

NIBE – a world-class heating company

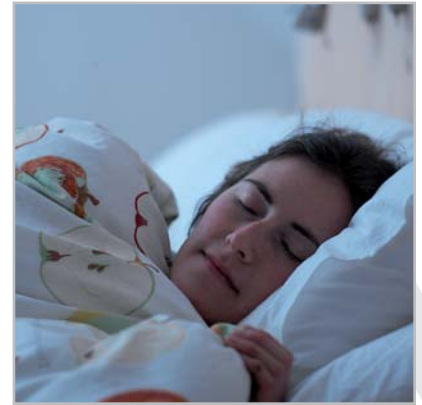
Our vision of NIBE as a world-class heating company builds on the idea that people – irrespective of nationality, age, gender, location, situation or time – should always perceive NIBE as a first class company in terms of its image, its products and employees.

NIBE customers should be totally satisfied with the features, innovations and performance of our products, which combine high quality with an appealing design.

All NIBE employees should be professional and show respect, care and concern in all their relationships and dealings both within the company and externally.

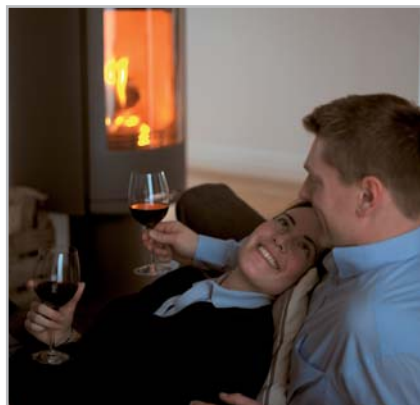
NIBE products create warmth, comfort and well-being around the clock.

They make a positive impact on people's lives and send out the signal that NIBE is always there – for you.



▲ Exhaustair heat pumps from NIBE Heating ensure good ventilation with energy recovery 24 hours a day – even when you're fast asleep.

◀ As the day draws to a close, it's time to reflect and to dream. A heat pump from NIBE Heating can save you enough money in just one year to install a wood-burning stove from NIBE Stoves in your holiday home as well.

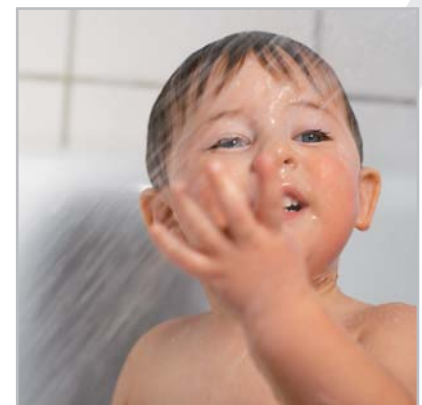


◀ Relaxing in the cosy glow of a wood-burning stove from NIBE Stoves is a great way to unwind. The stove is also an efficient source of heating.



◀ Both hob and oven are needed at dinner time – and both depend on elements manufactured by NIBE Element.

Bath time with plenty of hot water from a heat pump, domestic boiler, district-heating module or water heater from NIBE Heating is a fun way to mark the end of the day for many active children.





▲ NIBE helps get the day off to a good start – with plenty of hot water from a heat pump, domestic boiler, district-heating module or water heater from NIBE Heating.



▲ A crackling fire in a wood-burning stove from NIBE Stoves creates a welcoming atmosphere of cosiness and warmth on even the coldest of winter mornings.

A good breakfast is a great way to start the day. NIBE Element plays its part by manufacturing heating elements for both toasters and coffee machines.



NIBE brings warmth to the world – 24 hours a day

▶ On cold winter days NIBE makes it easier to set off for work. The tubular elements for engine pre-heaters and the foil elements for rear-view mirrors in many cars come from NIBE Element.



▶ Time for a break? The big question nowadays is which type of coffee to choose. The coffee in this professional coffee machine is heated with tubular elements 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.



▼ With waterborne under-floor heating controlled by energy-efficient heat pumps from NIBE Heating, children can scamper around barefoot indoors all year round.





The secrets of our success

Good profitability

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

All NIBE employees aim 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 57 and 54 years respectively – engenders respect for the fact that it really is possible to make money under all circumstances.

We find it hard to understand why corporate profits have so often been called 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 so safeguard its long-term survival.

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

High productivity

High productivity is crucial to maintaining a competitive position.

Our productivity ethic 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 further improvements.
- Secondly, if you can't measure it, you can't improve it.

In stark contrast to the current trend of outsourcing as much of one's 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 high productivity growth and, by extension, good profitability.

This approach makes it natural to invest heavily in modernising our factories and offices to ensure 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, good use of time and flexible wage systems for as many of the workforce as possible.

We are convinced that flexible wage systems based on accurate time measurement are a crucially important factor for the vast majority of industrial companies. Employees who excel in their work must naturally be motivated with the prospect of higher earnings, which in turn provide an incentive for further improvements.

Accurate time measurement also ensures that the data used for calculations is correct, and that we really can plan production and present decision-makers with a reliable basis both for investment decisions and meaningful business analyses.

Regrettably, the uninitiated often associate high productivity and flexible wage systems with stress and dissatisfaction, but good use of time and concentration on work actually result in greater job satisfaction through fair pay and a well organised workplace.

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

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.

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.

When we recruit employees or acquire companies, creating an awareness of our management philosophy is crucially important. At NIBE, we believe there should never be any doubt about the principles that underpin our work and permeate the working environment new employees are joining.

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

A sharp focus on product development also facilitates the evaluation and introduction of new technologies.

Another major advantage of focusing on product development is that a basis for good production efficiency is established as early as the concept stage. The high levels of value added, passion for productivity and extensive product development resources at NIBE together 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 parameter 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 persistent, day-to-day work that focuses on constantly trying to do things better, and by all employees always taking responsibility for and showing commitment to these issues.

For us, quality also means that we must always be on hand for 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 and thus make us as cost-effective as possible. Despite these efforts, it is inevitable that problems will arise from time to time, and when they do they must quickly be identified and dealt with. Quite simply, a NIBE customer must always be a satisfied customer.

■ Market-oriented expansion

Expansion is a must for all business development.

Good, continuous growth is absolutely essential for creating the right conditions for productivity improvements, organisational development and innovation. The combination of good organic growth and carefully considered growth through acquisitions is the best possible way of vitalising an organisation.

NIBE's expansion philosophy builds on the self-explanatory notion that we must always be sensitive to the market's varying needs, and must therefore offer a broad range of products with high standards of performance to ensure that every customer always gets the best possible solution.

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

■ Committed employees

NIBE aims to have uncomplicated organisational structures and to give employees real freedom with accountability.

We ask a lot of all of our employees but, together with open and unambiguous communication, this brings a clarity which is greatly appreciated.

Initiative, modesty and common sense are 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 bank 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 ensures reasonable risk exposure and robust earnings generation over a business cycle.

■ A long-term approach

NIBE takes the long-term view, so short-lived trends tend to pass us by.

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 ourselves on a small scale before implementing them fully 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 to the greatest possible degree on the development of the business while also safeguarding our independence.



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 development, manufacturing and marketing.

Objectives

NIBE Industrier's overriding objective is to combine powerful and sustainable growth with healthy profitability, so creating value for shareholders, providing an interesting and stimulating workplace for employees, and attracting satisfied, loyal, long-term customers who value the peace of mind that the NIBE Group offers them. 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 an average annual operating profit for each of the three business areas equivalent to at least 10% of net 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 continual development of leading-edge products in close cooperation with the market and customers
- continuous rationalisation of production through mechanisation, automation, and the optimum utilisation of working time through flexible wage systems
- standardisation, the coordination of components and modularisation
- economies of scale thanks to large volumes in purchasing and production
- 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
- 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.

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

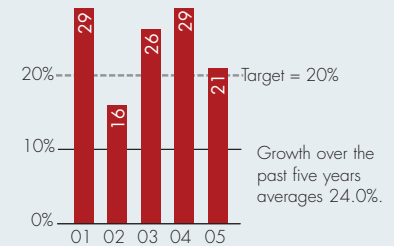
will play a key role in product development, from the choice of materials, through production and use to recycling.

Sincerity and an ethical attitude

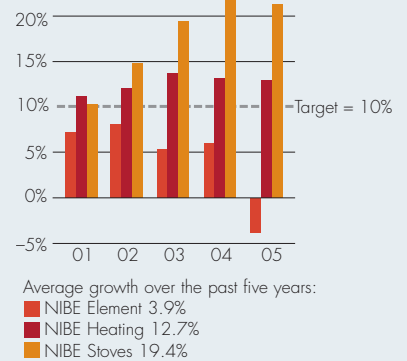
will characterise the company and all its employees both in terms of internal relations, and in dealings with shareholders, customers, suppliers, authorities and society in general.

Objective fulfilment

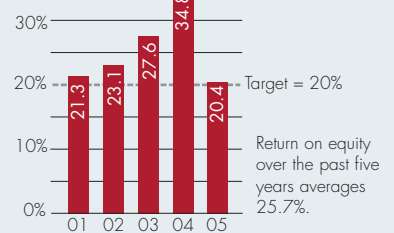
Growth



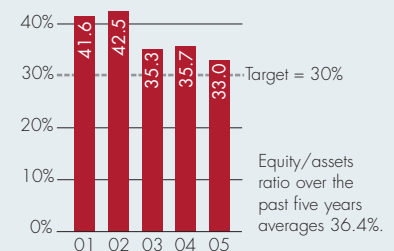
Operating margin



Return on equity



Equity/assets ratio



Profitable growth

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 self-evident 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 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 such a round number on the basis of any exact scientific theory; it was based more on an acknowledgement that organic growth of less than 5% is quite simply insufficient for good and sustainable profitability.

Since the overall underlying annual growth in demand in our three business areas is believed to be linked to GDP growth, this growth 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 we do just how ambitious it is!), it is not impossible. This is demonstrated by the fact that over the last ten years NIBE has actually generated average year-on-year organic sales growth of no less than 13%. This is attributable to a combination of aggressive product development, continuous productivity improvements and systematic marketing work.

Acquisitions

We have concluded that, in the mature market in which NIBE operates, organic growth alone cannot reasonably be expected to meet our overall year-on-year growth target of 20% indefinitely. We have therefore decided that organic growth must be complemented with average year-on-year growth through acquisitions of 10%. This level ensures that the additional workload is manageable, and the degree of risk reasonable.

The Group has been involved in 35 acquisitions over the last decade, representing average year-on-year growth through acquisitions of 11%.

Timeline for acquisitions and establishments

1994	1995	1996	1997	1998	1999	2000
Backer OBR (32%) Backer Oy (new establishment) Contura	Vølund Loyal OY	Pyrox TMV-Pannan	NIBE Polska (new establishment) Backer OBR (68%) EPD	Br Håkansson Värme AB Lodam Energi JEVI A/S Calesco Foil AB	Haato Varaajat	Cronspisen AB Biawar Backer F.E.R Coates Backer CZ Eltop Praha



NIBE currently has operations in 15 countries and is represented in nearly as many again through importers and dealers.

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 of 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 productivity improvements are generally also there for the taking in production.

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

Acquisition criteria

NIBE is constantly analysing potential takeover candidates. Talks are also constantly under way with various companies. The decisive factor for a possible acquisition is that it must bring in new technology, new geographical markets and/or additional market share in existing markets.

The basic criteria are that the company must have strong brands, it must have competent management with a real entrepreneurial spirit,

and we must see further growth potential within the constraints 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.

2001

Roslagsspisen
Norells Sweden AB
Svend A. Nielsen A/S
Heise Systemtechnik GmbH

2002

Jøtul ASA (22%)
REBA

2003

Danothem Electric A/S (80%)
Backer Facsa
Energietechnik B.V. (new establishment)
METRO THERM A/S
Finohm
Sinus-Bobe
Termos

2004

NETEK
Shel
Calesco Foil Inc. (new establishment)
Kaukora
Sale of Jøtul ASA (22%)

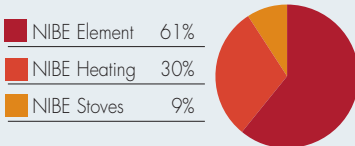
2005

Northstar AS
KM Jensen

2006

Varde Ovne A/S

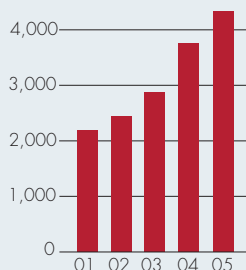
Employees – by business area



Key figures

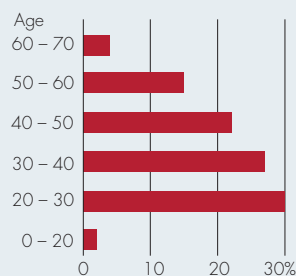
	2005	2004	2003
Average number of employees	4,339	3,755	2,881
administrative staff	% 25	23	24
production staff	% 75	77	76
men	% 69	71	69
women	% 31	29	31
Average age	years 37	38	39
Average length of employment	years 7.4	7.8	8.0
Workforce turnover	% 8.7	8.7	4.5
Number of graduates	475	440	304
Employees in Sweden	% 30	34	38
Employees abroad	% 70	66	62
Sickness absence (short-term)	% 2.8	2.7	3.1
Sickness absence (long-term)	% 3.6	4.0	3.5

Mean number of employees



The large increases in the number of employees over the past three years are the combined result of good organic growth and a number of corporate acquisitions.

Age distribution among employees



A loyal and passionate workforce

Work with the company's human resource activities in 2005 centred on a further increase in employee numbers, primarily outside Sweden, and the continued focus on NIBE's values in day-to-day work.

The NIBE philosophy of high standards of performance and diligence, and a working climate that combines freedom with accountability, a straightforward approach and a commonsense attitude, are becoming increasingly well known outside the company and represents a way of working that many job applicants are able to relate to naturally.

Values with a wide appeal

Our rapid growth is highly dependent on how well we manage to attract, retain and develop high-quality personnel. A heartfelt commitment to the job, low sickness absence, high levels of loyalty and low staff turnover are examples of the positive effects of our corporate philosophy.

Our growth brings many other sources of satisfaction. For example, an efficient and highly skilled nucleus of long-serving employees is being combined with newly recruited, well educated and highly motivated younger talents. This means that the company's knowledge of products, production and markets that has been built up over many years can be preserved and transferred in a natural way.

Our values are attractive to many people, and the number of job applicants has grown markedly in recent years. These values play a key role from the very first interview, and are also the focus of attention in our various induction programmes.

An international perspective

NIBE is evolving into an increasingly international employer, with more than 4,600 employees in 15 different countries at the end of 2005. In contrast to many other Swedish companies, our workforce in Sweden is still growing.

Sweden and Poland are the countries where the Group has the most employees – around 1,300 in each. These are followed by Finland, Denmark, the Czech Republic and China, with around 300 employees in each.

Competitive workforce

Our restrictive approach to outsourcing means that a great deal of knowledge has been accumulated in the Group. Many different professions are represented here, resulting in a valuable spectrum of expertise in product development, manufacturing, administration and marketing. The depth and breadth of these skills also enable us to collaborate with universities and colleges in a variety of fields.

In addition, we work extensively with local schools, giving pupils of all ages an early insight into a modern manufacturing company and the many different career opportunities available.

Recent years have seen reinforcements across the board – for example, more than 300 graduates have been recruited. The number of female employees is growing all the time, and women now account for almost one third of the workforce.

Low sick leave

High sickness absence has been a hotly debated and costly problem for society in recent years, especially in Sweden. Sickness absence at NIBE has been around 7% over the last five years, divided fairly evenly between short-term and long-term absence, but this is now trending downwards.

We believe this low figure owes much to our commonsense approach to sick leave. For us, it is as natural to make the workplace as ergonomic as possible and to organise work systematically as it is to expect employees to take their share of responsibility for their health by keeping themselves in good physical shape. Job rotation, job trials and similar measures are generally a result of natural needs and wishes rather than bureaucratic solutions.

Training for the future

Being well equipped for the future with the right skills and attitudes is the underlying aim of all training provided at NIBE.

Training is not an end in itself but a direct response to well defined, relevant needs. The benchmark is straightforward, work-related training which achieves the desired aims rapidly and cost-effectively.

Priority areas include IT, project management, languages and logistics. Training in specialist professional skills is a continuous process. Another important contribution is made in conjunction with our induction programmes, where newly recruited employees learn about the NIBE corporate culture and undergo product training at various levels depending on their future duties.

Using internal resources for teaching when feasible ensures an active and methodical approach to spreading important NIBE-specific knowledge through the organisation at the same time as it gives many employees a chance to develop their own professional skills by instructing others.

However, NIBE also works with external teaching resources as a natural way of broadening our horizons and extending our expertise.

Grethe is a hit in Norway

Name: Grethe Synnöve Bachmann
Family: Daughter Bettina (14), cats and guinea pigs
Position: Norwegian sales representative for NIBE Stoves (Contura, Handöl and Cronspisen)
Recruited: June 2000
Home: Moss, Norway
Hobbies: Reading (member of seven(!) book clubs), hiking, "black belt" in shopping according to friends

NIBE Stoves has been making major progress, not least in Norway, where Grethe Bachmann pulls the strings. The dramatic increase in sales in recent years speaks for itself.

"In the Contura 500 series we have a real big-seller in Norway," says Grethe. "The Norwegians spend a lot on home interiors, and the Contura's stylish design and size have proved extremely popular."

Grethe has been working with wood-burning stoves for 15 years, and gets on well with both customers and products, despite the fact that the business is very much a male-dominated territory.

"I've always received a warm welcome and found it easy to be accepted.



Sometimes it's probably an advantage to be a woman, especially as stoves have become more and more design-oriented."

NIBE Stoves sells through specialist dealers in Norway, and as a sales representative Grethe is used to long and frequent business trips.

"I drive most of the time. But occasionally it saves time to fly – especially on trips to Bodø and Tromsø in the far north of the country."

Working for a Swedish company is different, but as far as Grethe is concerned, the differences are positive.

"For instance, I get more of a say in product development and marketing, which

is important. I also like the way NIBE always works so systematically – and the lack of red tape. The management structure is less hierarchical than in many Norwegian companies. It's important for a salesperson to have the right back-up, and that's exactly what I get from my Swedish colleagues in Markaryd. They're all very professional."

Despite all the success so far, Grethe thinks that Norway's sizeable stove market still has a great deal of potential.

"We can capture an even bigger share of the market with all the exciting new products we have in the pipeline. It's great to be part of a winning team."

Focusing on the customer and continuous improvement

The NIBE Group's basic view of product and service quality is that this must be so high that it constitutes a good reason to buy a product. If we are to meet customer demands, it is crucial that our quality policy provides the common platform for all our work and that every employee views quality as his or her own personal responsibility. Our quality policy is also the basis for our quality targets, our ambition of continuous improvement and our resolve to offer our customers full satisfaction.

To live up to these high ambitions we run regular staff training programmes in areas such as product knowledge and quality techniques.

Production environments and manufacturing equipment are continually being developed and improved.

Continuous improvement is a key concept at NIBE, and is, in part, the responsibility of our quality, product and project groups, whose invaluable contribution represents the aggregate of many years' experience. The work itself varies from unit to unit, but quantifiable quality targets are set and performance regularly monitored. We also seek to continually develop our operations by setting ourselves new, more ambitious objectives. In addition we work closely with customers and suppliers to compare our performance to that of our competitors in a determined effort to ensure that we always lead the way in our three specialist areas.

To ensure customer satisfaction and focus more clearly on the most significant aspects of our quality control procedures, customer surveys are carried out each year among a selection of customers within a variety of market segments.

These surveys confirm that, in all essential respects, we do indeed meet the demands and expectations of our customers. However, work is constantly being carried out to bring about further improvements. A special focus on aspects such as delivery times, delivery reliability, product development and customer service will develop our operations to meet market needs for total quality. How success-

ful we are in achieving this will be one of the key factors behind our continued growth in an increasingly competitive market.

Quality assurance

It is very important that products and services supplied by the Group comply with customer demands. For this reason, quality assurance work is undertaken within the parameters of integrated quality management systems that accord with ISO 9001 specifications and incorporate both internal and external checks and audits. The certifying bodies commissioned by the NIBE Group include SEMKO-DEKRA Certification AV, BVQI Bureau Veritas Quality International and SGS-ICS Gesellschaft für Zertifizierungen m.b.H. Follow-up audits are carried out once or twice a year.

The quality management system is used to steer operations and processes in the direction of the aims we have established. The different production units each have their own dedicated machine park of calibration and testing equipment to verify product status from the arrival of the necessary raw materials and components to the fully finished product.

Both quality work and constant improvements increasingly focus on the customer in order to meet market demands and expectations, although the emphasis does vary somewhat as a consequence of the different business areas' own unique conditions.

As a subcontractor to industry, NIBE Element's most important competitive advantage is the consistently high quality of its products, so all products are 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. Third-party components are tested and matched against our specifications on arrival. Products are subsequently tested after each stage of the manufacturing process and extensive checks and inspections are carried out prior to despatch.

For NIBE Stoves quality means not only functionality and performance, but also the fact that all the components used are of a high standard and that the end product has an impeccable finish. Quality audits of randomly selected products are carried out on a continuous basis.

Pia Isendal's job – fitting insulation to special elements – requires meticulous attention to detail.

Continued growth and reduced environmental impact

A number of units in the NIBE Group are already ISO 14001 certified and the rest work in accordance with the principles laid down in this internationally recognised environmental management system.

Under the maxim "continued growth and reduced environmental impact" our environmental work focuses on five key areas:

- reducing emissions
- reducing waste
- increasing energy efficiency
- reducing the use of environmentally harmful chemicals
- using natural resources more efficiently.

The provision of training and open information encourages staff to contribute to continual improvement, so reducing our impact on the world around us and helping to create the right conditions for long-term sustainable development.

Environmental key figures in relation to 100 kilos of manufactured product have been introduced throughout the NIBE Group to enable us to monitor the results of our environmental work and identify any trends.

In addition to the environmental impact of our production processes, NIBE's product development work also adopts a life cycle analysis approach, examining the environmental suitability of our products from the perspective of sustainability. Examples include:

- increased energy efficiency in heat pumps: this reduces oil dependency and carbon dioxide emissions.
- modified insulation techniques in a number of heating products: this enables more than 95% of the materials used to be reclaimed.
- improved combustion efficiency in wood-stove products: this reduces emissions.
- as a sub-contractor, NIBE Element is frequently involved in close collaboration with its customers to prolong the service life and reduce the energy consumption of end products.
- and, via training programmes on environmental issues that are directly relevant to the company's own activities, co-workers are made more aware of the part they as individuals play in the Group's environmental work.

A number of projects are under way with a view to finding and verifying technical solutions that provide more environmentally friendly alternatives to current manufacturing methods. At the same time as this work has been accorded top priority, we are also careful always to subject any proposed changes to a programme of rigorous tests to ensure that important characteristics such as the service life and reliability of products are not jeopardised.

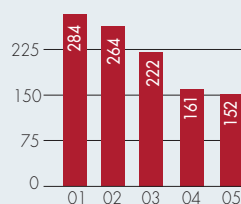
NIBE's environmental work has also been recognised outside the company. Last year, for example, NIBE was voted "Sustainable Company of the Year" in its region by the Folksam insurance company.



ENVIRONMENT

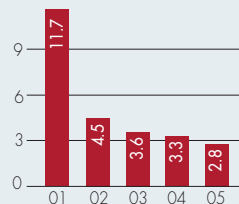
Environmental key figures

Total energy consumption (kWh/100 kg product)



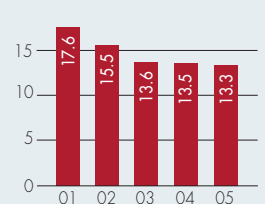
Installation of heat pumps, heat exchangers and frequency controlled compressors reduces energy consumption.

Total amount of chemicals used (kg/100 kg product)



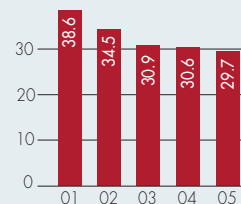
Changes to passivation process when manufacturing stainless steel vessels reduces the use of chemicals.

Total amount of waste (kg/100 kg product)



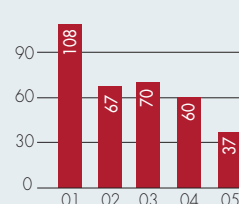
Optimised tooling of metal-working machines minimises waste and swarf.

Total amount of CO₂ emissions (kg CO₂/100 kg product)



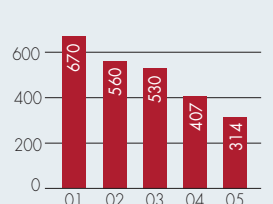
Installation of more heat pumps reduces oil dependency.

Total solvent emissions (g/100 kg product)



Reuse of solvents in washing processes reduces total emissions.

Total water consumption (litres/100 kg product)



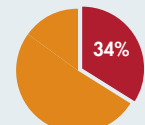
Heat exchange system for cooling water used in manufacturing process reduces water consumption.

NIBE ELEMENT

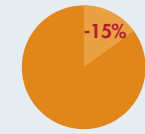


Christer Fredriksson,
Business Area Manager

Contribution
to Group



Net sales



Operating
profit

NIBE Element

is the market leader in northern Europe and one of Europe's leading manufacturers of components and systems for electric heating.

Its 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

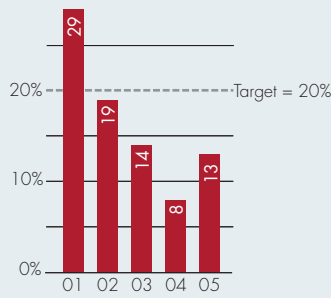
NIBE Element's goal is to rank among Europe's leading manufacturers. To do this, it will make suitable acquisitions to increase the number of domestic markets on which it operates. In these domestic markets it will maintain a local presence and sell a complete range: elsewhere the main focus will be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

Objective

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.

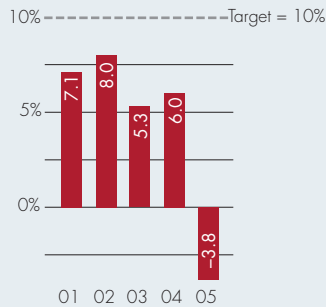
*High quality tubular elements
for heating hot water.*

Objective fulfilment Growth



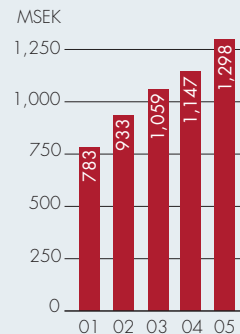
Growth p.a. over the past five years averages 16.5%.

Objective fulfilment Operating margin



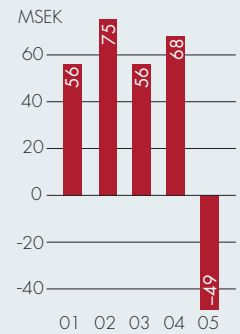
Operating margin p.a. over the past five years averages 3.9%.

Net sales



Net sales rose by 13.2% during 2005.

Operating profit



Operating profit fell by 171.1% during 2005.

Review of 2005

Changes in a number of external factors impacted on the market during the year.

Soaring oil prices have led to substantially increased levels of investment in the oil exploration and processing sector, resulting in growth in project sales of explosion-proof equipment.

At the same time demand for heating elements from producers of alternative heating solutions, such as heat pumps and pellet burners, has also grown rapidly.

The trend towards transferring production of small consumer appliances and white goods to low-cost countries has gained further momentum. This is resulting in structural change, with customers scaling down their operations in western Europe but opening up new opportunities in eastern Europe and Asia. However, like us, our competitors are setting up production in low-cost countries, causing a general reduction in price levels. Meanwhile the high raw material prices seen in 2004 persisted into 2005.

The combination of pressure on element prices and high raw material prices made for substantially reduced margins in 2005. Margins were further eroded by the cost of transferring production.

The implementation of the restructuring programme resolved in 2005 is proceeding according to plan and includes the transfer of a further 200 jobs from our units in western Europe to those in eastern Europe and Asia. This means, for example, that all products for small consumer appliances and white goods have already been transferred or will be during the first half of 2006.

A provision of SEK 70 million was recognised in the second half of 2005 in respect of this restructuring programme. When completed in some 18–24 months, the restructuring work is estimated to have a positive effect on earnings of around SEK 40 million a year.

Outlook for 2006

The year will be dominated by the implementation of the restructuring programme. This includes not only the aforementioned transfer of products from western Europe to eastern Europe and Asia, but also increased specialisation at the various units in order to realise economies of scale.

Alongside this restructuring programme, we will also be carrying out a major programme of continued rationalisation to ensure good

productivity at all units. Another aim is to further develop the segments and markets with good profitability and potential for each unit.

We expect the market to be relatively stable in 2006 in terms of volumes. Segments linked to high oil prices will continue to see strong demand. Competition will remain fierce, but we expect price levels to stabilise somewhat as most players have already transferred much of their production to low-cost countries.

A continuous process of product and market development is under way at NIBE Element, focusing on products which are unique and feature high levels of value added. A number of new products will be launched during the year, and we expect this type of product to continue to perform well.

The overall effect of the measures now being implemented is expected to strengthen the business area's market position during the year.

Our goal of a 10% operating margin on the completion of the restructuring programme stands – provided that material prices fall from their current high levels.



NIBE Element is one of the leading manufacturers of braking resistors used to control lifts.



Matilda Ronnefors is a development engineer working with new products. Infrared cameras are sometimes used during testing to measure an element's properties in different customer products.

Market

Over the long term 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, growth in most segments has been sluggish on several of our domestic markets, even though there are some shining examples to the contrary. In countries with a strong development in GDP, such as those in eastern Europe and Asia, demand has remained brisk.

Our goal remains to gradually increase the number of domestic markets by establishing local operations capable of manufacturing small series and providing local technical support.

In certain major markets, such as the USA, Germany and France, where the cost of running our own manufacturing operations would be excessively high, we have instead established a presence in the form of a sales office.

The process of structural change differs from industry to industry. In certain segments the pace quickened even more last year and 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 trend is towards specialisation in European production plants at the same time as capacity is being increased in eastern Europe. We believe we are well placed to meet these trends thanks to our units in Poland, the Czech Republic and China.

For manufacturers of equipment for professional caterers and the food processing industry, 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 for the offshore and process industries is expected to grow over the coming years.

Industry trends

The industry has been buffeted for several years by fierce competition on price and falling margins on elements for consumer products. When it comes to products for professional users, the situation has been more stable and profitability satisfactory.

However, there is a risk of price pressure in these segments too as the industry restructures due to general overcapacity for tubular elements in western Europe.

One of the major underlying trends is the move 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 client wishes 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 and China.

We believe that the strategy we have adopted, offering industry and the professional segment locally manufactured products and complementing this with units in low-cost countries producing for the volume segment, is well suited to industry trends, and that it will further strengthen our position and potential in the future.

Products

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

This includes a number of different technologies for 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. One major application for this technology is in wing mirrors for cars and lorries, a segment where NIBE Element holds a position as a world-leader. Medical technology and electronic equipment are among many other highly specialised applications for NIBE foil elements.

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 and strip elements for the plastics industry.

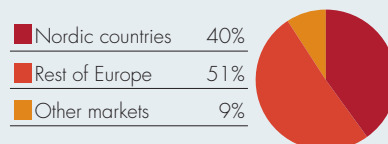
As the product range becomes broader, the marketing and service concept is also being developed to pave the way towards establishing NIBE Element as the leading supplier of electric heating components for industrial customers in each of the business area's respective domestic markets.

In some instances technologies within the business area can be used for applications other than electric heating. Examples include 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.

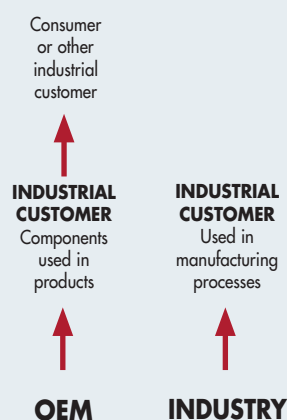
Another example is the vacuum soldering technique employed for elements for medical technology applications. This technique is now also being used for the production of plate heat exchangers intended primarily for a variety of water heating applications.

NIBE ELEMENT

Sales by geographical market



Distribution



Opportunities and threats

- + Industry restructuring and expansion through acquisitions
- + Purchasing and production synergies
- + Market position on domestic markets allows marketing of a broader range of products
- + Strong brands
- + Rational, flexible production
- + Access to rational, low-cost production
- + Market position as one of the leading manufacturers in Europe
- + Intensive product development

- New technologies
- Greater competition
- Cost trends in the Nordic countries
- Low-price competition
- Product liability and series faults



NIBE Element is a world leader in heating elements for railway points.

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 limits and insulation. One example of this is the development during the year of complete systems for steam generation in shower cabinets.
- Product adaptation is usually conducted in close collaboration with customers to arrive at a solution that suits their specific needs, or, if required, to assume responsibility for the entire system, as with the supply during the year of complete systems for electric water-heaters, comprising elements, thermostats and temperature cut-out switches.
- Process development is carried out with the aim of optimising production as regards the choice of material, quality and the technical performance of a product. In 2005 we have carried out further materials optimisation projects in order to prolong the useful life of our high-power elements.
- Production engineering development seeks to develop methods and machinery that will rationalise the manufacturing process. In 2005, for example, new methods have been developed for rationalising the work of checking for seepage in elements and improving safety.

2005 saw the completion of work on a new central development laboratory which will enable us to adopt an even more proactive and aggressive approach to product development. We have also reinforced R&D resources in several of the business area's units.

Production

NIBE Element has 20 manufacturing units in Europe 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 quickly is one of our competitive strengths. However, the various units are gradually becoming more specialised when it comes to large series and unique products.

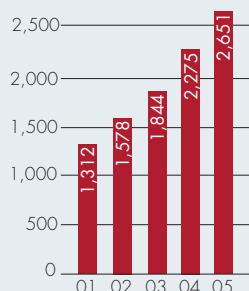
The new standardised business system was rolled out at another unit in 2005, this time in Denmark. The system has a standard which paves the way for further co-ordination and integration of the various production units.

One of the facilities for foil element production in Kolbäck was sold during the year, and operations in Kolbäck are now concentrated at a single plant.

The expansion of the Polish operation, with the doubling of production capacity for tubular elements and a new production plant for resistors, was completed in 2005. This expansion was essential for the restructuring programme now under way.

A number of product groups were transferred from units in eastern Europe to low-cost units in eastern Europe and China in 2005. This work will be stepped up in 2006. The specialisation of the various units will also be increased in order to further increase efficiency.

Average number of employees



Examples of applications

■ Small household appliances

Grills	Griddles	Pressure cookers
Clothes irons	Waffle irons	Electric kettles
Deep-fat fryers	Food warmers	



■ Domestic white goods

Dishwashers	Refrigerators	Drying cabinets
Washing machines	Ovens	Mangles
Tumble dryers		



■ Professional equipment

Boilers	Dishwashers	Drying cabinets
Frying tables/grills	Washing machines	Deep-fat fryers
Ovens	Tumble dryers	Steamers
Food warmers	Refrigerators and freezers	
Drinks machines		



■ Comfort – air

Radiators	Duct heaters	Frost protection
Convectors	Fan heaters	Sauna heaters
Air conditioning	Storage heaters	Waterbed heaters
Air curtains	Infrared heaters	Steam generators



■ Comfort – water

Water heaters	Pressure washers	Instantaneous water-heating elements
Domestic boilers	Heat pumps	



■ Vehicles and transport

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



■ Process industry/projects

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



■ Maintenance/spares

Plastic extrusion equipment	Vacuum tables
	White goods spares



■ Special

Frequency converters	Medical equipment	Printing/photo-graphic industry
Brake resistors	Load resistors	

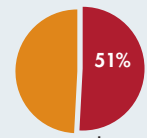


NIBE HEATING

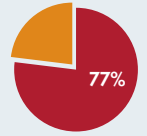


Kjell Ekermo,
Business Area Manager

Contribution
to Group



Net sales



Operating
profit

NIBE Heating

is the largest manufacturer of domestic heating products in the Nordic countries and a market leader in northern Europe in the electric water heater and heat pump segments. Its mission is to supply homes with products that provide domestic hot water and ensure a comfortable indoor climate. Over the years the range has developed from fairly basic products to high-tech solutions for heating, cooling, ventilation and heat recovery.

Strategy

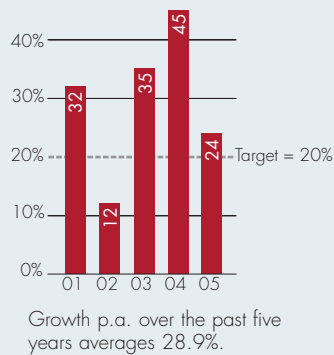
NIBE Heating's strategy is to consolidate its position as market leader in northern Europe and to develop its position in the other European markets. The number of "domestic" markets will gradually be increased by acquisitions, the establishment of subsidiaries or the use of other established sales channels.

Objective

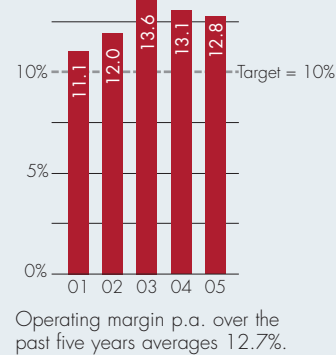
NIBE Heating's objective is growth of at least 20% per annum, half of it organic, and an operating profit of at least 10% of sales over a complete business cycle.

NIBE Heating is involved in ongoing development work for efficient new heat pumps with a modern design.

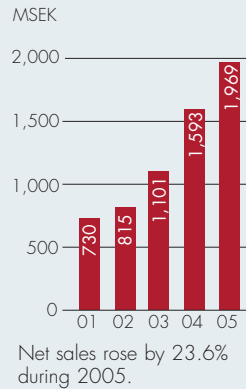
Objective fulfilment Growth



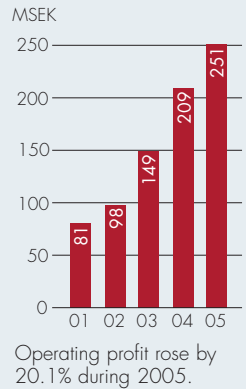
Objective fulfilment Operating margin



Net sales



Operating profit



Review of 2005

The main effects on the Swedish market in 2005 were caused by soaring energy prices and an increase in the construction of single-family homes. As a result, the overall market for heat pumps grew during the year.

The market for ground-source heat pumps slowed during the last two months of the year following the announcement that a government grant would be available from the beginning of 2006 to help consumers to convert from electric and oil-fired heating to heat pumps, district-heating products and the like. The announcement of the scheme (which is due to run for five years) just over two months before its introduction resulted in the postponement of conversion projects scheduled for the end of the year. Growing demand should therefore be seen in 2006 and for a number of years to come.

The market for electric water heaters and district-heating products remained stable, while interest in conventional domestic boilers continued to wane, with the exception of pellet and wood-fired boilers, where consumer interest has increased.

Our market position in the Nordic region was further strengthened during the year in several product areas thanks to intensive marketing of existing products and the launch of new ones. For example, the Norwegian subsidiary Høix introduced a new sales channel with concept solutions for heating, including its own heat pump with a new design.

Virtually all of our markets outside Sweden performed well during the year. Interest in energy-saving products for heating and indoor comfort is growing all the time as oil and gas prices soar, which means that our expansion into Europe is continuing at a good pace.

The launch in 2005 of a new generation of ground-source heat pumps with the market's highest coefficient of performance heralded one of the biggest marketing campaigns ever conducted by NIBE Heating. The results have been very positive and contributed to a sharp increase in sales and market share during the second half of the year.

The effects of our extensive investment and rationalisation programme helped to maintain a healthy operating margin.

At the beginning of 2006 we unveiled a unique ground-source heat pump at the Nordbygg trade fair in Stockholm. The new product concept marks a genuine technological breakthrough in that the heat pump with its frequency-controlled compressor is a variable-speed unit. This has a variety of advantages over existing product solutions, and cements our position as the market leader in heat pumps in terms of both technology and performance.

Outlook for 2006

The Swedish market for ground-source/geo-thermal heat pumps has grown rapidly in recent years. The new conversion grant, which prompted an undesirable dip in sales during the last two months of 2005 in anticipation of its introduction in 2006, is expected to provide an additional incentive for the replacement of large numbers of oil-fired boilers and the like with ground-source heat pumps. We therefore believe there to be good prospects of an increased overall market in 2006.

The tentative but steady growth in residential construction in Sweden in recent years is expected to continue. Our sales of exhaust-

air heat pumps are closely related to the number of single-family homes built, but also to our own competitiveness and activity in the replacement market, which is also expected to grow somewhat.

International expansion, which is growing in importance at NIBE Heating, will continue in 2006 with the focus on Europe, which has considerable potential in our field. We are profiling ourselves as a reliable supplier of complete, high-performance solutions. To live up to this image, we must continue to prioritise efficient production, the development of high-quality, high-performance products, and an international and professional organisation.

Alongside heating during the winter months, the need for cooling during the summer months will become more important, especially in southern Europe with its warmer climate. The heat pump should therefore be seen more as a comfort system with the role of ensuring a pleasant indoor climate all year round.

We believe that both the Swedish and foreign markets for electric water heaters and district heating products will remain stable, while the market for conventional domestic boilers will decline, with the exception of pellet and wood-fired boilers.

All in all, we see good potential for continued expansion both in Sweden and abroad.



Our participation in the leading European energy technology fair, ISH in Frankfurt in March, was a major success for our international expansion.



Our product concept for indoor comfort is being used as a standard solution by both Swedish and foreign house-builders.

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 cut 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 heat pump installation. The market for this type of heat pump performed well during the first ten months of the year, but fell back sharply in November and December in anticipation of the introduction of a conversion grant from January 2006. The market for air/water heat pumps also performed well in 2005, but makes up a much smaller part of the RMI sector. The electric water heater market, which is again mainly RMI-oriented, also grew somewhat during the year.

Around 11,800 new single-family homes were built in Sweden in 2005, compared with around 10,500 in 2004. Despite the increase, this is still a relatively low level by both historical and international standards. The vast majority of new single-family dwellings are fitted with a heating system based on exhaust-air heat pumps, which recover energy from the air leaving the building.

The second major alternative for newly built homes is district heating. However, as this is more or less confined to urban centres, in the first instance, it tends to be favoured by the owners of large, new properties. The total district heating market expanded slightly in 2005.

Foreign markets

Our products have enormous sales potential in the European market. We are the market leader in the Nordic region and Poland, and we are gradually also increasing our market share in priority areas as we move beyond the Nordic region. We remain a small player across much of Europe, but are growing all the time. Meanwhile competition is fierce. Large international groups of companies are showing an interest in energy-efficient heating solutions now that oil and gas prices are soaring, although oil and gas remain the dominant source of heating in several European countries.

Our most recent acquisitions – METRO THERM and Kaukora – have made Denmark and Finland our largest foreign markets. Our position in the Norwegian market was also strengthened considerably during the year as a result of successful marketing by the Norwegian subsidiary Høiax.

Marketing work was also stepped up outside the Nordic countries through the strengthening of our own sales organisations in countries such as Germany, Poland and the Netherlands. Sales in Germany grew strongly despite its ailing economy. Interest in energy-efficient heat pumps is mounting, although they still account for only a small share of the market. In the rapidly growing French heat-pump market, where we have previously had a very modest presence, a major campaign is under way.

Interest in heat pumps is also growing in countries like Ireland, the UK, Austria, the Baltic States and the Czech Republic, where we are also represented, and the outlook for further growth there is believed to be good.

Competition in the Polish market for electric water heaters stiffened significantly during the year, and the number of players in the market is rising. Nevertheless our Polish subsidiary NIBE-BIAWAR retained its market-leading position. Interest in heat pumps is growing, and we are constantly training up Polish installation and service engineers to encourage continued expansion in this product area. NIBE-BIAWAR also provides

cost-effective production of heating products for market segments coming under strong price pressure elsewhere in Europe.

Our marketing of district heating products is concentrated mainly in Denmark, Sweden, the UK, Germany and the Netherlands.

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 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 than ever and there is a clear ambition on most markets to reduce energy consumption in new homes and offices. 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 properties of saleable products.

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, where the consumer's choice is governed by the nature of the grants and subsidies rather than by any objective consideration of the inherent features and properties of the product itself.

Spiralling electricity and oil prices have meant that the industry's focus on heating alternatives based on these energy sources has dwindled both in Sweden and most other European markets.

There has been a marked increase of interest in Sweden and elsewhere in energy-efficient heating solutions for large public buildings. There is huge potential for the industry here, but at the same time success does require a greater in-depth understanding of the systems involved and the ability to adapt these exactly to the needs of the premises concerned.

Products

NIBE Heating has a wide range of products enabling end-users to choose a solution that best suits their needs in the areas of 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.

Sales can be divided into the following six product areas

- heat pumps
- domestic boilers
- district-heating products
- water heaters with direct or indirect heating
- instantaneous water heaters
- the sub-contracted production of non-corroding pressure vessels

The hallmarks of our products are:

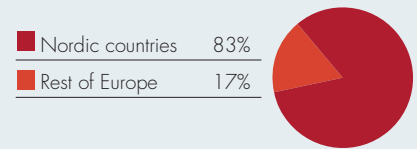
- unsurpassed technical performance
- a high degree of innovation
- a competitive price
- high quality
- modern design

In order to live up to this, we maintain a sharp focus on the development, production and marketing chain, while working ceaselessly to increase its efficiency.

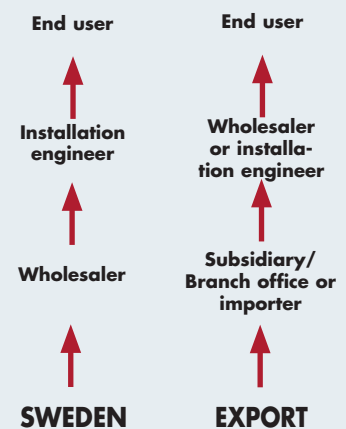
The year saw the launch of a new generation of ground-source heat pumps with the market's highest coefficient of performance, and a new ground-source heat pump concept was developed for the Norwegian market.

NIBE HEATING

Sales by geographical market



Distribution



Opportunities and threats

- + A very large market outside the Nordic region
- + Strong brands
- + Broad range of products
- + Europe's most modern heat pump plant
- + Access to rational, low-cost production
- + Highly sophisticated in-house product development
- + Political decisions on energy and the environment
- + Expansion through acquisitions
- Hastily introduced laws, official decisions, energy taxes etc.
- Increased competition
- New technologies outside our current areas of expertise
- Low-price competition
- New distribution channels



Geothermal pumps can dramatically reduce the amount of energy consumed by large properties.

Complete solutions for indoor comfort, including cooling, were introduced in the international market during the year.

A technological breakthrough was unveiled at the Nordbygg trade fair in Stockholm at the beginning of 2006, where we became the first player in the industry to present a new type of ground-source heat pump with a frequency-controlled compressor. Another new product which attracted considerable interest at the fair was our new wood-fired boiler.

Development process

To satisfy market demands for better energy efficiency and environmentally sound, cost-effective solutions for heating needs and a comfortable indoor climate, NIBE Heating is making ever greater investments 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)
- convertability (heating in winter/cooling in summer)
- recyclability/environmental adaptation
- continuous improvements in design
- better all-round economy.

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 incorporation of innovative solutions in easy-to-use products with an appealing design. Continually reinforcing our team with highly educated engineers who possess the necessary 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 dedicated development centre for heat pumps in Markaryd is considered to be of the very highest international class.

The technology for domestic boilers, water heaters and district heating control centres is well established and so resources focus on developing high quality, cost-efficient, environmentally adapted products. Design, too, has become an increasingly significant feature for end-users.

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

During the year NIBE Heating has continued to reinforce its development resources via a two-pronged strategy that involved a major recruitment campaign to attract qualified new talent and the expansion of operations in Markaryd.

Production

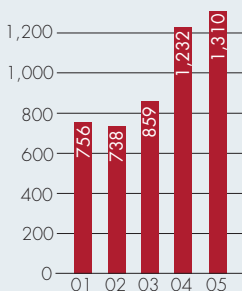
We have eight production plants in Sweden, Denmark, Norway, Finland and Poland, all of which are continuously engaged in rationalising production and modernising processes by investing in new machinery and production equipment.

The plant in Markaryd, Sweden, which is NIBE Heating's largest, is now in the final phase of a major investment programme that has been carried out over the past four years.

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

A review of our 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, both in terms of production control and management, productivity and, not least, quality.

Average number of employees





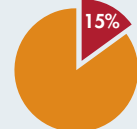
Replacing a conventional oil-fired boiler with a NIBE heat pump frees up more space at home that can be put to better use.

NIBE STOVES

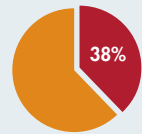


Niklas Gunnarsson,
Business Area Manager

Contribution
to Group



Net sales



Operating
profit



NIBE Stoves

is the biggest manufacturer of wood-burning stoves in Sweden and the clear market leader in the country. Its 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.

Strategi

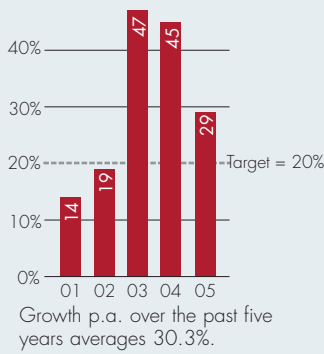
NIBE Stoves' strategy is to supply a wide and complete range of wood-burning products in order to confirm and consolidate its position as the market leader in Sweden. Foreign sales will be increased through the continuous development of products tailored to new markets, combined with moves into new markets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

Objective

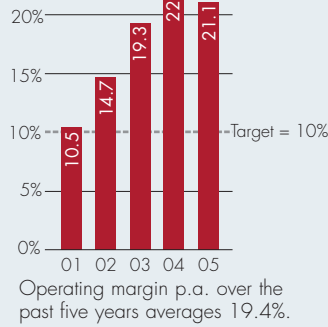
The business area's objective is growth of at least 20% per annum, half of it organic, and an operating profit of at least 10% of sales over a complete business cycle.

Eye-catching contemporary design is the hallmark of the new Handöl 20 series.

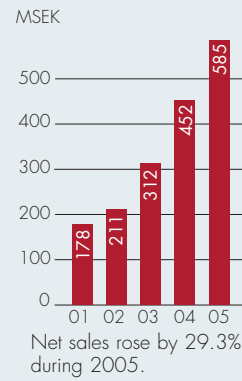
Objective fulfilment Growth



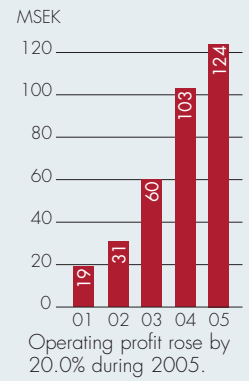
Objective fulfilment Operating margin



Net sales



Operating profit



Review of 2005

Demand for wood-burning stove products in Sweden remained strong in 2005, and the overall market is believed to have stabilised at a high level. Our own market position is still very strong thanks to consistent marketing and a steady stream of new products.

In Germany the stove market grew very strongly during the autumn season, probably due mainly to spiralling oil prices. Demand was brisk in all product segments, and our own sales were very strong.

The Danish stove market also expanded on the back of rising oil prices. Our own sales growth far surpassed that of the market as a whole, which means that our market share increased.

In Norway we continue to grow our sales despite the fact that the overall market for stove products contracted slightly during the year. Sales of the newly acquired Northstar Nordpeis brand also grew.

Our marketing drive in Finland with an extended dealer network resulted in increased sales during the year, and provides a good platform for continued growth.

The launch of our new stove range under the Handöl brand was a success. Its bold new design is attracting brand new target groups and broadening our product range. Further models will be added, and the brand will be strengthened even further by a series of far-reaching marketing campaigns.

Production capacity was gradually increased during the year, and productivity held at high levels. The first half of the year also saw extensive stockpiling of finished goods, resulting in good delivery capacity throughout virtually all of the high season. Only towards the end of the fourth quarter did delivery times edge beyond the desired level, due to unexpectedly strong growth in demand in markets outside Sweden.

The newly acquired Northstar operations not only lived up to our high hopes in terms of both sales and earnings, but also gave access to a competitive production plant in Poland. The takeover also contributed to strong sales growth, primarily in Norway but also in the Baltic States.

Outlook for 2006

We believe that interest in energy-saving products and investments in the home will remain strong in Sweden in 2006, and this will contribute to good demand for wood-burning stove products. A strong product range with well known brands supported by intensive marketing will help to further cement our market-leading position.

Foreign sales grew strongly during the year and now account for almost half of the business area's turnover. There is considerable potential for continued growth in foreign markets through continued expansion of the international dealer network, the launch of new products and acquisitions.

One step in our continued international expansion was the acquisition at the beginning of 2006 of Varde Ovne A/S, a Danish stove producer with annual sales of some SEK 95 million. The strategy behind the acquisition is to obtain a leading position in the Danish stove market as well, and gain access to another range of products with an international design.

The capacity of our production plants is sufficient to handle anticipated growth for the immediate future, but in the longer term investment will be required in production plants and production equipment to enable continued expansion. All in all, the outlook for continued positive sales growth is bright.



Visitors and customers are always guaranteed a warm welcome in our new reception from Lotta Håkansson and Helén Söderström.



Andreas Jansson takes pride in his work, assembling every stove with the utmost care. Dedication like his forms the basis for our quality philosophy.

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 has increased constantly since the mid 1990s as a result of escalating energy costs and economic policies that have given Swedish households greater scope for consumption.

While the main bulk of sales is still to home-owners and people with weekend cottages, sales to new housing are rising constantly as more and more house-buyers choose a wood-burning stove as an additional source of heat for their new home.

Thanks to its broad and comprehensive range of products, 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

Demand 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. Such distinctive variations in taste are generally the result of the fact that a specific style has been established in a market by domestic manufacturers.

Demand in our export markets is governed by the same factors as those in Sweden. In the Nordic countries, where electricity serves as the source for a relatively large proportion of heating needs, demand tends to be driven by the price of electricity, whereas in many other European countries it is dependent on the price of gas or oil. Recent price hikes in oil products have resulted in a dramatic increase in demand for wood-burning stoves throughout the whole of Central Europe, and our own sales have developed highly positively on all the markets in this area.

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.

Industry trends

Over the past ten 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 all sizes 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 there will be some kind of structural change on several European markets in the near future.

NIBE STOVES

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 the product segment where companies have proved their ability to offer modern design in combination with a competitive price.

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, first and foremost by the big European multiples. This suggests that in future it will be more than product technology alone that determines a manufacturer's success. The long-term planning of a company, its financial stability, environmental reputation and ability to show the proper concern for its dealers and end-customers will all grow in significance over the years to come.

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 five different product groups:

- Wood-burning stoves, with or without surrounds in soapstone, tiles, etc.
- Masonry stoves
- Cast-iron stoves
- Tiled stoves
- Stove inserts

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 and Roslagsspisen brands. Northstar, which was acquired during the year, markets and sells its products in Norway under the Nordpeis brand, while on other markets we will be using the Nord name for these products. The newly acquired Danish Varde brand consists mainly of sheet metal wood stoves with an international design. As all our brands are so strong, particularly on their own domestic markets, all have been duly protected as trademarks.

For customers who do not already have a chimney in their homes, NIBE offers a complete modular chimney system which has been specially designed for use with stoves sold by NIBE.

This easily assembled system in stainless steel can be installed without the need for an existing chimney flue and is also the alternative which offers the best value for money on the Swedish market.

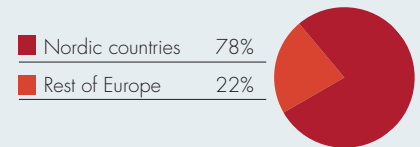
There is a clear trend towards products becoming more similar throughout Europe in terms of function and design. We believe that the current, international design trend for lightweight fire-boxes with uncluttered lines and large expanses of glass will gain ground on all of our sales markets. This is proved not least by the sales successes of our latest launches of stoves incorporating this kind of design.

Development process

NIBE Stoves has a long tradition of product development. Substantial resources are allocated to developing 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 SP (the Swedish National Testing and Research

Sales by geographical market



Distribution



Opportunities and threats

- + Sales potential in some segments of the domestic market
- + 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
- Hastily introduced government energy policies
- Local authority decisions on restrictions relating to wood-burning products
- Low-price competition
- General economic climate



A wood stove is the focal point of family life according to the Johanssons in Hässleholm, proud new owners of this attractive model.

Institute). These guarantee that the stove's heat output can be regulated and that the stove produces low emissions and delivers high efficiency.

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 in Sweden.

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 around both existing fire-boxes and totally new combustion chambers and models. We have a very 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 for new models to be developed and launched with increasing rapidity, and 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.

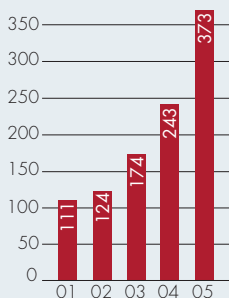
Production

Most of NIBE Stoves' products – lightweight, steel-plate wood stoves – are manufactured at our modern production plant in Markaryd, opened just a few years ago. The plant is constantly updated and adapted to handle the steady flow of new models. Together with investments in new production equipment, this has resulted in much higher production capacity and increased productivity. The capacity of our production plants is sufficient to handle anticipated growth for the immediate future, but in the longer term investment will be required in production plants and production equipment to facilitate continued expansion.

The acquisition of Northstar has given NIBE Stoves access to its own unit for the production of concrete surrounds and the assembly of stove products in Poland. The production of tiled stoves under the Cronspisen brand is being transferred from Emmaboda in Sweden to the Polish plant at the beginning of 2006, resulting in lower production costs for this product group.

Varde's products will continue to be produced at its own production plant in Denmark.

Average number of employees





The Handöl 24 has a panoramic "widescreen" look.



Leif Gustavsson, Financial Director

The Board of Directors and Managing Director of NIBE Industrier AB (publ), corporate identity number 556374-8309, with its registered office in the Municipality of Markaryd, Sweden, hereby present their annual report for the company and the NIBE Group for the 2005 financial year. (Figures in brackets relate to 2004.)

Principal activities

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 4,600 employees and conducts business operations in 15 countries in Europe, Asia and North America.

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.

Five-year Review

Consolidated Income Statement

Income statement over the past five years

Sales have grown constantly over the last five years. The target during the period was annual growth of 20%, preferably with half of this being organic. Sales actually grew from SEK 1,304.2 million to SEK 3,819.1 million during the period, through a combination of organic growth and an aggressive acquisition strategy that has seen the Group take over some 20 different companies and lines of business.

Growth during the period averaged 24.0%, dividing into organic growth of 13.7% and acquired sales of 10.3%.

The profitability target during the period was 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 averaged 5.3% before the restructuring provision, and 3.9% after. NIBE Heating generated an average operating margin of 12.7%, and NIBE Stoves 19.4%.

The Group's return on equity during the period averaged 25.7% after the restructuring provision.

Income statements

(in millions of SEK)	2005	2004	2003	2002	2001
Net sales	3,819.1	3,161.0	2,451.1	1,944.2	1,677.1
Cost of goods sold	- 2,763.9	- 2,170.8	- 1,736.3	- 1,389.3	- 1,242.7
Gross profit	1,055.2	990.2	714.8	554.9	434.4
Selling expenses	- 578.0	- 471.1	- 341.4	- 266.2	- 209.8
Administrative expenses	- 224.0	- 177.0	- 144.8	- 108.3	- 92.3
Other income	+ 56.9	+ 23.3	+ 24.3	+ 12.1	+ 13.6
Operating profit	310.1	365.4	252.9	192.5	145.9
Net financial items	- 36.5	11.8	- 16.0	- 22.7	- 11.9
Profit after net financial items	273.6	377.2	236.9	169.8	134.0
Tax	- 89.9	- 97.7	- 74.4	- 50.7	- 39.7
Net profit for the year	183.7	279.5	162.5	119.1	94.3
Minority participation in profit/loss after tax	+ 1.7	+ 1.1	+ 0.5	- 0.4	- 0.2
Includes the following amounts for depreciation according to plan	121.1	96.5	70.4	56.1	46.9

Income statement 2005

Net sales

Group net sales grew by 20.8% to SEK 3,819.1 million (2004: SEK 3,161.0 million). Sales increased in all three of the Group's business areas: by 13.2% at NIBE Element (10.4% organic and 2.8% acquired), by 23.6% at NIBE Heating (14.5% organic and 9.1% acquired), and by 29.3% at NIBE Stoves (13.1% organic and 16.2% acquired).

Group net sales outside Sweden amounted to SEK 2,291.4 million (2004: SEK 1,715.0 million), an increase of SEK 576.4 million. As such, net sales abroad accounted for 60.0% (54.3%) of total net sales. Net sales in the Swedish market climbed 5.7% to SEK 1,527.7 million (SEK 1,446.0 million).

Organic growth accounted for SEK 408.8 million of the total increase in the Group's net sales of SEK 658.1 million. The remaining SEK 249.3 million came from acquisitions and breaks down into SEK 31.3 million at NIBE Element, SEK 144.8 million at NIBE Heating, and SEK 73.2 million at NIBE Stoves.

Operating profit

The Group's operating profit amounted to SEK 310.1 million, a decrease of 15.1% from SEK 365.4 million in 2004. The operating margin was 8.1% (11.6%).

The 2005 figure was affected by a restructuring provision at NIBE Element which reduced operating profit by SEK 70.0 million. Excluding this non-recurring charge, operating profit was SEK 14.7 million higher than in 2004. The operating margin excluding the restructuring provision was 10.0%.

This restructuring provision meant that NIBE Element reported an operating loss for the year of SEK 49.0 million, against a profit of SEK 68.3 million in 2004. Excluding the provision, the business area generated operating profit of SEK 21.0 million in 2005. The operating margin before the provision was 1.6%, against 6.0% in 2004.

NIBE Heating's operating profit grew by SEK 42.0 million or 20.1% to SEK 251.4 million (SEK 209.4 million). The operating margin was 12.8% (13.1%).

NIBE Stoves' operating profit grew by SEK 20.6 million or 20.0% to SEK 123.6 million (SEK 103.0 million). The operating margin was 21.1% (22.8%).

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 requirements and investments corresponding to the annual rate of depreciation. The calculations for 2005 did not provide any indication of impairment.

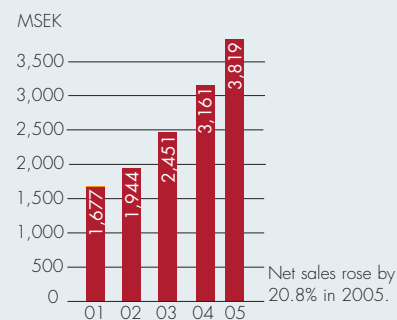
Profit after financial items

Profit after financial items decreased by 27.5% to SEK 273.6 million (SEK 377.2 million), giving a pre-tax profit margin of SEK 7.2% (11.9%). The profit for the year was reduced by a restructuring provision in the NIBE Element business area of SEK 70.0 million. Excluding this provision, profit after financial items was SEK 343.6 million. The 2004 figure was boosted by a non-recurring gain of SEK 43.2 million on the sale of shares in Jøtul AS. Excluding non-recurring items in both years, pre-tax earnings were 2.9% higher in 2005. Financial items generated net expense of SEK 36.5 million (net income of SEK 11.8 million). The main reason for the SEK 48.3 million decrease in net financial items is the gain on the sale of shares in Jøtul AS in 2004.

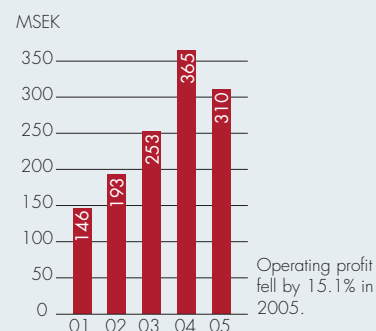
Tax

The tax charge for the year was SEK 89.9 million (SEK 97.7 million), which gives an effective tax rate of 32.9% (25.9%). The nominal tax rate in Sweden is 28%. The main reason for the higher effective tax rate is that, for reasons of prudence, tax assets have not been recognised in respect of some tax losses.

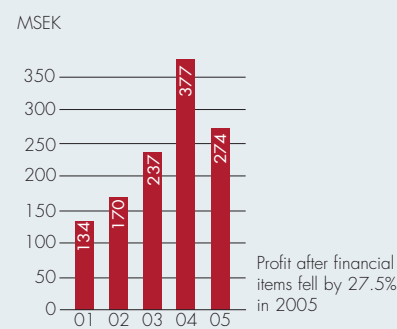
Net sales 2001 – 2005



Operating profit 2001 – 2005

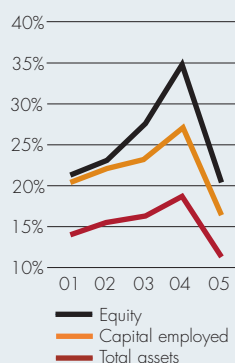


Profit after financial items 2001 – 2005

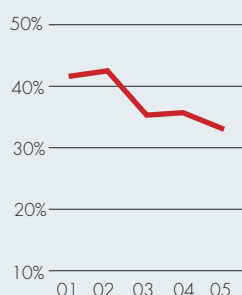


Consolidated Balance Sheet and Key Ratios

Returns 2001 – 2005



Equity/assets ratio
2001 – 2005



Balance sheet over the past five years

Total assets grew from SEK 958.3 million to SEK 3,125.3 million during the period. Inventories and current receivables (mainly trade receivables) account for around 47% 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 increased by SEK 711.6 million during the period. Of this increase, around 50% was added through acquisitions of companies and lines of business, and around 50% through investments in existing businesses, above all the Group's facilities in Markaryd where NIBE Heating and NIBE Stoves have the bulk of their production capacity.

Non-current non-interest-bearing liabilities and provisions consist mainly of deferred tax, warranty provisions and restructuring provisions, and grew from SEK 68.9 million to

SEK 265.2 million during the period. The increase is due primarily to the restructuring provision in 2005 and deferred tax liabilities in untaxed reserves.

Current and non-current interest-bearing liabilities and provisions consist of pension provisions and loans from banks and other financial institutions, and grew from SEK 233.5 million to SEK 1,143.7 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%. This ratio averaged 36.4% during the period.

Current non-interest-bearing liabilities and provisions grew by SEK 447.3 million from SEK 238.1 million to SEK 685.4 million during the period. Accrued expenses and traditional trade payables, which are both directly related to the expansion of the business, account for approximately 78% of the total.

Balance sheet 2005

Equity ratio and returns

The Group's equity ratio at the end of the year was 33.0% (35.7%). Equity including minority interests amounted to SEK 1,031.0 million (SEK 891.6 million).

Balance sheets

(in millions of SEK)	2005	2004	2003	2002	2001
Intangible non-current assets	458.5	304.7	210.7	114.6	96.5
Tangible non-current assets	1,015.2	875.7	659.3	426.9	394.5
Financial non-current assets	36.0	10.6	47.2	43.4	26.2
Total non-current assets	1,509.7	1,191.0	917.2	584.9	517.2
Inventories	831.1	690.2	445.6	377.7	331.6
Current receivables	651.2	525.4	443.3	306.1	289.2
Investments	1.1	0.9	2.3	0.9	3.1
Cash equivalents	132.2	88.6	81.5	67.1	53.4
Total current assets	1,615.6	1,305.1	972.7	751.8	677.3
Total assets	3,125.3	2,496.1	1,889.9	1,336.7	1,194.5
Equity	1,031.0	891.6	666.8	568.1	497.0
Long-term liabilities and provisions, non-interest-bearing	265.2	205.1	140.7	104.1	76.4
Long-term liabilities and provisions, interest-bearing	1,025.8	730.3	602.6	322.3	300.4
Current liabilities and provisions, non-interest-bearing	685.4	586.9	424.1	300.8	283.5
Current liabilities and provisions, interest-bearing	117.9	82.2	55.7	41.4	37.2
Total equity and liabilities	3,125.3	2,496.1	1,889.9	1,336.7	1,194.5

The Group's return target is a return on equity of at least 20% in the long term. The return on equity in 2005 was 20.4% (34.8%). The return on capital employed was 16.4% (27.1%). The profitability target for the business areas is an operating margin of at least 10% for each profit centre over a complete business cycle. NIBE Element's operating margin amounted to -3.8% (6.0%) after the restructuring provision, and 1.6% before.

NIBE Heating generated an operating margin of 12.8% (13.1%), and NIBE Stoves 21.1% (22.8%). The operating margin for the Group as a whole was 8.1% (11.6%) after the restructuring provision, and 10.0% before.

Cash and cash equivalents

The Group had cash and cash equivalents of SEK 132.2 million (SEK 88.6 million) at

the end of the year. It also had unused overdraft facilities of SEK 463.2 million (SEK 296.8 million). The Group's overdraft facilities were extended by SEK 292.3 million net during the year. Overdraft facilities of SEK 14.3 million were added through acquisitions, which means that existing facilities were increased by SEK 278.0 million.

Key ratios

		2005	2004	2003	2002	2001
Net sales	MSEK	3,819.1	3,161.0	2,451.1	1,944.2	1,677.1
Growth	%	+ 20.8	+ 29.0	+ 26.1	+ 15.9	+ 28.6
Profit after net financial items	MSEK	273.6	377.2	236.9	169.8	134.0
Net investments in fixed assets	MSEK	375.7	305.1	350.6	136.3	151.0
Gross margin	%	11.3	14.6	13.2	12.8	11.5
Operating margin	%	8.1	11.6	10.3	9.9	8.7
Net profit margin	%	7.2	11.9	9.7	8.7	8.0
Capital employed	MSEK	2,174.7	1,704.3	1,325.1	931.8	834.6
Equity	MSEK	1,031.0	891.6	666.8	568.1	497.0
Return on capital employed	%	16.4	27.1	23.2	22.1	20.4
Return on equity	%	20.4	34.8	27.6	23.1	21.3
Return on total assets	%	11.3	18.7	16.3	15.5	14.0
Asset turnover	times	1.36	1.44	1.52	1.54	1.56
Equity/assets ratio	%	33.0	35.7	35.3	42.5	41.6
Proportion of risk-bearing capital	%	36.7	40.4	40.1	47.9	46.8
Operating cash flow	MSEK	- 15.8	120.3	15.6	32.9	14.7
Interest cover	times	7.2	12.3	10.3	7.6	8.8
Interest-bearing liabilities/Equity	%	110.9	91.1	98.7	64.0	67.9
Average number of employees		4,339	3,755	2,881	2,444	2,183

Definitions

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.

Net profit margin

Pre-tax profit 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 minority 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.



Consolidated Cash Flow Statements

Cash flow over 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 21% of sales.

Investment in existing operations

Between 2001 and 2002 investment in existing operations was at a level of around SEK 100 million, rising to just over SEK 170 million in 2003 and 2004, and more than SEK 200 million last year. Most of these investments have been in the Group's plants in Markaryd, Sweden, where most 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 the element business.

Acquisition of businesses

Over the years, NIBE Industrier has pursued an aggressive acquisitions strategy. In the five years up to the end of 2005, 18 takeovers of companies and lines of business have been made, of which nine relate to the NIBE Element business area, seven to NIBE Heating and two to NIBE Stoves. It is the company's intention to continue its acquisitions strategy in the future.

Financing

All capital requirements over the past five years for takeovers, investments in existing operations and operating capital for organic expansion and share dividends have been financed exclusively by the company's own internally generated cash flows and by traditional bank 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 29.4% of the net profit for the year after full tax but before allocations to the structural reserve.

Cash flow statements

(in millions of SEK)	2005	2004	2003	2002	2001
Cash flow before change in working capital	312.6	381.8	240.7	176.0	134.5
Change in working capital	-109.4	-82.0	-54.7	-34.5	-11.6
Cash flow from operating activities	203.2	299.8	186.0	141.5	122.9
Investments in current operations	-219.0	-179.5	-170.4	-108.6	-108.2
Operating cash flow	-15.8	120.3	15.6	32.9	14.7
Acquisition of companies	-156.7	-125.6	-180.3	-27.7	-42.8
Cash flow after investments	-172.5	-5.3	-164.7	5.2	-28.1
Financing	296.1	54.8	212.9	34.6	67.4
Dividend to shareholders	-70.4	-43.4	-32.3	-25.0	-22.0
Cash flow for the year	53.2	6.1	15.9	14.8	17.3
Liquid funds at the beginning of the year	88.6	81.5	67.1	53.4	34.3
Exchange rate difference in liquid funds	-9.6	1.0	-1.5	-1.1	1.8
Liquid funds at year-end	132.2	88.6	81.5	67.1	53.4

Cash Flow 2005

Cash flow from day-to-day activities

The consolidated cash flow for 2005 after changes in working capital amounted to SEK 203.2 million (2004: SEK 299.8 million).

Investment

Group acquisitions of subsidiary companies/lines of business totalled SEK 156.7 million (SEK 125.6 million). Investment in existing units totalled SEK 219.0 million (SEK 179.5 million), allocated as follows:

(in millions of SEK)	2005	2004
Machinery and equipment	142.2	127.3
Properties	40.6	57.1
Construction in progress	0.1	11.6
Sale of associated company	- 3.1	- 39.5
Other fixed assets	39.2	23.0
	219.0	179.5

Consequently, cash flow after investment activities was SEK -172.5 million (SEK - 5.3 million).

Operating cash flow (i.e. after investments, but excluding acquisitions of subsidiary companies/lines of business) was SEK -15.8 million (SEK 120.3 million).

Credits from finance institutions and pensions funds etc.

(in millions of SEK)	2005	2004
Loans with floating interest and repayments over 10 yrs	910.9	706.2
Utilised portion of overdraft facilities w. floating interest rate	210.4	84.6
Pensions provisions	22.4	21.7
Total interest-bearing liabilities	1,143.7	812.5
Unutilised overdraft facilities	463.2	296.8
Total credit available	1,606.9	1,109.3

The Group's total interest-bearing liabilities at the year-end amounted to SEK 1,143.7 million (SEK 812.5 million). The average interest expense for the total of interest-bearing liabilities was 4.1% (4.4%).

The Group's net liabilities, which consist of interest-bearing liabilities minus cash equivalents and short-term investments totalled SEK 1,010.4 million (SEK 723.0 million).

Acquisitions

During 2005 the NIBE Group took over one new company and one line of business, both outside Sweden.

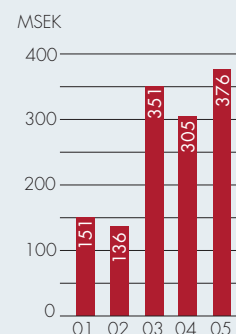
The line of business related to a small-scale acquisition in Denmark.

The corporate acquisition related to the takeover of the Northstar Group, which has manufacturing operations in Poland but sells most of its production in Norway. Annual sales are estimated at around SEK 150 million and were consolidated with effect from 1 August 2005.

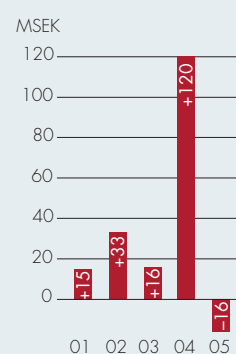
Cash flow effect of acquisitions

(in millions of SEK)	2005	2004
Intangible non-current assets	- 121.2	- 94.4
Tangible non-current assets	- 42.6	- 102.4
Financial non-current assets	- 0.1	- 3.0
Current receivables	- 6.6	- 79.0
Inventories	- 30.7	- 62.4
Cash equivalents	- 1.8	- 8.3
Provisions	-	3.9
Liabilities	44.5	211.7
Purchase price	- 158.5	- 133.9
Cash equivalents in companies acquired	1.8	8.3
Effect on the Group's cash and cash equivalents	- 156.7	- 125.6

Investments in fixed assets 2001 - 2005



Operating cash flow 2001 - 2005





Risk Management

Dependence on customers

All three business areas work with a wide range of customers. None are 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.

Bad debt losses

In operations where goods or services are supplied against subsequent payment, bad debt losses cannot be completely avoided. To minimise the risks, Group policy includes annual credit ratings of large customers. The credit period is normally 30 days, although regional variations do occur, with shorter or longer credit periods.

In our opinion, the Group has a highly effective system of credit safeguards, which have consistently ensured that the Group has not been affected by bad debt losses to any significant extent.

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 the rest of 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 as a result of an individual supplier being unable to meet our stipulated requirements.

Price risks

Material prices

A fairly significant proportion of the materials used to manufacture the Group's products is priced in USD 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.

Currency risks

Currency risks are the risks of movements in exchange rates negatively affecting the Group's position and results. These risks can be divided into transaction risks and translation risks.

Transaction risks

A total of 67.0% (2004: 68.1%) of Group invoicing from Sweden is in SEK. Estimated future net flows from invoicing and purchasing in other currencies are hedged for a period of 6–12 months. The total net flow of foreign currency translated into SEK was SEK 479.7 million in 2005.

The largest net inflows during the year were in EUR (SEK 354.9 million) and NOK (SEK 157.6 million), while the largest net outflow was in USD (SEK 22.7 million).

Translation risks

Translation risks are the risks of currency losses from the translation of foreign subsidiaries' income statements and balance sheets into SEK.

The value of foreign net assets in the consolidated balance sheet as at 31 December 2005 was SEK 457.1 million. This broke down into net assets of SEK 170.9 million in EUR, SEK 95.4 million in PLN, SEK 64.3 million in DKK, SEK 53.4 million in NOK, SEK 40.6 million in CZK, SEK 18.0 million in GBP, SEK 8.7 million in HKD and SEK 5.8 million in USD.

A 1% fall in the value of the SEK against these currencies will increase the Group's equity by SEK 4.6 million, while a 1% increase will decrease equity by the same amount.

To minimise the impact of translation risks, net assets are financed in the same currency as far as possible.

Interest rate risks

Interest rate risks are the risks of changes in market interest rates negatively affecting the Group's interest income/expense. How quickly a change in interest rates impacts on interest income/expense depends on the length of a loan's fixed-interest period.

The Group's policy is that the fixed-interest period for loans should, as far as possible, match the fixed period for incoming cash flows.

The Group's interest-bearing liabilities amounted to SEK 1,143.7 million at the end of the year. The average interest rate was 4.1%. Assuming unchanged levels of debt, a 1% change in the interest rate will increase or decrease the Group's earnings by SEK 11.4 million.

Financing risks/future capital requirements

Financing risks are the risks of difficulties in financing the Group's operations, resulting in increased expense in the short and long term.

The Group's cash flow is good, and is expected to remain so. This is, of course, highly significant for the Group's ability to carry out any necessary investment activities and to ensure that other commitments can be fulfilled. The Group also has an acquisitive policy with regard to takeovers. The policy aims at growth of 20% per year, of which at least half is to derive from organic growth.

In any particular year, the total capital requirement may exceed internal cash flow. It is expected that it will be possible to meet any shortfall partly through the traditional banking system and partly through the stock market, without incurring any abnormal levels of expense.

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's patent. None of the Group's operating companies is involved in any material legal disputes.

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 one and five times the so called "basic amount" prescribed in Sweden for calculations of this kind.

Within the Group's product areas, there is always a risk that a series fault could lead to product recalls, through faults in 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.

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 on the right shows the effect of a variety of changes on the Group's result, based on the income statement for 2005.

Sensitivity analysis

	Base for calc. SEK m	Change %	Impact SEK m
Net sales (margin constant)	3,819.1	+/- 1.0	13.7
Operating margin (volume constant)		+/- 0.1	3.8
Material costs	1,557.6	+/- 1.0	15.6
Payroll expenses	1,029.1	+/- 1.0	10.3
Interest-bearing liabilities (interest constant)	1,143.7	+/- 10.0	4.7
Interest rate % (interest-bearing liability constant)	4.1%	+/- 1.0	11.4

Based on Income Statement 2005

Sensitivity to currency movements in foreign net assets

	SEK change %	Impact SEK m
Swedish krona rises against all currencies in which NIBE Industrier has net assets	+ 1.0	- 4.6
Swedish krona falls against all currencies in which NIBE Industrier has net assets	- 1.0	+ 4.6

Based on net assets 31 December 2005.



Important events during the year

2005 saw the acquisition of the Northstar Group with a manufacturing unit in Poland, a sales organisation in Norway, and annual sales of around SEK 150 million. Its business is the manufacture and sale of inserts and concrete surrounds for wood-burning stoves, and it now forms part of the NIBE Stoves business area. In 2005 the business contributed sales of SEK 73.2 million and net profit of SEK 11.8 million.

In August the Board decided to introduce a restructuring programme in the NIBE Element business area. The main thrust of the programme is the transfer of production from western Europe to eastern Europe and China. These measures, which will take 18 to 24 months to complete, are expected to boost earnings by around SEK 40 million a year. The rate at which the restructuring can be implemented will depend primarily on how quickly we manage to expand production capacity in the recipient units.

A provision of SEK 70 million was recognised in respect of this restructuring. As a result of this non-recurring charge, the parent company made a shareholder contribution of SEK 100 million to the wholly owned subsidiary Backer BHV AB, and wrote down the carrying amount of its shares in the subsidiary by SEK 18.3 million. A total of SEK 11.7 million of the provision was utilised in 2005.

With effect from 2005 NIBE is preparing its consolidated financial statements in accordance with IFRS, subject to the exceptions and additional requirements set out in the Swedish Financial Accounting Standards Council's recommendations RR32 "Accounting for legal entities" and RR30 "Supplementary accounting regulations for groups".

Important events after the end of the financial year

In January 2006 the Jämä brand was acquired from Finnish boiler manufacturer Jämätek.

In March 2006 the Varde Group in Denmark was acquired, with annual sales of around SEK 95 million and pre-tax profits of around SEK 6 million. Varde develops, manufactures and markets wood-burning stoves and will form part of the NIBE Stoves business area. The company is a leader in its product area in Denmark and also has

substantial sales in the German market. The business was consolidated into the NIBE Group with effect from 1 January 2006

Outlook

NIBE has continued to strengthen its position in priority markets. The prospects for continued growth in market share are believed to be good in all three business areas. Work on improving internal efficiency is constantly under way in order to increase competitiveness. The prospects for a number of further acquisitions are believed to be good, and confidence in NIBE's performance in 2006 remains strong.

The work of the Board

The Board of NIBE Industrier consists of five directors elected by the Annual General Meeting. Employees of the company may, if necessary, be called in to appear before the Board to clarify specific issues or act as an expert resource. The Board deals with all matters of import. No committees have been set up.

During 2005 the Board convened on ten occasions, four of which were conducted as telephone conferences. Board meetings were held in connection with the publication of interim reports and the year-end unaudited figures. One meeting concerned the company's budget, while others discussed major investments and takeovers. Minutes were taken at all meetings.

Once a month the Board is updated on the company's financial performance and position. The managing director is in continual contact with the Chairman.

Appropriation of profits

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

Profit brought forward	SEK 106.6 million
Profit for the year	SEK 72.4 million
Total	SEK 179.0 million

The Board of Directors proposes issuing a dividend to shareholders of SEK 3.00 per share: in total, SEK 70.4 million. It is anticipated that the dividend will be paid on 19 May 2006.

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.

Income statements

ANNUAL ACCOUNTS 2005

(in millions of SEK)		Group		Parent company	
		2005	2004	2005	2004
Net sales	Note 3	3,819.1	3,161.0	2.4	2.1
Cost of goods sold		- 2,763.9	- 2,170.8	-	-
Gross profit		1,055.2	990.2	2.4	2.1
Selling expenses		- 578.0	- 471.1	-	-
Administrative expenses	Note 5	- 224.0	- 177.0	- 15.0	- 14.4
Other operating income	Note 10	56.9	23.3	0.2	0.2
Operating profit	Notes 3 – 10	310.1	365.4	- 12.4	- 12.1
Profit from financial investments					
Profit from participations in Group companies	Note 11	-	-	90.8	89.9
Profit from participations in associated companies	Note 11	3.1	43.2	3.1	43.2
Interest income and similar profit/loss items	Note 12	4.2	1.8	5.7	3.6
Interest expenses and similar profit/loss items	Note 13	- 43.8	- 33.2	- 16.1	- 11.1
Profit after financial items		273.6	377.2	71.1	113.5
Appropriations	Note 14	-	-	1.5	0.0
Tax on the profit for the year	Note 15	- 89.9	- 97.7	- 0.2	- 0.0
Profit for the year		183.7	279.5	72.4	113.5
Parent company's share of net earnings		182.0	278.4	-	-
Minority participation in net earnings		1.7	1.1	-	-
Depreciation according to plan		121.1	96.5	0.1	0.1
Number of shares at year-end		23,480,000	23,480,000		
Earnings per share in SEK		7.75	11.86		
Proposed dividend per share in SEK		3.00	3.00		

Quarterly data

Consolidated income statement

(in millions of SEK)	2005				2004			
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
Net sales	800.9	868.9	977.5	1,171.8	693.9	704.6	785.0	977.5
Operating expenses	- 731.4	- 800.3	- 928.5	- 1,048.8	- 634.4	- 643.0	- 673.0	- 845.2
Operating profit	69.5	68.6	49.0	123.0	59.5	61.6	112.0	132.3
Net financial items	- 8.9	- 6.3	- 9.9	- 11.4	- 6.1	- 1.8	+ 16.4	+ 3.3
Profit after net financial items	60.6	62.3	39.1	111.6	53.4	59.8	128.4	135.6
Tax	- 19.1	- 19.9	- 17.8	- 33.1	- 13.5	- 17.9	- 27.6	- 38.7
Net profit for the year	41.5	42.4	21.3	78.5	39.9	41.9	100.8	96.9

Net sales – by business area

NIBE Element	304.1	319.4	305.2	369.0	275.9	284.4	268.2	318.1
NIBE Heating	394.2	471.9	525.4	577.3	321.9	350.9	422.7	497.6
NIBE Stoves	109.9	85.3	154.6	234.8	104.2	79.4	97.7	170.7
Group eliminations	- 7.3	- 7.7	- 7.7	- 9.3	- 8.1	- 10.1	- 3.6	- 8.9
Group	800.9	868.9	977.5	1,171.8	693.9	704.6	785.0	977.5

Operating profit – by business area

NIBE Element	11.7	3.7	- 58.9	- 5.5	18.3	13.9	18.1	18.0
NIBE Heating	41.6	55.4	79.0	75.4	28.3	38.0	72.5	70.6
NIBE Stoves	19.5	14.4	31.9	57.8	16.1	14.2	24.7	48.0
Group eliminations	- 3.3	- 4.9	- 3.0	- 4.7	- 3.2	- 4.5	- 3.3	- 4.3
Group	69.5	68.6	49.0	123.0	59.5	61.6	112.0	132.3

Balance sheets

Assets

(in millions of SEK)	Group		Parent company		
	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004	
Non-current assets					
Intangible assets					
Goodwill	Note 16	452.5	299.8	-	-
Other intangible assets	Note 17	6.0	4.9	-	-
Total		458.5	304.7	-	-
Tangible assets					
Land and buildings	Note 18	483.0	394.2	-	-
Machinery and equipment	Note 19	488.6	425.0	0.2	0.3
Construction in progress	Note 20	43.6	56.5	-	-
Total		1,015.2	875.7	0.2	0.3
Financial assets					
Shares in subsidiaries	Note 21	-	-	834.0	595.8
Receivables from Group companies		-	-	231.1	117.3
Shares in associated companies	Note 22	0.0	0.0	-	-
Long-term securities held		0.2	0.2	-	-
Deferred tax asset	Note 15	30.1	4.7	-	-
Other long-term receivables		5.7	5.7	-	-
Total		36.0	10.6	1,065.1	713.1
Total non-current assets		1,509.7	1,191.0	1,065.3	713.4
Current assets					
Inventories					
Raw materials and consumables		409.0	342.9	-	-
Work in progress		120.5	110.4	-	-
Finished products and goods for resale		301.6	236.9	-	-
Total		831.1	690.2	-	-
Current receivables					
Accounts receivable – trade		552.5	468.9	0.0	0.0
Receivables from Group companies		-	-	7.8	0.7
Tax asset		10.0	2.9	0.2	0.1
Other receivables		62.0	34.2	0.6	13.6
Prepaid expenses and accrued income		26.7	19.4	0.3	0.3
Total		651.2	525.4	8.9	14.7
Current investments	Note 23	1.1	0.9	-	-
Cash equivalents		132.2	88.6	0.1	0.6
Total current assets		1,615.6	1,305.1	9.0	15.3
Total assets		3,125.3	2,496.1	1,074.3	728.7

Equity and liabilities

(in millions of SEK)	Group		Parent company	
	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Equity				
Share capital	Note 24	58.7	58.7	58.7
Capital contributed/restricted reserves		67.4	67.4	74.9
Total restricted equity			133.6	133.6
			<i>Non-restricted equity</i>	
Other reserves		24.8	- 1.1	-
Profit brought forward incl. profit for the year		874.9	763.3	179.0
Minority interest		5.2	3.3	-
Total non-restricted equity			179.0	177.0
Total equity		1,031.0	891.6	312.6
Untaxed reserves				
Tax allocation reserves		-	-	1.6
Accelerated depreciation		-	-	0.1
Total untaxed reserves		-	-	1.7
Non-current liabilities and provisions	Note 27			
Provisions for post-employment benefits	Note 25	27.3	26.4	-
Provisions for taxes	Note 15	116.4	117.2	-
Guarantee risk reserve	Note 26	47.8	43.3	-
Structural reserve	Note 26	60.6	-	-
Other provisions, non-interest-bearing	Note 26	7.9	5.8	-
Bank overdraft facilities	Note 28	210.4	84.6	-
Liabilities to credit institutions		792.2	624.0	456.7
Liabilities to Group companies		-	-	129.8
Other liabilities, interest-bearing		0.7	0.0	-
Other liabilities, non-interest-bearing		27.7	34.2	14.5
Total non-current liabilities and provisions		1,291.0	935.4	601.0
Current liabilities and provisions				
Liabilities to credit institutions		117.9	82.2	48.7
Accounts payable – trade		278.1	232.0	0.4
Advance payments from customers		2.2	2.6	-
Liabilities to Group companies		-	-	100.2
Tax liability		42.2	22.9	-
Other liabilities		108.2	100.5	7.4
Accrued expenses and deferred income	Note 29	254.7	228.9	3.8
Total current liabilities and provisions		803.3	669.1	160.5
Total equity and liabilities		3,125.3	2,496.1	1,074.3
Pledged assets	Note 30	1,553.0	1,262.1	335.0
Contingent liabilities	Note 31	3.9	6.5	260.2

Changes in equity

Group

(in millions of SEK)	Share capital	Contributed capital	Other reserves ¹⁾	Profit brought forward incl profit for the year	Minority interest	Total Equity
Equity 31 Dec 2003	58.7	67.4	- 4.2	525.0	2.2	649.1
Effect of change in accounting principles ²⁾				3.3		3.3
Adjusted equity brought forward 1 Jan 2004	58.7	67.4	- 4.2	528.3	2.2	652.4
Exchange rate differences ⁴⁾			3.1			3.1
Dividend				- 43.4		- 43.4
Profit for the year				278.4	1.1	279.5
Equity 31 Dec 2004	58.7	67.4	- 1.1	763.3	3.3	891.6
Effect of change in accounting principles ³⁾			3.3			3.3
Adjusted equity brought forward 1 Jan 2005	58.7	67.4	2.2	763.3	3.3	894.9
Market value of commercial forward exchange agreements after tax allowance			- 5.3			- 5.3
Exchange rate differences ⁴⁾			27.9		0.2	28.1
Dividend				- 70.4		- 70.4
Profit for the year				182.0	1.7	183.7
Equity 31 Dec 2005	58.7	67.4	24.8	874.9	5.2	1,031.0

1) Other reserves

(in millions of SEK)	Fair value reserve	Exchange rate difference	Total other reserves
Other reserves 31 Dec 2003		- 4.2	- 4.2
Exchange rate differences ⁴⁾		3.1	3.1
Other reserves 31 Dec 2004		- 1.1	- 1.1
Effect of change in accounting principles ³⁾	3.3		3.3
Adjusted other reserves 1 Jan 2005	3.3	- 1.1	2.2
Market value of commercial forward exchange agreements after tax allowance	- 5.3		- 5.3
Exchange rate differences ⁴⁾		27.9	27.9
Other reserves carried forward 31 Dec 2005	- 2.0	26.8	24.8

²⁾ With effect from 1 Jan 2004 the new accounting recommendation RR29 ("Employee benefits", based on IAS 19) has been applied. As a result of this change in accounting principles, a non-recurring increase of SEK 3.3 million has been recognised in equity.

³⁾ With effect from 1 Jan 2005 IAS 39 ("Financial Instruments") has been applied. As a result of this change in accounting principles, a non-recurring increase of SEK 3.3 million has been recognised in equity after a deduction for tax.

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

The year's exchange rate difference for foreign subsidiaries recomputed in accordance with the current method	33.6
The year's exchange rate difference when recomputed for loans to foreign subsidiaries	2.4
The year's exchange rate difference when recomputing loans in foreign currencies in connection with the acquisition of foreign subsidiaries: SEK 10.9 million, of which the tax effect is SEK 3.0 million	- 7.9
Total exchange rate difference for the period	28.1

Specification of accumulated exchange rate difference when recomputing figures for foreign subsidiaries

Accumulated exchange rate difference at start of year	- 1.4
Exchange rate difference for the year in foreign subsidiaries	33.6
Accumulated exchange rate difference at year-end	32.2

Parent company

(in millions of SEK)	Share capital	Restricted reserves	Non-restricted equity	Total equity
Equity 31 Dec 2003	58.7	74.9	106.9	240.5
Profit for the year			113.5	113.5
Dividend			- 43.4	- 43.4
Equity 31 Dec 2004	58.7	74.9	177.0	310.6
Profit for the year			72.4	72.4
Dividend			- 70.4	- 70.4
Equity 31 Dec 2005	58.7	74.9	179.0	312.6

Cash flow statements

(in millions of SEK)	Group		Parent company	
	2005	2004	2005	2004
Operating activities				
Operating profit	310.1	365.4	- 12.4	- 12.1
+ depreciation charged to this profit	121.1	96.5	0.1	0.1
+ capital losses	1.0	-	-	-
- minority participation in profits	- 1.7	- 1.1	-	-
Total	430.5	460.8	- 12.3	- 12.0
Interest received and similar items	4.2	45.0	5.7	46.8
Interest paid and similar items	- 41.5	- 32.6	- 16.1	- 11.2
Tax paid	- 80.6	- 91.4	- 0.3	0.4
Cash flow before change in working capital	312.6	381.8	- 23.0	24.0
Change in working capital				
Change in inventories	- 96.1	- 178.0	-	-
Change in current receivables	- 99.3	- 3.2	5.9	- 14.0
Change in current liabilities	86.0	99.2	117.1	13.0
Cash flow from operating activities	203.2	299.8	100.0	23.0
Investment activities				
Investments in machinery and equipment	- 146.2	- 127.3	-	- 0.1
Investments in buildings and land	- 43.6	- 57.1	-	-
Investment in construction in progress	- 0.7	- 11.6	-	-
Investment in goodwill	- 17.4	- 20.6	-	-
Investment in other intangible non-current assets	- 2.0	- 2.4	-	-
Disposal of associated companies	3.1	39.5	3.1	39.5
Sale of machinery and equipment	4.0	-	-	-
Sale of buildings and land	3.0	-	-	-
Sale of construction in progress	0.6	-	-	-
Sale of goodwill	0.3	-	-	-
Change in non-current receivables and other securities	- 20.1	-	- 113.9	- 58.4
Cash flow from investment activities	- 219.0	- 179.5	- 110.8	- 19.0
Operating cash flow ¹⁾	- 15.8	120.3	- 10.8	4.0
Acquired companies/lines of business ¹⁾	- 156.7	- 125.6	- 256.4	- 138.4
Financing activities				
Change in minority interest	1.7	1.1	-	-
Profit from participation in Group companies	-	-	109.1	89.9
Amortisation of long-term loans	- 109.3	- 87.4	- 32.6	- 51.4
Other changes in non-current liabilities and provisions	403.7	141.1	260.6	139.6
Shareholders' dividend	- 70.4	- 43.4	- 70.4	- 43.4
Cash flow from financing activities	225.7	11.4	266.7	134.7
Cash flow for the year	53.2	6.1	- 0.5	0.3
Cash equivalents at the beginning of the year	88.6	81.5	0.6	0.3
Exchange rate difference for cash equivalents	- 9.6	1.0	-	-
Cash equivalents at year-end	132.2	88.6	0.1	0.6

¹⁾ For further information about operating cash flow and the acquisition of companies, please refer to page 43.

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 4,600 employees and conducts business operations in 15 countries in Europe, Asia and North America. 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.

Note 2 Accounting and valuation principles

The NIBE Group's accounts have been drawn up in accordance with International Financial Reporting Standards (IFRS) and the Swedish Financial Accounting Standards Council's Recommendation RR30. The effects of the change to IFRS accounting principles for the accounts from 2004 are explained on pages 56–57.

During 2005, a new recommendation came into force, IAS 39 ("Financial instruments"). The NIBE Group is affected by this through the hedge accounting of forward currency contracts. The application of this recommendation means that financial instruments must be recognised at fair value in the balance sheet. In currency hedging of cash flows, changes in the fair value of the hedging instruments are recognised under equity until the underlying hedged item is recognised in revenue. Formerly, these changes were not recognised until the item had been recognised in revenue. The effect of the change in policy on Group equity is shown on page 50 ("Changes in Equity"). In accordance with the transition rules, the comparison figures for 2004 have not been restated.

The parent company's annual accounts have been drawn up in accordance with the Swedish Annual Accounts Act and Recommendation RR32 of the Swedish Financial Accounting Standards Council.

IFRS standards which have been published but had not yet come into force by 31 December 2005 are not anticipated to have any effect on the Group's financial reports for 2006.

Classification

Non-current assets and long-term (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 dominating 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 purchase method, with the application of IAS 27 and IFRS 3.

Foreign subsidiaries are classified as independent businesses, so their income statements and balance sheets are translated using the current method. This means that the assets and liabilities of foreign subsidiaries

are translated at the closing day rate, while all income statement items are translated at the average rate for the year. Translation differences are booked 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 against 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 28 per cent, and for foreign subsidiaries the appropriate tax rate in each country. The necessary provisions have been made for internal profits.

Minority participations in the year's profit are entered separately in the consolidated income statement. Minority participations in the equity of subsidiaries are entered separately in the consolidated balance sheet.

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 contributions

The company shows Group contributions and shareholders' contributions in accordance with the directive from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force.

Cash flow statement

The cash flow statement 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 investment or financing operations. Cash equivalents include cash and bank balances.

Revenue recognition

Sales revenue is recognised with VAT, returns and discounts deducted. 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. The secondary segmentation is geographical by markets. 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.

Other than trading between Group companies, the Group has no transactions with related companies or individuals.

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, 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 which 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.

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

During 2005, a new recommendation came into force, IAS 39 ("Financial instruments"). The NIBE Group is affected by this through the hedge accounting of forward currency contracts. The application of this recommendation involves, among other things, derivatives in the form of forward contracts being recognised at fair value in the balance sheet. In currency hedging of cash flows, changes in the fair value of the hedging instruments are recognised under equity until the underlying hedged item is recognised in revenue. Formerly, these changes were not recognised until the item had been recognised in revenue. The effect of the change

in policy on Group equity is shown on page 50 ("Changes in Equity"). In accordance with the transition rules, the comparison figures for 2004 have not been restated. The Parent Company does not carry out any currency hedging.

Leasing

The Group follows IAS 17 in respect of finance leasing. 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 16. In estimating future cash flows, the following assumptions have been made:

- An annual growth rate of 10.0%, which experience has shown to be conservative.
- A discount rate of 10.5%, based on actual cost of capital.
- A forecast period of 5 years.

The estimates have not indicated that there is a need for impairment in any business area. In the calculations for the NIBE Element business area, expenditure on ongoing restructuring measures has been eliminated as have the estimated efficiency gains resulting from the measures.

Neither a reduction of the assumed growth rate nor a rise in the assumed discount rate of two percentage units would give rise to an impairment requirement.

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 non-current 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 value 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.

Under IAS 38 ("Intangible assets") expenditure for the development of new products is recognised as intangible non-current assets if it is probable that such expenditure will lead to financial benefits for the company.

Within every business area, the NIBE Group has a number of employees whose task is to improve the quality of existing products and develop new products.

The economic benefits stemming from this type of development are normally not established until a very late stage. For this reason, no expenditure was capitalised in 2004 and 2005.

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, financial instruments available for sale, and financial instruments associated with operations. The classification is dependent on the purpose for which the instrument has been acquired.

Financial instruments valued at fair value through profit or loss

This class of financial instrument includes assets and liabilities which the company's management wishes to value at fair value, and changes in the value of which affect profit or loss. Derivative instruments are always included in this class unless the derivative constitutes part of a hedging transaction. NIBE holds short-term investments which fall within this category.

Financial instruments held to maturity

Financial instruments in the held-to-maturity category are acquired with the intention and financial ability on the part of the Group to hold them until the date of maturity. These financial instruments are valued at accrued cost of purchase using the effective interest method. The Group held no instruments belonging to this category during the financial year.

Financial instruments available for sale

This class contains financial instruments available for sale which are not derivatives. Financial instruments in this category are valued at fair value, and changes in value are recognised in equity. The Group held no instruments belonging to this category during the financial year.

Financial instruments associated with operations

Loan receivables and loan liabilities, accounts receivable and accounts payable are examples of financial instruments associated with operations. This type of financial instrument is held with no intention of trading in receivables or liabilities. Valuation is at accrued historical cost using the effective interest method.

The purchase and sale of financial instruments is recognised on the trading date (the date on which a binding agreement is entered into). All financial instruments which are not valued at fair value are initially valued at historical cost plus transaction costs. Assessments are made to ensure that the fair value of the asset is not lower than the historical cost, in which case impairment may be appropriate. Where impairment does take place, this is specified separately in the notes.

The fair value of the Group's assets and liabilities conforms to the carrying value in the balance sheet unless otherwise specified in a separate note.

The parent company does not make use of the opportunity to value financial instruments at fair value.

Receivables

Receivables have been recognised at the amount which, after individual assessment, it is estimated will be paid.

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

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 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. At every accounting date, the Group investigates whether there are indications that any non-current assets may have fallen in value. Where such an indication exists, 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 value 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.

During 2005, no indications emerged which led to an impairment requirement for intangible assets.

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, 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, among other things, 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. Actuarial gains and losses in connection with the transition to IAS 19 (i.e. as at 1 January 2004) have been included in their entirety in the estimated post-employment benefits obligation.

The Group’s payments in respect of defined-contribution plans are recognised as an expense during the period in which the employee 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 25.

Significant estimates and assumptions for accounting purposes

Company management makes estimates and assumptions about the future, and these affect carrying values. Consequently, the carrying amount in these cases is rarely equivalent to fair value. Estimates and assumptions which involve a risk of significant adjustments in carrying values 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”.

Provisions

The structural reserve is recognised as a provision. The reserve is valued on the basis of the measures decided upon and announced which will take effect during financial years 2006 and 2007.

The estimate for the guarantee risk reserve is shown above under the heading “Provisions”.

Further information in respect of provisions for the year for the structural reserve and the guarantee risk reserve are shown in Note 26.

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 value of the post-employment benefits obligations. Significant assumptions relating to post-employment benefit obligations are based partly on prevailing market conditions. Further information is given in Note 25.

The effect of IFRS on the NIBE Group

With effect from 1 January 2005, the Group’s accounting policies have been adapted to the International Financial Reporting Standards, IFRS, as required by the European Commission (EC). This annual report for 2005 is the first prepared by NIBE in accordance with IFRS.

As from 1 January 2005, IFRS 3 (“Business combinations”) has been applied, which means that goodwill is no longer amortised. Instead, an annual impairment test is carried out in accordance with IAS 36. The policies applied are described above under the heading “Goodwill”. In no case has the carrying value been found to exceed the recoverable amount.

With effect from 1 January 2005, IAS 1 (“Presentation of financial statements”) has been applied. Under the provisions of IAS 1, provisions are no longer to constitute a heading in their own right in the balance sheet, but are now included in Non-current liabilities and Current liabilities respectively. In addition, a new presentation form for equity has been introduced, which involves a division into Share capital, Other injected capital (contributed capital), Reserves and Capital brought forward.

During 2005, a new recommendation, IAS 39 (“Financial instruments”) came into force. The NIBE Group is affected through hedge accounting of forward currency contracts. The application of this recommendation means that financial instruments are recognised at fair value in the balance sheet. In currency hedging of cash flows, changes in the fair value of the hedging instruments are recognised under equity until the underlying hedged item is recognised in revenue. Formerly, these changes were not recognised until the item had been recognised in revenue. The effect of the change in policy on the Group’s equity is shown on page 50 (“Changes in Equity”). In accordance with the transition rules, the comparison figures for 2004 have not been restated. The parent company does not carry out any currency hedging.

The consolidated accounts, which in previous years were drawn up in accordance with Swedish accounting policies, have been restated in accordance with the requirements of IFRS. The effects on the consolidated income statement, balance sheet and equity for 2004 of the transition to IFRS are described below. IFRS 1 permits certain exemptions from retroactive application, and the NIBE Group has elected to apply the following exemptions:

- The option of applying IFRS 3 (“Business combinations”) prospectively with effect from 1 January 2004.
- The option of including appreciation of property, plant and equipment, in accordance with the previous Swedish accounting policies, in actual cost of purchase.
- The option of not restating comparable financial information for 2004 in accordance with the requirements of IAS 39 (“Financial instruments”).

Effects of the transition to IFRS

(in millions of SEK)	Annual Report 2004	IFRS harmonisation	After IFRS harmonisation
Income statement			
Net sales	3,161.0		3,161.0
Cost of goods sold	- 2,172.1	1.3	- 2,170.8
Gross profit	988.9	1.3	990.2
Selling expenses	- 494.1	23.0	- 471.1
Administrative expenses	- 177.5	0.5	- 177.0
Other operating income	23.3		23.3
Operating profit	340.6	24.8	365.4
Financial items	11.8		11.8
Tax on the profit for the year	- 96.0	- 1.7	- 97.7
Minority share of profit after tax	- 1.1	1.1	0.0
Profit for the year	255.3	24.2	279.5
Balance sheet			
Assets			
Goodwill	275.3	24.5	299.8
Other non-current assets	891.2		891.2
Total non-current assets	1,166.5	24.5	1,191.0
Current assets	1,305.1		1,305.1
Total assets	2,471.6	24.5	2,496.1
Equity and liabilities			
Equity	865.2	26.4	891.6
Minority share of equity	3.3	- 3.3	0.0
Total equity	868.5	23.1	891.6
Provisions for taxes	115.8	1.4	117.2
Other non-current liabilities and provisions	818.2		818.2
Total non-current liabilities and provisions	934.0	1.4	935.4
Current liabilities and provisions	669.1		669.1
Total equity and liabilities	2,471.6	24.5	2,496.1
IFRS adjustments			
(in millions of SEK)		Equity 31 Dec 2004	Profit for 2004
According to Swedish GAAP		865.2	255.3
Depreciation on goodwill		24.8	24.8
Minority interest		3.3	1.1
Deferred tax on IFRS adjustments		- 1.7	- 1.7
Total IFRS adjustments		26.4	24.2
According to IFRS accounting		891.6	279.5

Note 3 Net sales and operating profit by segment

Net sales and operating profit by business area

(in millions of SEK)	Net sales		Operating profit	
	2005	2004	2005	2004
NIBE Element	1,297.7	1,146.6	- 49.0	68.3
NIBE Heating	1,968.8	1,593.1	251.4	209.4
NIBE Stoves	584.6	452.0	123.6	103.0
Group adjustments	- 32.0	- 30.7	- 15.9	- 15.3
Group total	3,819.1	3,161.0	310.1	365.4

Net sales and operating profit by geographical region

(in millions of SEK)	Net sales		Assets		Investments	
	2005	2004	2005	2004	2005	2004
Nordic countries	2,572.4	2,163.2	2,503.4	2,026.2	124.7	295.4
Rest of Europe	1,114.0	904.5	599.3	461.6	75.2	81.2
Other markets	132.7	93.3	22.6	8.3	1.6	2.7
Group total	3,819.1	3,161.0	3,125.3	2,496.1	201.5	379.3

All parent company sales are sales to Group companies.

Note 4 Information about the business areas

(in millions of SEK)	Element		Heating		Stoves		Elimination		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Income										
Total earnings	1,580.4	1,371.1	2,200.0	1,772.7	607.6	452.0	- 568.9	- 434.8	3,819.1	3,161.0
Internal sales	- 282.7	- 224.5	- 231.2	- 179.6	- 23.0	0	536.9	404.1	0.0	0.0
External sales	1,297.7	1,146.6	1,968.8	1,593.1	584.6	452.0	- 32.0	- 30.7	3,819.1	3,161.0
Profit										
Profit per business area	- 49.0	68.3	251.4	209.4	123.6	103.0	- 3.3	- 3.3	322.7	377.4
Undistributed costs									- 12.6	- 12.0
Operating profit									310.1	365.4
Financial income									7.3	45.0
Financial expenses									- 43.8	- 33.2
Tax for the year									- 89.9	- 97.7
Net profit for the year									183.7	279.5
Other information										
Assets	1,305.7	970.8	1,571.8	1,347.1	562.6	296.6	- 1,409.3	- 847.1	2,030.8	1,767.4
Undistributed assets									1,094.5	728.7
Total assets									3,125.3	2,496.1
Liabilities	1,265.2	844.2	1,102.0	937.3	307.9	80.8	- 1,362.7	- 675.8	1,312.4	1,186.5
Undistributed liabilities									781.9	418.0
Total liabilities									2,094.3	1,604.5
Investment	77.2	128.0	96.0	294.7	28.6	50.5				
Depreciation/amortisation	42.6	36.1	61.5	47.0	13.7	10.1				

Note 5 Payments to the auditors

In 2005 the Group paid SEK 3.7 million for auditing services (parent company SEK 0.2 million) and SEK 1.6 million for financial services other than auditing (parent company SEK 0.9 million).

(in millions of SEK)	2005		2004	
	Auditing services	Other services	Auditing services	Other services
SET Revisionsbyrå AB	1.9	1.2	1.7	0.6
Other accountants	1.8	0.4	1.4	0.3
Group total	3.7	1.6	3.1	0.9

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

Salaries and other remunerations

(in millions of SEK)	2005	2004
Parent company	4.9	4.3
Subsidiaries	832.9	691.0
Group total	837.8	695.3

(in millions of SEK)	2005		2004	
	Social security contrib's	(of which pension expenses)	Social security contrib's	(of which pension expenses)
Parent company	3.5	1.3	2.8	1.0
Subsidiaries	226.6	54.0	211.4	41.6
Group total	230.1	55.3	214.2	42.6

Of parent company pension costs, SEK 0.3 million (2004: SEK 0.3 million) relate to the MD/CEO. The parent company has no outstanding pension obligations to the Board or CEO. The corresponding sum for the Group is SEK 2.6 million (SEK 2.0 million). Outstanding Group pensions to the previous Board/CEO total SEK 1.3 million (SEK 1.3 million).

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

(in millions of SEK)	2005		2004	
	Board and MD	Other employees	Board and MD	Other employees
Parent company	2.6	3.0	2.3	2.0
Subsidiaries in				
Sweden ¹⁾ (0.0 and 0.2)	4.4	355.8	3.8	335.1
Norway ¹⁾ (0.1 and 0)	2.8	52.4	2.1	32.7
Finland ¹⁾ (0.1 and 0.1)	6.9	111.2	2.8	71.9
Denmark ¹⁾ (0.5 and 0)	7.3	145.2	6.3	132.7
France	–	0.6	–	0.8
Germany ¹⁾ (0.2 and 0)	1.1	9.7	1.7	5.5
Poland ¹⁾ (0.2 and 0.1)	3.0	55.5	2.4	28.7
Portugal	0.5	0.1	–	–
Czech Rep. ¹⁾ (0 and 0.3)	2.7	15.7	1.0	14.7
Italy	–	10.8	–	11.1
Netherlands	1.4	9.6	0.6	6.8
UK	1.4	9.6	0.7	5.3
Spain	1.2	15.4	1.2	19.2
China	0.4	5.1	0.2	1.3
USA ¹⁾ (0.2 and 0)	1.0	2.0	1.0	1.4
Group total	36.7	801.7	26.1	669.2

¹⁾ [of which bonus in millions of SEK]

Note 6 (cont'd)

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.

Average numbers of employees and gender distribution

	2005		2004	
	Number of employees	Number of men	Number of employees	Number of men
Parent company	5	3	5	3
Subsidiaries in				
Sweden	1,307	1,099	1,278	1,081
Norway	128	107	104	86
Finland	406	272	305	193
Denmark	366	269	376	273
France	1	0	1	0
Germany	22	18	18	14
Poland	1,324	772	1,013	622
Portugal	1	0	0	0
Czech Republic	341	187	343	182
Italy	47	28	57	33
Netherlands	27	22	22	18
UK	48	27	33	21
Spain	70	52	95	69
China	240	150	100	63
USA	6	5	5	4
Group total	4,339	3,011	3,755	2,662

Gender distribution at board/management level

	2005		2004	
	Total	Men	Total	Men
Board of directors				
Parent company	5	5	5	5
Subsidiaries	68	64	48	46
Corporate management				
Parent company	2	2	2	2
Subsidiaries	88	81	81	73

Note 7 Financial instruments

Financial instruments are every asset or liability which gives a contractual right or obligation to receive or pay cash or other financial asset.

Fair value of financial assets and liabilities

Receivables and liabilities are recognised mainly at historical acquisition value, and items in foreign currency are translated at the closing rate. Wherever hedging has taken place through forward contracts, the forward exchange rate is used instead. An assessment is made to establish that the fair values of the assets are not less than the acquisition values. Impairment may be appropriate here. Loan liabilities are recognised at acquisition value.

At the end of 2005 the Group had outstanding contracts in EUR, DKK, GBP, NOK, USD and CHF. The contracts will be repaid during 2006. The total net amount of the contracts, translated into SEK at the closing rate at the end of 2005, was SEK 243.3 million.

The difference between the total contract amount translated to SEK using the contractual exchange rate and the total contract amount translated to SEK using the closing rate at the end of 2005 generated an unrealised exchange loss of SEK 2.8 million.

For other financial assets and liabilities, there is no divergence between carrying amount and fair value.

Operating exchange gains are recognised under "Other operating income" and exchange losses under "Cost of goods sold".

(in millions of SEK)	Group		Parent company	
	2005	2004	2005	2004
Exchange gains affecting operating profit	44.5	7.3	–	–
Exchange losses affecting operating profit	– 34.1	– 7.2	–	–
Net exchange rate difference affecting operating profit	10.4	0.1	–	–

Under the Group's currency hedging policy, current sales and purchases which take place in foreign currency or are linked to fluctuations in foreign currency, are to be hedged in accordance with a rolling 12-month plan within the range of 60–100% of the estimated flows. The degree of certainty of the future flows determines where in the range the figure will lie.

Note 8 Leasing

During the year, Group expenses relating to finance leasing agreements totalling SEK 0.3 million (SEK 0.5 million) were capitalised. Leasing charges amounting to SEK 3.7 million (SEK 3.6 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)	Financial leases Current value	Operating leases Nominal value
Due for payment within 1 yr	0.3	5.9
Due for payment within 2 – 5 yrs	0.3	19.5
Due for payment in 6 yrs and more	0.1	18.1
Total	0.7	43.5

Note 9 Research and development costs

A total of SEK 85.0 million (SEK 62.7 million) to cover the cost of research and development is included under the heading "Cost of goods sold".

Note 10 Other operating income

(in millions of SEK)	Group		Parent company	
	2005	2004	2005	2004
Profit on sale of non-current assets	0.6	2.3	–	–
Exchange gains	44.5	7.3	–	–
Other	11.8	13.7	0.2	0.2
Total	56.9	23.3	0.2	0.2

Note 11 Result of participations in Group companies and associated companies

Result of participations in Group companies

(in millions of SEK)	Group		Parent company	
	2005	2004	2005	2004
Group contributions	–	–	21.7	19.5
Dividend	–	–	87.4	70.4
Write-down of participations in subsidiaries	–	–	– 18.3	–
Total	–	–	90.8	89.9

Result of participations in associated companies

(in millions of SEK)	Group		Parent company	
	2005	2004	2005	2004
Capital gain	3.1	37.5	3.1	37.5
Dividend	–	5.7	–	5.7
Total	3.1	43.2	3.1	43.2

Note 12 Interest income and similar profit/loss items

(in millions of SEK)	Group		Parent company	
	2005	2004	2005	2004
Interest income, Group companies	–	–	4.9	3.2
Interest income, other	2.0	1.4	0.1	0.1
Other financial income	2.2	0.4	0.7	0.3
Total	4.2	1.8	5.7	3.6

Note 13 Interest expense and similar profit/loss items

(in millions of SEK)	Group		Parent company	
	2005	2004	2005	2004
Interest expense, Group companies	–	–	1.1	1.1
Interest expense, other	39.7	32.5	13.2	9.8
Other financial expenses	4.1	0.7	1.8	0.2
Total	43.8	33.2	16.1	11.1

Note 14 Appropriations

(in millions of SEK)	Parent company	
	2005	2004
Reversal of tax allocation reserve	1.5	0.0
Transfer to tax allocation reserve	–	–0.0
Change in tax allocation reserve	1.5	0.0

Note 15 Tax

Tax on profit for the year (in millions of SEK)	Group		Parent company	
	2005	2004	2005	2004
Actual tax for the year	109.7	76.8	0.2	0.0
Actual tax attrib. to preceding yrs	0.7	0.0	–	–
Deferred tax	–20.5	20.9	–	–
Total	89.9	97.7	0.2	0.0

Tax in respect of items charged directly against equity

(in millions of SEK)	Group		Parent company	
	2005	2004	2005	2004
Exchange rate diff's in acq. loans	–3.1	0.0	–	–
Financial instruments	0.8	–	–	–
Total	–2.3	0.0	–	–

Note 15 cont'd

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

(in millions of SEK)	Group		Parent company	
	2005	2004	2005	2004
Reported profit before tax	273.6	377.2	72.6	113.5
Tax at current rate	76.6	105.7	20.3	31.8
Non-deductible expenses	5.0	0.9	5.2	0.0
Non-taxable earnings	–3.4	–12.5	–0.8	–10.5
Dividends from subsidiaries	–	–	–24.5	–21.3
Adjusted tax for preceding years	0.7	0.0	–	–
Deficit deductions not carried fwd	10.3	4.7	–	–
Effect of foreign tax rates	0.7	0.4	–	–
Other factors	–	–1.5	–	–
Reported tax expenses	89.9	97.7	0.2	0.0

Tax rate

The current tax rate has been calculated on the basis of the tax rate which applies for the parent company, namely 28% (2004: 28%).

Temporary differences

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

Deferred tax liability (in millions of SEK)	Group		Parent company	
	2005	2004	2005	2004
Group surplus value in non-current assets	12.5	11.9	–	–
Untaxed reserves	90.9	96.3	–	–
Temporary differences in non-current assets	7.6	9.0	–	–
Other factors	5.4	–	–	–
Total	116.4	117.2	–	–

Deferred tax asset (in millions of SEK)	Group		Parent company	
	2005	2004	2005	2004
Provisions for pension commitments	0.5	0.5	–	–
Non-current assets	2.3	2.0	–	–
Loss carry-forwards	10.9	2.0	–	–
Structural reserve	10.2	0.0	–	–
Other factors	6.2	0.2	–	–
Total	30.1	4.7	–	–

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.

Note 15 cont'd

Accumulated losses carried forward which do not correspond to deferred income taxes recoverable for the Group amounted to SEK 89.7 million. The due dates lie within the following intervals:

Due dates for losses carried forward which have not been balanced

(in millions of SEK)	2005	2004
Due date 1 – 5 yrs	48,7	43,5
Due date 6 – 10 yrs	–	–
Due date 10 years –	26,4	11,8
Due date undetermined	14,6	4,1
Total	89,7	59,4

Note 16 Goodwill

(in millions of SEK)	Group	
	2005	2004
Acquisition value		
Acquisition value brought fwd	380.2	264.6
Acquisition value in companies acquired	–	3.6
Investments for the year	138.6	113.1
Sales and retirements	– 0.3	–
Reclassifications	– 0.3	0.9
Translation differences	17.6	– 2.0
Accumulated acquisition value carried forward	535.8	380.2
Depreciation		
Depreciation brought forward	80.4	77.5
Depreciation in companies acquired	–	2,8
Translation differences	2.9	0.1
Accumulated depreciation carried forward	83.3	80.4
Book value carried forward	452.5	299.8

Book value by business area

(in millions of SEK)	Group	
	2005	2004
NIBE Element	100.8	94.5
NIBE Heating	225.8	201.6
NIBE Stoves	125.9	3.7
Total	452.5	299.8

Note 17 Other intangible assets

Rights of tenancy, patents, licences, trademarks etc.

(in millions of SEK)	Group	
	2005	2004
Acquisition value		
Acquisition value brought fwd	10.3	8.4
Acq. value in companies acq'd	0.2	0.1
Investment for the year	1.9	1.7
Sales and retirements	–	– 0.6
Reclassifications	0.2	0,6
Translation differences	0.7	0.1
Accumulated acquisition value carried forward	13.3	10.3
Amortisation		
Amortisation brought forward	5.4	3.9
Amortisation in companies acq'd	0.1	–
Sales and retirements	–	– 0,6
Reclassifications	0.1	0.1
Amortisation for the year	1.5	2.2
Translation differences	0.2	– 0.2
Accumulated amortisation carried forward	7.3	5.4
Book value carried forward	6.0	4.9

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

(in millions of SEK)	Group	
	2005	2004
Cost of goods sold	0.5	1.3
Selling expenses	0.1	0.1
Administrative expenses	0.9	0.8
Total	1.5	2.2

Note 18 Land and buildings

(in millions of SEK)	Group	
	2005	2004
Acquisition value		
Acquisition value brought fwd	586.2	446.8
Acq. value in companies acq'd	33.7	74.1
Investment for the year	43.8	49.8
Sales and retirements	- 4.6	- 0.6
Reclassifications	20.4	12.0
Translation differences	22.5	4.1
Accumulated acquisition value carried forward	702.0	586.2
Depreciation		
Depreciation brought forward	197.1	155.9
Depreciation in companies acq'd	3.3	25.9
Sales and retirements	- 1.5	- 0.1
Reclassifications	0.0	0.4
Depreciation for the year	20.0	15.3
Translation differences	5.3	- 0.3
Accumulated depreciation carried forward	224.2	197.1
Revaluations		
Revaluation brought forward	5.1	0.8
Revaluations in companies acq'd	-	4.5
Depreciation for the year on the revalued amount	- 0.1	- 0.2
Translation differences	0.2	-
Accumulated revaluation carried forward	5.2	5.1
Book value carried forward	483.0	394.2
of which, land	37.2	34.6
Book value carried forward of land and buildings in Sweden	184.0	174.9
Assessed tax value (Sweden)	72.0	70.4
of which, land	12.4	12.1

New construction, renovations and rebuilds in Sweden during 2005 have not yet been assessed for tax purposes.

Note 19 Machinery and equipment

(in millions of SEK)	Group		Parent company	
	2005	2004	2005	2004
Acquisition value				
Acquisition value brought fwd	1,049.7	793.1	0.4	0.3
Acq. value in companies acq'd	17.0	138.7	-	-
Investment for the year	147.6	119.0	-	0.1
Sales and retirements	-29.8	- 25.0	-	-
Reclassifications	- 5.5	19.2	-	-
Translation differences	37.4	4.7	-	-
Accumulated acquisition value carried forward	1,216.4	1,049.7	0.4	0.4
Depreciation				
Depreciation brought forward	624.7	467.9	0.1	0.1
Depreciation in companies acq'd	6.5	95.7	-	-
Sales and retirements	- 24.8	- 18.8	-	-
Reclassifications	- 0.1	1.0	-	-
Depreciation for the year	99.6	78.9	0.1	0.0
Translation differences	20.3	0.0	-	-
Accumulated depreciation carried forward	726.2	624.7	0.2	0.1
Write-downs for the year	1.6	-	-	-
Book value carried forward	488.6	425.0	0.2	0.3

Note 20 Construction in progress

(in millions of SEK)	Group	
	2005	2004
Acquisition value		
Acquisition value brought fwd	56.5	42.4
Acq. value in companies acq'd	0.7	-
Expenses during the year	70.0	74.9
Sales and retirements	- 0.7	-
Re-allocations during the year	- 85.0	- 63.3
Translation differences	2.1	2.5
Accumulated acquisition value carried forward	43.6	56.5

Note 21 Shares in subsidiaries

(in millions of SEK)	Proportion of capital	Number of shares	Book value
Backer BHV AB	100%	37,170	137.0
Bröderna Håkansson Värme AB	100%	15,000	13.4
Calesco Foil AB	100%	10,500	37.5
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	116.8
Loval Oy	100%	768	39.5
METRO THERM A/S	100%	3,400	160.8
NIBE AB	100%	400,000	103.2
Nielsen A/S, Svend A.	100%	13	17.7
Palm Fastigheter i Partille AB	100%	1,000	0.1
Turun Lämpötekniikka AB, Oy	100%	100	18.9
Northstar AS	100%	22,102,001	156.7
Group total			834.0

Shares owned via subsidiaries

	Proportion of capital	Number of shares
Archi Form Nemi GmbH	100.0%	
Backer Elektro CZ a.s.	100.0%	
Backer Facsa S.L.	100.0%	34,502
Backer Fer s.r.l.	100.0%	
Backer OBR Sp. z.o.o.	100.0%	10,000
Calesco Foil Inc	100.0%	100
Calesco Utvecklings AB	100.0%	1,000
Danothem Electric A/S ¹⁾	80.0%	800
Eltop Praha s.r.o.	100.0%	
Höiax AS	100.0%	1,000
Kiloval Oy	100.0%	33
KVM-Conheat A/S	100.0%	600
METRO THERM AB	100.0%	1,000
METRO THERM AB, Oy	100.0%	15
Meyer Vastus AB, Oy	100.0%	20
NIBE-BIAWAR Sp. z.o.o.	100.0%	83,962
NIBE Energietechnik B.V.	100.0%	180
NIBE Systemtechnik GmbH	100.0%	
Norells Automotive Inc	100.0%	100
Norells France SA	99.8%	12,405
Norells Sweden AB	100.0%	3,250
Norske Backer AS	100.0%	12,000
Nordpeis AS	100.0%	12,100
Northstar Ind. Port. d. P.d.L.S.A.	100.0%	10,500
Northstar Poland Sp. z.o.o.	100.0%	3,134
Sheathed Heating Elements Ltd	100.0%	68,000
Shel Holding Ltd	100.0%	50,000
Shel NIBE Manufacturing Co Ltd	100.0%	1,000
Sinusjevi Electric Heating B.V.	100.0%	180

¹⁾ Backer BHV AB has an option on the remaining 20% stake in the company. The option runs from March to June 2006.

Note 21 (cont'd)

Details of subsidiaries	Corporate ID number	Registered office
Archi Form Nemi GmbH	HRB1490	Elmshorn, Germany
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 Foil Inc	20-0507801	Chicago, USA
Calesco Utvecklings AB	556662-3525	Hallstahammar, Sweden
Danothem Electric A/S	10 12 60 61	Rødovre, Denmark
Eltop Praha s.r.o.	44795751	Miretice, Czech Rep
Focus Värme AB	556316-1412	Partille, Sweden
Handöl-Form AB	556194-1393	Markaryd, Sweden
Höiax AS	936 030 327	Fredrikstad, Norway
Jevi A/S	12 85 42 77	Vejlø, Denmark
Kaukora Oy	0138194-1	Raisio, Finland
Kiloval Oy	0754792-2	Lovisa, Finland
KVM-Conheat A/S	14 46 85 87	Vissenbjerg, Denmark
Loval Oy	0640930-9	Lovisa, Finland
METRO THERM AB	556554-1603	Kalmar, Sweden
METRO THERM AB, Oy	09314276	Espoo, Finland
METRO THERM A/S	20 56 71 12	Helsingør, Denmark
Meyer Vastus AB, Oy	0215219-8	Monninkylä, Finland
NIBE AB	556056-4485	Markaryd, Sweden
NIBE-BIAWAR Sp. z.o.o.	050042407	Białystok, Poland
NIBE Energietechnik B.V.	20111793	Willemstad, Netherlands
NIBE Systemtechnik GmbH	HRB 5879	Celle, Germany
Nielsen A/S, Svend A.	42 16 59 13	Graested, Denmark
Nordpeis AS	957329330	Lierskogen, Norway
Norells Automotive Inc	36-4044600	Chicago, USA
Norells France SA	91379344781	Dieuze, France
Norells Sweden AB	556184-3581	Västerås, Sweden
Norske Backer AS	919 799 064	Kongsvinger, Norway
Northstar AS	874495182	Lierskogen, Norway
Northstar Ind. Port. d. P.d.L.S.A.	16361/040603	Cascais, Portugal
Northstar Poland Sp. z.o.o.	570844191	Trzcianka, Poland
Palm Fastigheter i Partille AB	556555-4440	Partille, Sweden
Sheathed Heating Elements Ltd	766 637	London, UK
Shel Holding Ltd	1 309 597	London, UK
Shel NIBE Manufacturing Co Ltd	866 531	Hong Kong, China
Sinusjevi Electric Heating B.V.	37106129	Medemblik, Netherlands
Turun Lämpötekniikka AB, Oy	0623723-6	Åbo, Finland

Note 22 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	–

(in millions of SEK)	Share of equity	Book value	Group share of profit after tax 2005	Group share of equity 2005
Linmet Glas-Keramik GmbH	33,3%	0.0	0.0	0.0

Note 23 Current investments

(in millions of SEK)	Acquisition value	Market value	Book value
Listed securities	0.9	1.1	1.1

Note 24 Share capital

	Quota value (SEK)	Number of A-shares	Number of B-shares	Total shares
At year-end	2.50	3,290,064	20,189,936	23,480,000

The dividend for 2005 proposed but not yet resolved of SEK 3.00 per share, corresponds to a total payout of SEK 70.4 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 2005 there were no convertible bonds or options that can dilute the share capital.

Note 25 Provisions for post-employment benefits

(in millions of SEK)	Group	
	2005	2004
FPG/PRI-pensions	22.4	21.7
Other pensions	4.9	4.7
Amount at year-end	27.3	26.4

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 defined-benefit plan which covers a number of employers. For the 2005 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 8.6 million (2004: SEK 6.7 million). Alecta's surplus can be distributed to the policy holders and/or the insured. At the 2005 year-end Alecta's surplus in the form of the collective funding ratio was 128% (2004: 128%). 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 are not in conformity with RR 29.

Defined-benefit pensions

The Group has defined-benefit pensions for Swedish companies for which the calculations and payments are handled through PRI Pensionstjänst AB. 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

(in millions of SEK)	Group	
	2005	2004
Pension commitments in unfunded plans, present value	34.3	29.4
Unrealised actuarial gains (+), losses (-), pension commitments	- 7.0	- 3.0
Provision for pensions, unfunded plans	27.3	26.4
Net liability according to balance sheet	27.3	26.4

Note 25 (cont'd)

Total pension costs

(in millions of SEK)	Group	
	2005	2004
Pensions earned during the period	0.4	0.4
Interest on the commitment	1.3	1.2
Pension costs, defined-benefit plans	1.7	1.6
Pension costs, defined-contribution plans	53.6	41.0
Total pension costs	55.3	42.6

Reconciliation of pension provisions

(in millions of SEK)	Group	
	2005	2004
Pension liabilities, balance brought forward	26.4	29.5
Pension costs	2.0	1.6
Benefits paid	- 1.1	- 1.0
Change in accounting principles	-	- 3.7
According to balance sheet	27.3	26.4

Actuarial assumptions

(%)	Group	
	2005	2004
Discount rate on 1 January	5.00%	5.75%
Discount rate on 31 December	4.50%	5.00%
Expected salary increases	3.00%	2.50%
Expected inflation	2.00%	2.00%

Parent company

The parent company's reported pension liabilities amount to SEK 0.1 million (2004: SEK 0.0 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 RR 29.

Note 26 Other provisions

Group

(in millions of SEK)	Guarantee risk reserve	Structural reserve	Other	Total
	Amount at start of year	43.3	-	5.8
Provisions during the year	18.6	70.0	2.7	91.3
Amount utilised during year	- 10.1	- 11.7	- 0.4	- 22.2
Reversals in provisions	- 5.4	-	-	- 5.4
Translation differences	1.4	2.3	- 0.2	3.5
Amount at year-end	47.8	60.6	7.9	116.3

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 27 Non-current liabilities

The following list shows non-current liabilities that fall due for payment more than five years after the accounting year-end.

(in millions of SEK)	Group		Parent company	
	2005	2004	2005	2004
Liabilities to credit institutions	306.2	302.0	175.3	124.0
Liabilities to Group companies	-	-	28.5	28.5
Other liabilities	5.9	2.6	-	-
Amount at year-end	312.1	304.6	203.8	152.5

Note 28 Bank overdraft facilities

The sum of bank overdraft facilities granted in the Group as a whole amounted to SEK 673.7 million (SEK 381.4 million). During the year these have increased by SEK 292.3 million. There is an agreement for long-term refinancing.

Note 29 Accrued expenses and deferred income

(in millions of SEK)	Group		Parent company	
	2005	2004	2005	2004
Accrued salaries	100.9	96.4	1.4	1.2
Accrued social security contrib's.	49.3	44.1	1.2	1.0
Other items	104.5	88.4	1.2	1.2
Amount at year-end	254.7	228.9	3.8	3.4

Note 30 Pledged assets

(in millions of SEK)	Group		Parent company	
	2005	2004	2005	2004
Floating charges	182.9	208.0	–	–
Real estate mortgages	324.9	218.1	–	–
Equipment, fixtures etc. with retention of title	2.4	1.8	–	–
Receivables	12.7	7.6	–	–
Shares in subsidiaries ¹⁾	1,030.1	826.6	335.0	253.2
Total pledged assets	1,553.0	1,262.1	335.0	253.2

¹⁾ Liabilities for which shares have been pledged as collateral 131.2 43.1 116.0 27.9

Note 31 Contingent liabilities

(in millions of SEK)	Group		Parent company	
	2005	2004	2005	2004
Pension obligations which have not been taken up among liabilities or provisions	0.6	0.5	–	–
Contingent liabilities in favour of other companies	–	–	260.2	26.4
Other contingent liabilities	3.3	6.0	–	–
Total contingent liabilities	3.9	6.5	260.2	26.4

Note 32 Acquisition of other companies

During the year the Northstar Group was acquired. Northstar has manufacturing facilities in Poland, a sales organisation in Norway and annual sales of approximately SEK 150 million. The business consists of the manufacture and sales of fire-boxes and concrete surrounds for wood-burning stoves and now forms part of the NIBE Stoves business area. In 2005 the business contributed sales of SEK 73.2 million and net profit of SEK 11.8 million.

The impact that the acquisition has had on earnings is specified under the heading "Cash flow effect of acquisitions" on page 43.

Note 33 Events after the end of the financial year

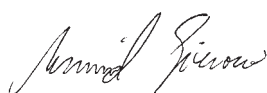
In January 2006 the Jämä brand was acquired from Finnish boiler manufacturer Jämätek.

In March 2006 the Varde Group in Denmark was acquired, with annual sales of around SEK 95 million and pre-tax profit of around SEK 6 million. Varde develops, manufactures and markets wood-burning stoves and will form part of the NIBE Stoves business area. The company is a leader in its product area in Denmark and also has substantial sales in the German market. The business was consolidated into the NIBE Group with effect from 1 January 2006.

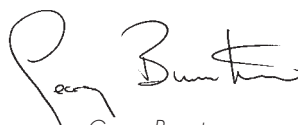
The Board of Directors and Managing Director herewith provide their firm assurance that this Annual Report is, to the best of their knowledge, presented in accordance with generally accepted accounting practice for stock market companies in Sweden. The information provided accords with the factual circumstances and nothing of significance that could affect the picture of the company as presented in the Annual Report has been excluded.

This assurance, provided in accordance with section 3.6.2 of the Swedish Code of Corporate Governance, does not imply that the Board of Directors or the managing director of the company accept any responsibility other than that placed upon them by the Swedish Annual Accounts Act (2005:551).

Markaryd, Sweden – 14 March 2006



Arvid Gierow
Chairman of the Board



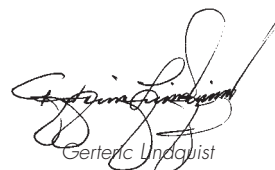
Georg Brunstam



Sam Strömersten



Billll Tunbrant



Gerteric Lindqvist
MD and Chief Executive Officer

The balance sheets and income statements will be presented for approval at the Annual General Meeting on 11 May 2006.



Willard Möller, Senior Auditor

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

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 year 2005. 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 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 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.

Markaryd, Sweden – 22 March 2006
SET Revisionsbyrå AB

A handwritten signature in black ink, appearing to read 'Willard Möller'.

Willard Möller
Authorised Public Accountant

Corporate governance report

NIBE Industrier AB's corporate governance is carried on through the annual general meeting, the Board of Directors and the Managing Director and CEO in accordance with the Swedish Companies Act, the company's Articles of Association, the listing agreement with the Stockholm Stock Exchange and the Swedish Code of Corporate Governance.

The parent company, NIBE Industrier AB, has its head office in Markaryd, Sweden, and has been listed on the Stockholm Stock Exchange O list since 1997.

The Swedish Association of Exchange Listed Companies and the Stockholm Stock Exchange have agreed to incorporate the Swedish Code of Corporate Governance into the Stockholm Stock Exchange's rules with effect from 1 July 2005. NIBE Industrier is covered by this decision, and applies the Swedish Code of Corporate Governance.

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

Annual general meeting

The annual general meeting is NIBE's highest decision-making body. The annual general meeting 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 and CEO from liability.

At the most recent annual general meeting, held on 11 May 2005 in Markaryd, around 260 shareholders took part. Those present represented 49% of the number of shares and 72% of the total number of votes in the Company. The annual general meeting was attended by the entire board, the managing director and CEO, and the Company's auditors.

Board procedures

NIBE Industrier's Board of Directors consists of five members, elected by the annual general meeting. The members of the board are presented on page 75. Directors are elected annually at the general meeting to serve for the period until the next annual general meeting. The Chairman of the Board is appointed by the Board of Directors. Members of staff in the company participate in board meet-

ings as required to submit reports or provide expert knowledge in individual matters.

The work of the board is governed by an annually adopted formal work plan which regulates the division of work, the decision-making process 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 supervises 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. The board also 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 Companies Act and other relevant legislation. The Chairman monitors 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 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 2005 the Board of Directors held ten meetings, four of which were telephone conferences. All meetings were minuted.

Attendance at board meetings was high. All members of the board, apart from Sam Strömersten, who was prevented from attending on one occasion, have taken part in all meetings.

The agenda of the board includes a number of fixed points 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.** Where appropriate, a review of proposals for external reports to be published as a result of the meeting.

Every ordinary board meeting has a principal subject which dominates the discussions during the meeting as follows:

- **Accounts.** The meeting in February considers the annual accounts of the preceding year. The company's auditors present their comments to the entire board on this occasion.

- **Inaugural meeting.** Following the annual general meeting, the Board of Directors holds its inaugural meeting, at which the board discusses its formal work plan and determines who has authority to sign for the company.

- **Strategy.** In September, the board holds strategic discussions over two working days.

- **Budget.** At the end of the year, the board decides on the Group's budget for the coming year.

In addition, the Board of Directors receives a written report every month on the company's results 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 annual general meeting to serve for a period of four years. The current period began in 2004 and ends with the annual general meeting in 2008.

SET Revisionsbyrå AB, with Willard Möller as the senior auditor, was re-elected for a period of four years at the annual general meeting in 2004. Willard Möller has been the company's senior auditor since 2000.

The senior auditor has continual access to the adjusted minutes of company board meetings and the monthly reports which the board receives.



The NIBE Industrier Board (left to right): Sam Strömersten, Bill Tunbrant, Arvid Gierow, Gerteric Lindquist and Georg Brunstam.

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 the corporate management is evaluated annually.

Financing, currency management, corporate acquisitions, new businesses, financial control, financial information, human resources policy and other overall policy matters are co-ordinated 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 holds one meeting per quarter.

Internal controls

The Swedish Corporate Governance Board has announced that reports on internal controls for 2005 may be limited to a description of how the internal controls are organised.

Internal controls were an important component of corporate governance even before the new code was introduced. The Board of Director's responsibility for internal controls is set out in the Companies Act and in internal controls in respect of financial reporting covered by the board's reporting instructions.

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.

Over and above the external laws and regulations with which NIBE complies, there are, in respect of financial reporting, internal instructions and policies set out in the Group's Finance Handbook, which are applied by all companies in the Group, along with systems aimed at providing effective internal controls in financial reporting.

Consolidated financial reports are drawn up quarterly for the Group and its business areas, containing comprehensive analysis and comments. Results are also monitored on a monthly basis.

There are finance departments and controllers with responsibility for accounting, reporting and the analysis of financial trends at Group level, business area level and at 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, existing routines and their compliance with the instructions issued, in accordance with a template drawn up by the corporate management and approved by the Board of Directors.

It is considered that this review increases insight and awareness, provides clear instructions and proposes a clear organisation in respect of internal controls.

The internal control report is not reviewed by the company's auditors

Decision-making process

The NIBE Industrier Board deals with all matters of import. 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 determined by the Chairman of the Board. 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. The reason that NIBE does not comply with the Swedish Code of Corporate Governance in respect of nominations is the clear ownership structure with two principal shareholder constellations which together own 74% of the company's votes, and which also enjoy good relations with each other. The Board of Directors is not too large to carry out the audit and remuneration tasks in a manner consistent with the Swedish Code of Corporate Governance.

Remuneration

The annual general meeting for 2005 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, the policies for the remuneration of the managing director/CEO and other key management personnel were set out.

The fees for the Board of Directors for 2005 amounted to SEK 625,000 in accordance with the resolution of the shareholders' meeting. Of this amount, the Chairman of the Board received SEK 250,000 in accordance with a resolution of the board. Fees are not payable to those members of the Board of Directors who are employed in the Group.

During 2005, salary and other remuneration paid to the managing director/CEO amounted to SEK 1,955,000. A free car is also provided. Salaries paid to other senior management executives amounted to SEK 5,738,000. These senior executives also enjoy free use of a company car.

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 equivalent to ITP (supplementary pensions for salaried employees). For 2005, the premium corresponded to 19% of salary up to 30 basic amounts. For salary in excess of this, a premium payment of 12% is made. This will provide a pension equivalent to the 20–30 basic amount range of the ITP plan, i.e. 32.5% of salary. For other senior executives in the Group, the ITP plan applies for that portion of salary up to 30 basic amounts. For that portion of salary in excess of this, fixed pension benefits are payable, equivalent to the ITP plan's level of 20–30 basic amounts. However, this does not apply to one business area manager, who, in his capacity as managing director, has an individual pension arrangement with premiums that correspond to the ITP plan.

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.

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 to all shareholders in written form. All takeovers are announced via press releases. Full financial information relating to NIBE Industrier is available via our website www.nibe.se. 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).

NIBE's compliance with the Swedish Code of Corporate Governance is detailed on the following pages.

Summary of points in the code

Compliance Explanation/ Comments

1. Shareholders' meeting			
1.1 Notice of meeting			
1.1.1 Date of meeting	At latest in connection with third quarterly report.	Yes	
1.1.2 Matters for the meeting	Information on the website in good time before the meeting, relating to how to raise an issue for discussion.	Yes	
1.1.3 Different methods of notification	By e-mail or via the company's website.	Yes	E-mail, fax, telephone, letter, but not via the website.
1.2 Distance participation			
1.2.1 Participate or follow the meeting at a distance	Distance participation warranted by ownership structure and financially feasible.	No	Not financially feasible.
1.3 Attendance by Board of Directors, management and auditors			
1.3.1 Attendance by the Board of Directors, management and auditors	If possible, the board, management and at least one auditor shall attend.	Yes	
1.3.2 Report of committees' proposals	The Chairman of the committee or another member shall attend and describe and give cause for the proposals.	No	No committees.
1.4 Conducting the Shareholders' Meeting			
1.4.1 Proposal for Chairman of the meeting	The proposal is to be presented in the notification of the meeting and at the meeting by the Nomination Committee.	Yes	There is no Nomination Committee, see 2.1.1
1.4.2 Verifiers of minutes	Appoint shareholders or representatives of shareholders who are neither directors nor employees of the company.	Yes	
1.4.3 Language of the meeting	Swedish, with simultaneous translation if warranted.	Yes	
1.4.4 Questions to the meeting	Opportunity for questions and to submit proposals.	Yes	
1.4.5 Minutes	Minutes are to be posted on the company's website, and, if warranted by the ownership structure, translated.	Yes	
2. Appointment of the Board and Auditors			
2.1 Nomination Committee			
2.1.1 Nomination Committee	To be appointed by the shareholders' meeting or criteria for appointment to be specified.	No	The clear ownership structure makes a Nomination Committee unnecessary.
2.1.2 Composition	At least three members. The majority of the Nomination Committee shall not be members of the board. The Chairman of the Board of Directors is not to chair the Nomination Committee.	No	See above.
2.1.3 Announcement of members of the Nomination Committee	Must be announced at least six months before the meeting.	No	See above.
2.2 Appointment of Board of Directors			
2.2.1 Chairman and members	The Nomination Committee submits proposals for the Chairman and members, as well as for fees.	No	The requirement profiles of new directors are produced by the board and presented to the principal shareholders. After approval, head-hunters are appointed for recruitment.
2.2.2 Requirement profile	The Nomination Committee assesses the Board on the basis of future direction, draws up requirement profiles for new members and seeks candidates for board appointments.	Partial	
2.2.3 Presentation	Detailed presentation in the notification of the meeting and on the website. A report on how the Nomination Committee has conducted its work is to be posted on the company website.	Partial	New board members are presented in the notice of the meeting. Other members are presented in the annual report and on the website. There is no Nomination Committee. See above.
2.2.4 Reasons	At the general meeting the Nomination Committee is to present and give reasons for its recommendations and submit a report on how it has conducted its work.	Partial	The Chairman, since there is no Nomination Committee.
2.2.5 Attendance	Persons recommended for election to the board are to be present at the meeting.	Yes	
2.2.6 Fees	The shareholders' meeting is to decide on the allocation of fees to the Chairman and other members of the board and remuneration for committee work.	Yes	With effect from 2006.
2.2.7 Incentive schemes	Directors are not to participate in share or share-price incentive schemes aimed at company management.	Yes	

Summary of points in the code

Compliance Explanation/ Comments

2.3 Appointment of Auditors			
2.3.1 Recommendations for auditors	The Nomination Committee or a specially appointed committee for nominating the company's auditors is to make recommendations.		Auditors are elected for the period 2004–2008.
2.3.2 Selection and fees	The Nomination Committee makes recommendations on the selection of auditors as well as on audit fees. These are to be included in the notice of the shareholders' meeting and posted on the company website.		
2.3.3 Information on the auditors	Details of the competence, independence and scope of services offered by the auditors, as well as a report on how the Nomination Committee has conducted its work are to be posted on the company's website.		
2.3.4 Motivation	A presentation of reasons, as well as a report on how the Nomination Committee has conducted its work are to be submitted to the shareholders' meeting.		
2.3.5 Attendance	The proposed auditors are to be present at the meeting.		
3. Board of Directors			
3.1 Tasks			
3.1.1 Particular attention	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	
3.1.2 Evaluation	Annual evaluation of the work of the board.	Yes	
3.2 Size and composition			
3.2.1 Composition	Composition appropriate for the purpose.	Yes	
3.2.2 Size	Size appropriate for the purpose; no deputies to the directors chosen by the shareholders' meeting.	Yes	
3.2.3 No more than one person from senior management on the board	Only one person from senior management on the board.	Yes	
3.2.4 Independence	The majority of the directors elected by the shareholders' meeting are to be independent of the company.	Yes	
3.2.5 At least two members independent of the company's major shareholders		Yes	
3.2.6 Mandate period	To be appointed for one year at a time.	Yes	
3.3 Directors			
3.3.1 Other duties	Not to have too many duties.	Yes	
3.3.2 Independent judgment	Form an independent judgment on matters.	Yes	
3.3.3 Familiarity	Obligated to acquire familiarity with the company's operations.	Yes	
3.3.4 Introductory training	Training of new directors to be carried out by the company.	Yes	
3.4 Chairman of the Board			
3.4.1 Elected at the shareholders' meeting	The Chairman of the Board is to be elected at the shareholders' meeting.	Yes	With effect from 2006.
3.4.2 Outgoing MD	If the outgoing managing director is to be elected as Chairman of the Board, special cause must be given.	Yes	
3.4.3 Division of work	Clear division of work between the Chairman and the managing director.	Yes	
3.4.4 Effective board work	Lead the board's work through planning, controlling and evaluating etc.	Yes	
3.5 Board procedures			
3.5.1 Instructions	Formal work plan, instruction to the managing director and reporting.	Yes	
3.5.2 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.
3.5.3 Evaluation of the MD	At least once a year.	Yes	
3.5.4 Agenda	No important decisions are to be taken unless the matter has been placed on the agenda.	Yes	
3.5.5 Secretary	Not to be a member of the board.	Yes	
3.5.6 Minutes	Clear minutes to be sent to directors as soon as possible.	Yes	

Summary of points in the code

Compliance Explanation/ Comments

	Summary of points in the code	Compliance	Explanation/ Comments
3.6 Financial reporting			
3.6.1 Reports	Clearly show which parts are formal financial statements, the regulatory regime on which they are based and which parts have been audited/ reviewed by the company's auditors.	Yes	
3.6.2 Certification	Guarantee by the Board of Directors and the managing director that the annual report has been properly prepared.	Yes	
3.6.3 Review	Overall review of the six- or nine-month report by the auditors.	Yes	
3.7 Internal control			
3.7.1 Internal control	Good control and sound system.	Yes	
3.7.2 Report	The Board of Directors is to issue a report on internal controls which is to be reviewed by the auditors.	Yes	Not reviewed by the auditors.
3.7.3 Internal auditing	If the company does not have a special internal audit function, the need for such a function is to be evaluated annually by the board.	Yes	
3.8 Accounting and Auditing Issues			
3.8.1 Quality of reports	Documentation on how quality is ensured in financial reporting and how the company communicates with its auditors.	Yes	
3.8.2 Audit Committee	To be established by the board.	Yes	The auditors report to the entire board. The entire board constitutes the Audit Committee.
3.8.3 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 and assist the Nomination Committee.	Partial	The work is performed by the Board of Directors.
3.8.4 Meetings with Auditors	At least once a year, the board is to meet the auditors without any company executive being present.	Yes	
4. Company management			
4.1 The Managing Director's duties			
4.1.1 Information	Objective, full and relevant information to the board.	Yes	
4.1.2 Professional commitments outside the company	The managing director's professional commitments outside the company are to be approved by the board.	Yes	
4.2 Senior Management Remuneration			
4.2.1 Remuneration Committee	A Remuneration Committee is to be established.	Yes	The entire board constitutes the Remuneration Committee. The managing director's salary is determined by the entire board and reported to the shareholders' meeting. Remuneration of other senior company executives is determined by the managing director in consultation with the board.
4.2.2 Remuneration policy	A remuneration policy for senior management is to be presented to the annual general meeting for approval.	Yes	
4.2.3 Share-price related remuneration	To be decided by the shareholders' meeting.	Yes	
5. Information on corporate governance			
5.1 Corporate Governance Report			
5.1.1 Report attached to annual report	Special report on corporate governance.	Yes	The Corporate Governance Report is drawn up in accordance with the code, but is not reviewed by the auditors.
5.1.2 Departures from the code	Application of the code.	Yes	Reasons for any departures from the code are stated in this report.
5.1.3 Quality of financial reports	The manner in which the board ensures the quality of the financial reports and communicates with the company's auditors.	Yes	
5.1.4 Other information in the Corporate Governance Report	If not included in the annual report, the information required by the code must be provided in the Corporate Governance Report.	Yes	
5.2 Report on internal controls			
5.2.1 Report	The board's report on internal controls and the auditors' review of this report is to be appended to the company's annual report.	Yes	Included this year in the Corporate Governance Report, but not reviewed by the Auditors.
5.3 Information on the company's website			
5.3.1 Website	There is to be a special section on the website for corporate governance matters. This is to include information on all matters required by the code.	Yes	

BOARD OF DIRECTORS



Arvid Gierow (born 1943)
Chairman since 2003 and board member since 1997. Graduate in business administration.
Chairman of the Board of Marka Pac AB and director of Bong Ljungdahl AB and SHB, Stortorget, Helsingborg.
Shareholding in NIBE Industrier: 21,600 B shares.
Independent director.



Gerteric Lindquist (born 1951)
Board member since 1989.
Chief Executive Officer.
MD of NIBE Industrier AB and NIBE AB.
Graduate in engineering and business administration. NIBE employee since 1988.
Shareholding in NIBE Industrier: 376,140 A shares and 890,860 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.
Graduate in engineering.
Group President and Managing Director of Nolata AB. Director of Nolata AB and DIAB International AB.
Shareholding in NIBE Industrier: 0.
Independent director.

Sam Strömersten (born 1955)
Board member since 2001.
Graduate in engineering.
Business Area Manager, Tetra Pak Processing Systems.
Shareholding in NIBE Industrier: 0.
Independent director.



Bill Tunbrant (born 1950)
Board member since 1997.
Graduate in engineering.
Group Director Cramo Holding BV and MD for Cramo Instant AB.
Shareholding in NIBE Industrier: 1,600 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.
Economics graduate.
NIBE employee since 1966.
Board member of Markaryd Sparbank savings bank. Shareholding in NIBE Industrier: 376,032 A shares and 763,328 B shares.



Christer Fredriksson (born 1955)
Graduate in engineering.
Business Area Manager for NIBE Element and MD for Backer BHV AB.
NIBE employee since 1992.
Shareholding in NIBE Industrier: 93,960 A shares and 179,240 B shares.



Kjell Ekermo (born 1956)
Graduate in engineering. Business Area Manager for NIBE Heating.
NIBE employee since 1998.
Shareholding in NIBE Industrier: 26,800 B shares.



Niklas Gunnarsson (born 1965)
Engineer. Business Area Manager for NIBE Stoves.
NIBE employee since 1987.
Shareholding in NIBE Industrier: 26,800 B shares

AUDITOR



SET Revisionsbyrå AB
Senior Auditor
Willard Möller (born 1943)
Authorised Public Accountant.

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Bringing warmth to the world

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.

- 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.



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