

Corporate governance report

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

On 1 February 2010 a revision came into force of the Swedish Code of Corporate Governance, originally introduced in December 2004. It is good practice for Swedish companies whose shares are traded on regulated markets in Sweden to comply with the Code. NIBE complies with the Code, and this Corporate Governance Report has been drawn up in accordance with the Code. In addition, and likewise in accordance with the Code, NIBE also provides information via the company's website.

Ownership

NIBE has its registered offices in Markaryd, Sweden, and the company's shares have been listed on the NASDAQ OMX Stockholm Exchange, Mid Cap list, since 1997. On 31 December 2010 NIBE had 16,865 registered shareholders. The ten largest shareholders are current and former directors of the company and senior executives with a total of 29% of the capital and 53% of the votes, followed by Melker Schörling who holds with 13% of capital and 22% of votes, and then eight institutional investors with 16% and 7% respectively. Together these ten investors hold a total of 58% of the capital in the company and 82% of the votes.

Annual General Meeting

The Annual General Meeting (AGM) is NIBE's highest decision-making body. The AGM elects the company's Board of



Directors and auditors, adopts the accounts, makes decisions on dividends and other appropriations of profits/losses, and discharges the Board of Directors and the Managing Director/CEO from liability.

The most recent AGM, held on 17 May 2010 in Markaryd, was attended by 364 shareholders. Those present represented 55% of the number of shares and 78% of the total number of votes in the company. The AGM was attended by the entire Board of Directors, the Managing Director/CEO and the company's auditors. The minutes of the AGM and the company's articles of association are available on the company's homepage.

There are no limitations in the articles of association as to the number of votes a shareholder may hold at a general meeting of the company, nor as to the appointment or dismissal of directors of the company or changes to the company's articles of association. The general meeting has not authorised the Board of Directors to take any action on decisions about new issues of shares in the company or the buy-back of the company's own shares.

Board procedures

The NIBE Board of Directors consists of six members, elected by the AGM. Directors of the company and the Chairman of the Board are elected annually by the AGM to serve for the period until the next AGM. Company employ-

ees participate in board meetings as required to submit reports or to contribute expert knowledge in individual matters.

The current Board of Directors comprises Arvid Gierow (Chair), Georg Brunstam, Eva-Lotta Kraft, Hans Linnarson, Anders Pålsson and Gerteric Lindquist (CEO of the NIBE Group). With the exception of the CEO, none of the directors of the company is employed by the company or has any operational responsibilities in the company.

It is the opinion of the Board of Directors that all directors with the exception of the CEO are independent in relation to the company. Please see page 81 for a brief presentation of the directors.

The work of the Board is governed by formal rules of procedure adopted annually to regulate the allocation of work, the decision-making processes within the company, authority to sign for the company, meetings of the Board and the duties of the Chairman of the Board. The Board has also adopted instructions concerning the division of work between the Board and the Managing Director/CEO.

The Board of Directors oversees the work of the Managing Director/CEO and is responsible for ensuring that the organisation, management and administrative guidelines for the company's funds are suitable for the purpose. The Board is also responsible for developing and following up the company's strate-



gies through plans and objectives, decisions on acquisitions, major investments, appointments to managerial positions and the continuous supervision of operations during the year. In addition, the Board sets the budget and is responsible for the annual accounts.

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

The work of the Board of Directors

During 2010 the Board of Directors held 13 meetings, six of which were telephone conferences. All meetings were minuted.

Attendance at board meetings was good with full attendance for virtually all the round-table meetings. Hans Linnarson has been absent from these meetings on one occasion.

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

- ▲ Status report. Report of significant events affecting operations that have not been listed in the written status report that has been circulated.
- ▲ Financial report. Review of the financial information circulated.
- ▲ Investments. Decisions regarding investments exceeding SEK 3.0 million, based on the data circulated.
- ▲ Acquisitions. Report on ongoing discussions and decisions concerning the acquisition of companies, as and when appropriate.
- ▲ Press releases, etc. When appropriate, a review of proposals for external reports to be published after the meeting.

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

- ▲ Accounts. The meeting in February considers the annual accounts of

the preceding year. The company auditor presents his comments to the entire Board on this occasion.

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

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

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

External Auditors

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

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

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

The company's senior auditor reports his observations from the audit and his assessment of the company's internal controls to the Board as a whole. Over and above normal auditing duties, Mazars 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 4.

Group management

The CEO, who is also appointed by the Board of Directors as Managing Director of the parent company, exercises

day-to-day control of the Group, and the three business area managers report to him.

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

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

Governance of business areas

NIBE 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, and which also includes external expertise within the respective areas. Each Business Area Board, in addition to responsibility for day-to-day operations, is also responsible to the NIBE Board of Directors for the strategic development of its respective business area. Each Business Area Board meets once a quarter.

Decision-making process

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

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

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

The company does not have a Nomination Committee, a Remuneration Committee or an Audit Committee. NIBE does not comply with the Code in respect of nominations because of the clear ownership structure with two principal shareholder constellations,

which together control 75% of the company's votes, and which also enjoy mutually cordial relations. The Board of Directors is not too large to carry out the audit and remuneration tasks in a manner consistent with the Code

Remuneration

The 2010 AGM resolved that the fees to the Board of Directors and the fees to the auditors should be paid in accordance with approved accounts. At the same time, policies for the remuneration of the Managing Director/CEO and other key management personnel were detailed and approved. Further information about the principles that apply can be found in Note 5.

Fees for the Board of Directors for 2010 amounted to SEK 960,000 in accordance with a resolution upheld by the AGM. Of this amount, the Chairman of the Board received SEK 320,000 in accordance with the AGM's resolution. Fees are not payable to those members of the Board of Directors who are employed in the Group.

Salary and other remuneration paid to the Managing Director/CEO in 2010 amounted to SEK 2,815,000. A free car is also provided. Salaries paid to other senior management executives totalled SEK 8,763,000. These senior executives also enjoy free use of company cars.

Severance pay

No severance pay or other benefits apply to the Chairman of the Board or to the directors, apart from the Managing Director/CEO. The period of notice for the Managing Director/CEO is six months in the event of the company giving notice. In addition to salary during the period of notice, the Managing Director/CEO is entitled to severance pay equal to 12 months' salary. Other senior executives are entitled to receive their salaries during a period of notice which varies between 6 and 12 months.

Pensions

The Chairman of the Board and the directors receive no retirement benefits in respect of their work on the Board. Retirement age for the Managing Director/CEO and other senior executives is 65. No special agreements have been reached that entitle senior executives to retire before the official retirement age

while still retaining part of their salary in the interim.

The Managing Director/CEO has an individual pension insurance arrangement that corresponds to ITP (supplementary pensions for salaried employees). For 2010, the premium corresponded to 19% of salary up to 30 so-called "income base amounts" (a statistical amount used in Sweden for calculating benefits, etc.). For salary to the Managing Director/CEO paid in excess of this, a premium payment of 30% was made that corresponds to the defined-contribution ITP plan, section 1. Other senior executives in the Group have retirement benefits that correspond to the ITP plan for that portion of their salary up to 30 income base amounts. For salary in excess of this, a premium of 30% is made in accordance with the defined-contribution ITP plan, section 1. An exception is made in the case of one business area manager, who, in his capacity as Managing Director, has an individual pension arrangement with premiums that correspond to those of other senior executives.

Incentive programme

An incentive programme 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. Further information about the principles that apply can be found in Note 5.

Communication with the stock market

The ambition is to maintain a high standard of financial information issued by the Group. Such information must be accurate and transparent in order to create long-term confidence in the company.

Earnings and a summary of the Group's financial position are presented quarterly and, like the annual report, are issued in printed form to all shareholders who so wish. All takeovers are announced via press releases. Full financial information relating to the NIBE Group is available via the website www.nibe.com. Press releases and reports are posted there at the same time as they are made public.

During the course of the year there

have been a number of meetings with financial analysts, the media and *Aktiespararna*, the Swedish Shareholders' Association.

Internal controls of financial reporting in 2010

According to the Swedish Companies Act and the Code, the Board of Directors is responsible for internal controls. This report on internal controls and risk management with regard to financial reporting complies with the requirements in Chapter 6, section 6 of the Annual Accounts Act.

Internal controls were an important component of corporate governance even before the new code was introduced.

NIBE is characterised by simplicity in its legal and operational structure, transparency in its organisation, clear divisions of responsibility, and an efficient management and control system.

NIBE complies not only with external laws and regulations in respect of financial reporting, but also with internal instructions and policies set out in the Group's Finance Handbook. These are applied by all companies in the Group, along with systems aimed at ensuring effective internal controls in financial reporting.

Consolidated financial reports containing comprehensive analyses and comments are drawn up each quarter for the Group and its business areas. Results are also monitored every month.

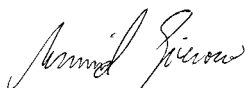
There are finance functions and controllers with responsibility for accounting, reporting and the analysis of financial trends at Group level, business area level and major unit level.

In addition to the statutory audits of the annual report and statutory audits of the parent company and all subsidiaries, the auditors carry out an annual review of how the company is organised, of existing routines and of compliance with the instructions issued, based on guidelines drawn up by corporate management and approved by the Board of Directors. This review increases insight and awareness, provides explicit instructions and proposes a clear organisation in respect of internal controls. It is the view of the Board that, because of the implementation of this review, there is no need for any separate internal control.

The Board's assurance

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

Markaryd, Sweden – 28 March 2011



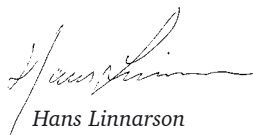
Arvid Gierow
Chairman of the Board



Georg Brunstam
Director



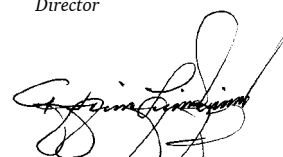
Eva-Lotta Kraft
Director



Hans Linnarson
Director



Anders Pålsson
Director



Gerteric Lindquist
MD/Chief Executive Officer

The balance sheets and income statements will be presented for approval at the Annual General Meeting on 11 May 2011.

Audit Report

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 financial year 2010. The annual accounts and the consolidated accounts of the company are included on pages 49-79 in the printed version of this document. 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 provide a high but not absolute level of 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

parent company's financial position and results of operations. The Board of Directors' Administration Report for the Group and the parent company provides a fair review of the development of the Group's and the parent company's operations, financial position and results of operations and describes material risks and uncertainties facing the parent company and the companies included in the Group.

examined whether any board member or the Managing Director/CEO has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the company's Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

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

We recommend to the annual general meeting of shareholders that the income statements and balance sheets of the parent company and the Group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the Managing Director/CEO be discharged from liability for the financial year.

Markaryd, Sweden – 28 March 2011
Mazars SET Revisionsbyrå AB



Bengt Ekenberg
Authorised Public Accountant