

Annual Report

2000

NIBE
INDUSTRIER

- Net sales increased to SEK 1,304.2 million (1999: SEK 1,168.2 million)
- The Group reported growth of 12%, of which 8% was organic
- Profit after net financial items increased to SEK 124.0 million including premium refunds from SPP totalling SEK 17.4 million, or SEK 106.6 million (SEK 94.1 million) excluding SPP
- Earnings per share rose to SEK 14.67 including premium refunds from SPP, or SEK 12.54 (SEK 10.92) excl. SPP
- Six companies with an aggregate total of SEK 140 million in annual sales were acquired
- Expansion into Europe intensifies with 5 of the 6 companies acquired outside Sweden
- The Board proposes a dividend of SEK 3.75 per share (SEK 3.00)
- The Board intends to propose to the AGM the buy-back of the company's own shares

Information

Dividend

The Board of Directors has resolved to propose to the Annual General Meeting a dividend of SEK 3.75 per share for 2000, equivalent to a total dividend of SEK 22.0 million. If this proposal is duly accepted by the Annual General Meeting, it is anticipated that the dividend will be sent out by the Swedish Central Securities Depository (Värdepapperscentralen VPC AB) on Friday, 25 May 2001.

The record date for the dividend is Monday, 21 May 2001.

Annual General Meeting

The Annual General Meeting will be held at 5 pm on Wednesday, 16 May at the NIBE Marknadscenter in Markaryd, Sweden.

Financial information

The full annual report, together with the notice of meeting, will be distributed to all shareholders. It will also be published on our website at www.nibe.se

Shareholders' diary

16 May 2001:	Annual General Meeting
16 May 2001:	First quarter report January – March 2001
16 August 2001:	Interim report January – June 2001
15 November 2001:	Interim report January – September 2001

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We aim continually to improve the information we submit to the stock market, so paving the way for an accurate assessment of the company's current situation and future potential. Our website, for example, contains far more information than this annual report. The website can be found at:


www.nibe.se

Group overview



NIBE Industrier is a European heating company comprising 3 separate business areas as indicated below. Each business area has its own operational management responsible for the financial performance of that particular business area. Issues such as financing, currency management, takeovers, start-ups and financial control are dealt with at group level, as are human resources policies and other group-wide policy issues.

Net sales 2000	SEK 1,304.2 million
Growth	+11.6%
Export sales	49%
Operating profit incl./excl. SPP refunds	SEK 131.0 / 113.6 m
Operating margin incl./excl. SPP refunds	10.0% / 8.7%
Profit after net financial items incl./excl. SPP	SEK 124.0 / 106.6 m
Net profit margin incl./excl. SPP refunds	9.5% / 8.2%
Market value 31 December 2000	SEK 804 m



Business Area Manager:
Christer Fredriksson

Brands:
Backer, Loval, Håkansson, JEVI, Calesco, Meyer, Eltop

The market leader in Northern Europe and one of the leading European manufacturers of components and systems for electric heating. Customers: Industrial users and components users in Europe.

Net sales 2000	SEK 605.6 m
Growth	+8.4%
Export sales	76%
Operating profit excl. SPP	SEK 47.5 m
Operating margin	7.8%



Business Area Manager:
Kjell Ekermo

Brands:
NIBE, Vølund, Haato, BIAWAR

The market leader in Sweden and one of the leading manufacturers of domestic heating products in Scandinavia and Poland. Customers: RMI sector (Renovation, Maintenance, Improvement) and new housing market.

Net sales 2000	SEK 552.6 m
Growth	+13.9%
Export sales	27%
Operating profit excl. SPP	SEK 59.6 m
Operating margin	10.8%



Business Area Manager:
Niklas Gunnarsson

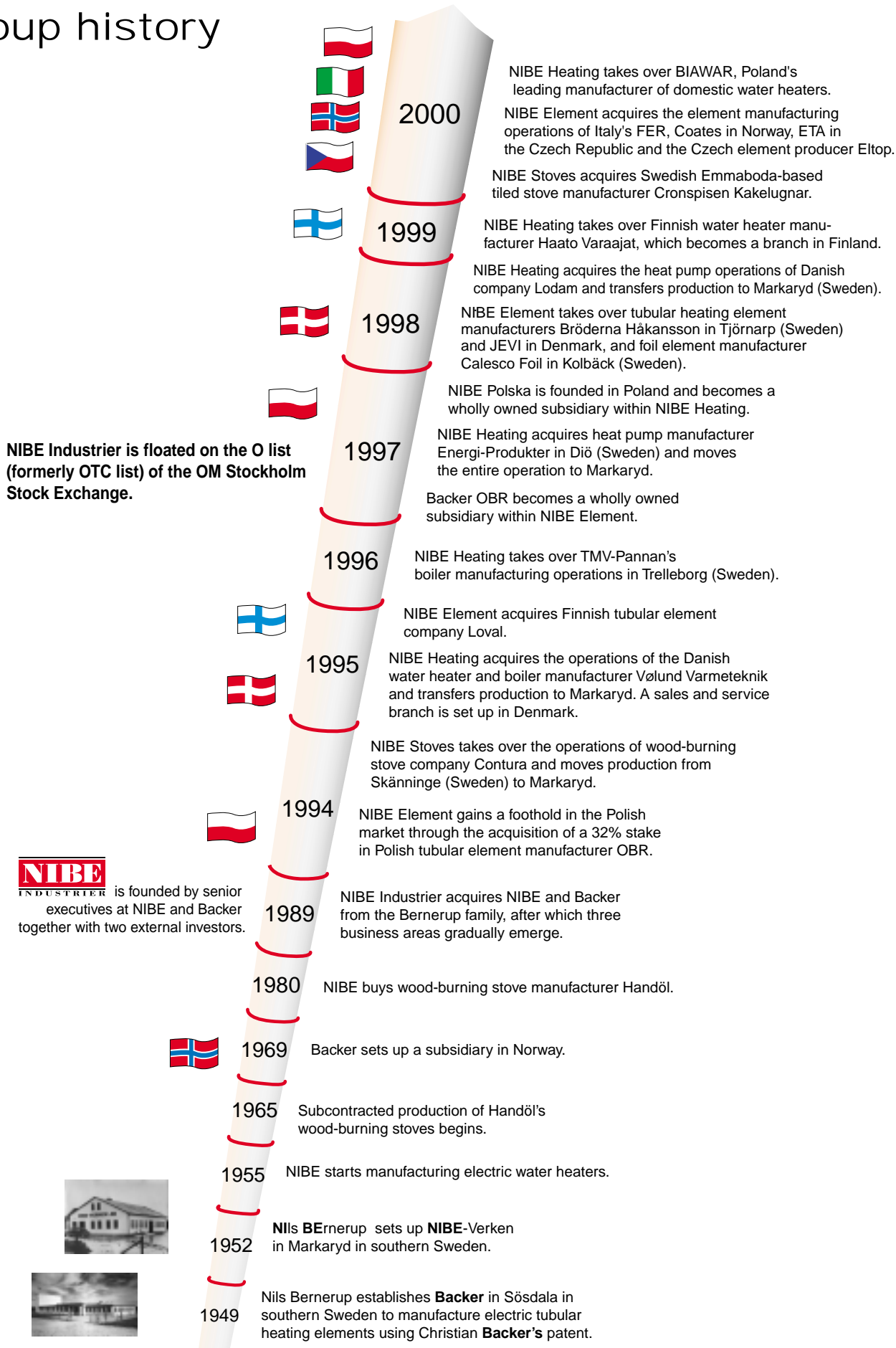
Brands:
Handöl, Contura, Cronspisen, Morsø, Vermont Castings, Roslagsspisen

The market leader in its field in Sweden. Customers: New and existing housing market and holiday homes sector.

Net sales 2000	SEK 155.7 m
Growth	+16.6%
Export sales	18%
Operating profit excl. SPP	SEK 15.6 m
Operating margin	10.0%

The parent company, NIBE Industrier AB, has its registered office in Markaryd in Sweden and has been quoted on the O list (formerly the OTC list) of the OM Stockholm Stock Exchange since June 1997.

Group history



The Chief Executive's Report

Growth built on profitability – a sustainable strategy

Continued gains in market share, particularly as a result of extensive, resolute product development work, have combined with the effects of successful ongoing rationalisation projects to make 2000 the most successful year so far for the NIBE Group.

Sales and profits

Group sales climbed by 11.6% to SEK 1,304.2 million, with organic growth accounting for 8.4% of this figure. This means that the NIBE Group has reported average annual increases in volume of 23% over the past seven years, more than meeting our long-term target of average year-on-year growth of 20%. Around half of the growth over the past few years has been organic.

Profit after net financial items, excluding premium refunds from SPP insurance, rose by 13.3% to a total of SEK 106.6 million, giving the Group an average annual profit growth of 30% over the past seven years.

The return on equity for the year was 21.3%, the fourth year in a row in which this figure has surpassed our long-term target of 20%.

Market development

As we have seen in previous years, the markets for our three business areas each developed in their own distinctive way.

NIBE Element recorded a good year for sales. More than 75% of the business area's sales are made outside Sweden, so the consistently positive figures confirm the perceived picture of the current strength of the economy in Europe as a whole.

Our systematic approach to marketing and specialisation in products in which we excel have also contributed to further improve our market share.

NIBE Heating recorded a noticeably sluggish start to the year with demand suffering in the wake of rising oil prices, which made consumers doubtful about investing in oil-fired heaters. However, demand rallied in the middle of the second quarter, especially on the business area's domestic market, where sales of ground-source heat pumps really began to take off.

Our strategy of offering the market the best products at the most competitive prices has continued to increase our market share at home and abroad.

NIBE Stoves recorded only a modest increase in volumes during the year. This was chiefly due to the general downturn in the business area's key domestic market, occasioned by a long and extremely mild autumn, which traditionally has always been the strongest sales period.

However, thanks to a substantial increase in marketing, demand in our export markets has developed in a very positive direction, even if the volumes here do still remain modest.

New products

NIBE Element owes much of its success to product development in the areas of aluminium and vacuum-soldered heating elements and the new, high-tech foil elements.

In much the same way **NIBE Heating** has seen its market share increase on the back of the launch of a whole new generation of ground-source heat pumps that can outperform any others on the market. All heat pumps have also been given

a brand new design which was very well received when first shown at the international ISH Fair in Frankfurt in March.

To increase the pace of its growth abroad **NIBE Stoves** has been given substantial resources over the course of the year to develop a totally new range of wood-burning stoves suitable for the Central European market. The new range met with a very warm reception when it was exhibited at the Frankfurt ISH Fair in March 2001.

Continuous improvements

Operations in the Norwegian part of **NIBE Element** have been streamlined with the closure of one of the Norwegian companies, Brakon A/S, and the transfer of its production activities to other units in the NIBE Group.

A new unit for producing foil elements has been built up in Poland during the autumn enabling us to transfer certain labour-intensive production processes from high-cost Sweden to Poland early in 2001.

At the end of 2000 the two Swedish tubular element manufacturing units, Backer Elektro-Värme AB and Bröderna Håkansson Värme AB, were merged under the name Backer BHV AB. During 2001 the two units will each begin to specialise in their own products.

NIBE Heating's new heat-pump factory in Markaryd has now been up and running for a while, and the business area's manufacturing processes have been successfully reorganised into a constellation of independent production workshops.

NIBE Stoves has also reorganised its production during the year by relocating to a site adjacent to the Group's R&D, sales and display facilities.

Acquisitions

During the year six companies with an aggregate turnover of SEK 140 million per annum were taken over by NIBE Industrier, bringing our acquisitions over the past seven years to a total of nineteen. Four of the acquisitions in 2000 have been incorporated into the NIBE Element business area and one each into NIBE Heating and NIBE Stoves.

Outlook for the future

We remain committed both to our long-term strategy of expanding at an average annual rate of 20% by combining organic and acquired growth, and to our aim to double the sales figures from 1999 over a four-year period, the ambition being sales of SEK 2.4 billion by the end of 2003 without compromising the NIBE Group's good profitability.

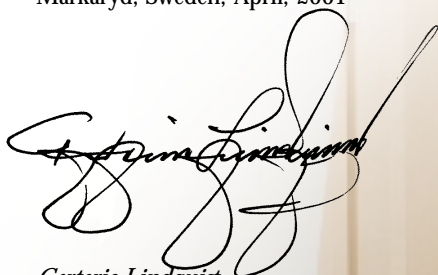
In Europe alone the market potential is an estimated SEK 50 billion a year, which suggests that there are excellent opportunities for expansion in all three of our business areas.

The past twelve months have once again affirmed the validity of one important cornerstone in our business concept, namely the conviction that it is feasible to combine expansion with profitability even at a time when material prices are rising, product development costs are increasing, major relocations of manufacturing capacity are taking place and the pressure on prices is constantly being stepped up.

We believe that we will continue to go from strength to strength in our priority markets. Moreover, this work will be backed up by internal rationalisation work that continues to be accorded great significance and is driven by enthusiasm and carried out with vigour.

All in all, notwithstanding signs on the horizon that the economy is gradually slowing down, we remain confident about the prospects for NIBE in 2001.

Markaryd, Sweden, April, 2001



*Gerteric Lindquist
Managing Director and Chief Executive*



NIBE shares

NIBE Industrier AB's B-shares were floated on the OM 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.

Share capital

NIBE Industrier AB has a share capital of SEK 58.7 million, divided into 940,008 A-shares and 4,929,992 B-shares, each with a par value of SEK 10. Every A-share carries ten votes at the Annual General Meeting and every B-share one vote. All shares carry the same entitlement to the company's assets and profits. 100 shares make up a round lot.

Ownership

NIBE had 2,870 shareholders on 31 Dec. 2000. The ten largest shareholders held 65.0% of the votes and 43.3% of the capital.

Share performance and turnover

During 2000 the NIBE share increased in value by 13% from SEK 121 to SEK 137. During the same period the Carnegie Small Companies Index fell by 7%. At the end of 2000 the market value of NIBE, based on the latest price paid, amounted to SEK 804 million. By 28 February 2001 the share had risen to SEK 149.50 to produce a market value of SEK 878 million. The number of NIBE shares traded during the year totalled 1,408,800, equivalent to a share turnover rate of 24%. The average of the Stockholm Exchange's O list is 102%.

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

Dividend policy

The aim is that in the long term the company will distribute a dividend equivalent to 25 – 30% of Group profit after full tax. The Board is proposing a dividend of SEK 3.75 per share for the 2000 financial year, which is 29.9% of Group profit after full tax, excluding the effect of SPP pensions refunds.

Acquisition and transfer of own shares

At the previous general meeting of shareholders the board was empowered to make decisions concerning the acquisition and transfer of the Group's own shares in order to facilitate and, in some instances, enable future takeovers by using the company's shares as payment. NIBE has neither acquired nor transferred any of its own shares during the course of the year.

Major shareholders (VPC AB share register 29 Dec 2000)

Name	No. of shares	Voting share (%)
Board and senior executives ¹⁾	1,804,230	49.5
Beleggingen Weberstan BV ²⁾	750,960	20.0
Allmänna Pensionsfonden, Sjätte	375,100	2.6
Livförsäkrings AB SKANDIA	316,000	2.2
Svolder AB	275,300	1.9
Roburs Småbolagsfond – Sweden	233,000	1.6
Roburs Småbolagsfond – Norden	203,000	1.4
Didner & Gerge unit trust	195,400	1.4
Other holdings (2,844 shareholders)	1,717,010	19.4
Total	5,870,000	100.0

¹⁾ For Board of Directors, see also page 41.

²⁾ Shares acquired by Melker Schörling, privately and via company in Jan 2001.

Shareholder categories (VPC AB share register 29 Dec 2000)

Name	Voting share (%)	Share of capital (%)
Swedish private individuals	65.6	52.1
Swedish institutional investors	13.3	32.5
Foreign private individuals	0.1	0.2
Foreign institutional investors	21.0	15.2
Total	100.0	100.0

Shareholder structure (VPC AB share register 29 Dec 2000)

No. of shares	No. of shareholders	Share of ownership (%)	No. of shares	Proportion of shares (%)
1 – 500	2,432	84.8	461,672	7.9
501 – 1,000	253	8.8	220,260	3.7
1,001 – 5,000	127	4.4	269,908	4.6
5,001 – 10,000	14	0.5	102,028	1.7
10,001 – 100,000	32	1.1	1,266,362	21.6
100,001 –	12	0.4	3,549,770	60.5
Total	2,870	100.0	5,870,000	100.0

Analyses of NIBE shares

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

D. Carnegie	Tel. +46 (0)8-676 88 00	Johan Stahl
Enskilda Securities	Tel. +46 (0)8-522 29500	Leif Pettersson
Nordiska		
Fondkommission	Tel. +46 (0)8-791 48 00	Henrik Alveskog
Swedbank Markets	Tel. +46 (0)8-585 90000	Mats Larsson

Changes in share capital

Year		Increase in share capital (SEK)	Par value (SEK)	Total number of shares	Total share capital (SEK)
1990	New issue ¹⁾	6,950,000	100	70,000	7,000,000
1991	Bonus issue	40,000,000	100	470,000	47,000,000
1994	Split 10:1 ²⁾	–	10	4,700,000	47,000,000
1997	New issue	11,700,000	10	5,870,000	58,700,000

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

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

Share data

		2000	1999	1998	1997	1996
Number of shares		5,870,000 ¹⁾	5,870,000	5,870,000	5,870,000	4,700,000
Year-end share price	(SEK)	137.00	121.00	124.00	173.00	
EPS (after full tax)	(SEK)	14.67 (12.54)	10.92	8.56	7.80	4.71
Equity per share	(SEK)	68.81	56.14	49.52	42.10	28.40
Proposed dividend	(SEK)	3.75	3.00	2.50	2.00	1.28
Price/equity		1.99	2.16	2.50	4.11	
Dividend yield	(%)	2.74	2.48	2.02	1.16	
Operating cash flow/share	(SEK)	-1.49 (-2.26)	4.70	-1.59	6.87	8.71
Payout ratio	(%)	25.6 (29.9)	27.5	29.2	25.6	27.2
PE ratio after full tax		9.3 (10.9)	11.1	14.5	22.2	
Market value	(SEK m)	804	710	728	1,016	
EBIT multiple	times	7.7 (8.9)	8.6	10.3	16.1	
EV/sales	times	0.77 (0.78)	0.72	0.83	1.40	
Share turnover	(%)	24.0	13.8	36.7	40.2	
Beta value		0.41	0.51	0.57	0.54	
Volatility		0.05	0.06	0.11	0.14	

¹⁾ All key ratios within parentheses are computed excluding items affecting comparability (i.e. premium refunds from SPP).

Definitions

EPS (after full tax)

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

Equity per share

Equity divided by the total number of shares in issue.

Price/equity

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

Dividend yield

Dividends as a percentage of the year-end share price.

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) and minority interests – divided by net sales.

Share turnover

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

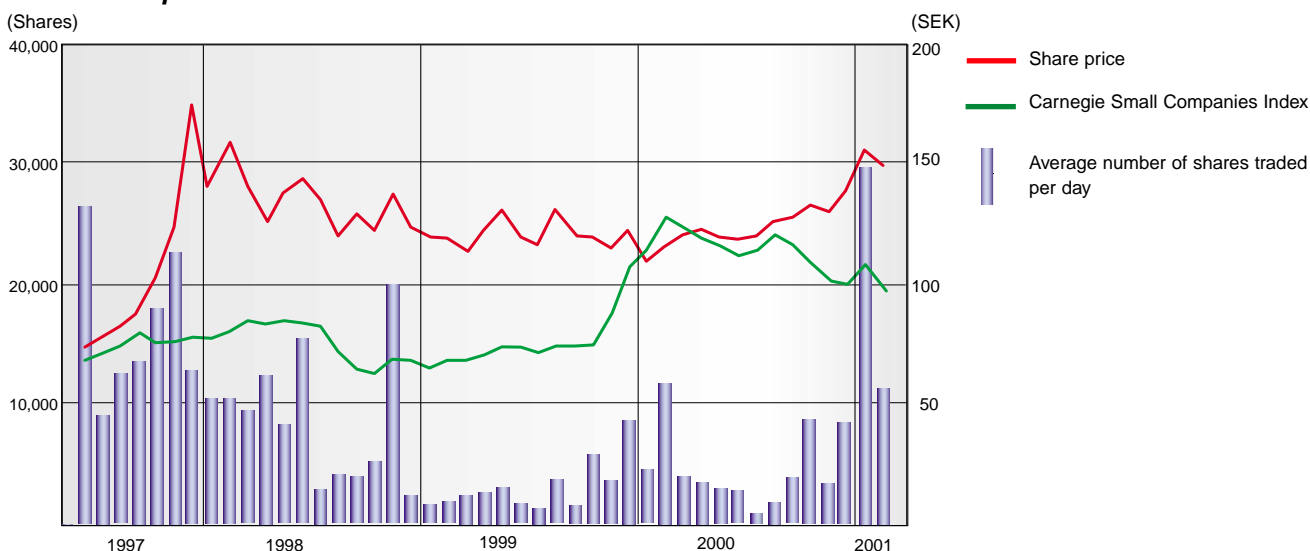
Beta value

A statistical measure of the shares' risk, measured as the correlation between the share price and the Stockholm Stock Exchange all-share index.

Volatility

A statistical measure of the shares' risk, measured as the standard deviation in the shares' closing price each month.

NIBE share performance



Business concept

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 main 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.

The Group has four overall financial targets:

- to achieve average year-on-year growth of 20%, half of which is to be organic.
- to report average annual operating profit for each of the three business areas equivalent to at least 10% of 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%.

Strategies

Growth

will be based on:

- a greater market share in priority markets
- a focus on new markets and segments, preferably with the help of unique products
- strategic acquisitions in selected markets, preferably with strong brands and complementary products.

Competitiveness

will be improved through:

- the continual development of leading-edge products in cooperation with the market and customers
- constant rationalisation of the production process through mechanisation and automation, supported by the optimum utilisation of working time through a flexible wage system
- 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.

Profitability

will be maintained through:

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

Corporate culture

will be further strengthened through:

- training and development of individual employees and the organisation as a whole
- the retention of existing key employees and recruitment of new ones
- employee share schemes.

Customer satisfaction

will be further improved through:

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

Environmental considerations

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

Sincerity and an ethical approach

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



Over the years eight principles have assumed ever increasing significance for our operations. They provide the foundation we need to continue to expand without losing sight of our profitability targets. These eight principles are the “glue” that holds the NIBE Group and its employees together.

New employees should never be in any doubt as to the principles that underpin our work and permeate the working environment they are joining.

Our hope is that these eight principles – together with our objectives, strategies and past growth in sales and profit – will create among existing and prospective shareholders alike the long-term confidence that the company needs to thrive and prosper.

Eight success factors –

1 Profitability – our number one priority

The Group's profitability target is that each business area should report an operating margin of 10% over a full business cycle.

Neither of the two original companies in the NIBE Group – Backer and NIBE – has ever had to report an operating loss in its year-end accounts. This creates respect not only for the fact that it is always possible to earn money even when market conditions are tough, but also for the insight that profitability is less a question of what industry you work in and more a matter of the people you work with and their drive to succeed.

We are also convinced that healthy profitability is the largest single factor contributing to job satisfaction, and that a profitable company will always attract skilled new employees.

We also believe good profitability to be the most important prerequisite for sustained strong growth.

2 High productivity

The independence of the NIBE Group and its expansion over the years are largely a consequence of high productivity based on flat organisational structures, rational production processes and a workforce motivated by a flexible wage system.

We are firmly convinced that flexible wage systems are crucial to the success of any industrial company. An efficient production apparatus working at a consistently high pace and motivated by the prospect of higher earnings provides the impetus behind all the other essential functions in a manufacturing company.

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

3 In-house product development

The NIBE Group has always believed in investing substantial resources in product development. This approach not only enables us to react rapidly to and cope immediately with demands in an ever changing market, but also means that we can quickly offer customers the best solution in any given situation.

Leading-edge product development plays a key role in helping NIBE to break into new markets and win market share. It is also important for objectively assessing solutions produced by competitors.

Top-notch product development also strengthens the company's image and sends out important signals to competitors and potential takeover candidates.

4 Quality-mindedness

All the major manufacturing units in the NIBE Group are ISO 9001 accredited, although this is, in practice, little more than the formal acknowledgement of the quality-minded approach which has characterised thinking in these companies ever since they were first set up.

Quality can never be achieved simply by a one-off bid to get a certificate to hang on the wall. Quality is something that is created day by day by the unflagging efforts of everyone at every level in a company always to do things that little bit better, and by always being receptive to ideas as to how things can be improved.

from 50 years' experience

The future will see environmental awareness gaining in importance as a complement to the quality of the actual products.

Work is under way on the environmental accreditation of our production units, with NIBE AB becoming the first of the Group's companies to be ISO 14001 accredited in June 1999.



Staff commitment and potential

The companies within the Group are renowned for having a sterling team spirit. Their non-hierarchical organisations give individual workers freedom with accountability, allowing talented people to assume responsible positions early in their career. Managers should never act solely as executive decision-makers, but retain the direct operational involvement which gives them a crucial insight into their job and helps to minimise overall payroll costs.

We endeavour to have a low turnover of staff, both to maintain levels of skills and flexibility within the company and to safeguard quality and consistency.

Keeping and developing the employees a company already has plays a vital role in success whenever there is a steady influx of new staff, both via recruitment drives and via acquisitions.



Concentrating on three core areas

Our operations concentrate on heating products. The fact that we have been working with tubular elements since our very earliest beginnings in 1949, with domestic heating since 1952 and with wood stoves since 1965 has focused attention on what always can and must be improved within the bounds of current operations, at the same time as it has kept risk exposure at a reasonable level.

Besides the obvious benefits for our existing operations, this focused approach serves as an exceptionally valuable instrument when analysing potential takeovers within our three core areas.

From the initial evaluation stage onwards it enables us to form a clear picture of what can and must be improved after a possible takeover, by comparing the figures with our own key figures and ratios. This is also communicated to the relevant corporate management prior to a takeover to guarantee understanding and facilitate implementation when the time for acquisition is ripe.

As our avowed intention is to continue to acquire companies (in most instances foreign ones) at a rapid rate, this analysis instrument is set to play an even more important role in the future.



First number one at home – then the leap abroad

This philosophy is based on experience. Firstly, a strong position in the domestic market is essential for creating credibility abroad. Secondly, venturing abroad is an expensive business which takes a long time, so stable finances generated in the domestic market are crucial for reaching the ultimate goal. And thirdly, there must be some guarantee of the capacity to fulfil orders from the new export market once they begin to flow in. Trying to build up markets at home and abroad at the same time all too often ends up with domestic customers receiving preferential treatment.

Given that each of NIBE's three business areas is already the market leader in its respective field in Sweden, we will need to look elsewhere in Europe both for continued organic growth and, more

particularly, for further corporate acquisitions in the years to come.

We intend to approach our foreign forays on the basis of the simple "ripple" effect: first we will focus on our Nordic neighbours, then Europe and, ultimately, other continents.



Long-term, clearly defined ownership

Continuity of ownership is one of the principal factors behind the success of the companies in the NIBE Group, and this has enabled the Group to devote itself to developing its various operations.

At the same time as it broadened the ownership structure, the stock market flotation provided the NIBE Group with the substantial capital needed to fund continued expansion.

It was also especially important to carry out the flotation in a way which enabled us to remain fully independent. The significance of this independence has become apparent in conjunction with a number of acquisitions, where it has proved vital to be able to point to the independence of the NIBE Group and its long-term industrial ambitions.

Employees

NIBE's human resources philosophy is based on a straightforward, common sense approach that has evolved naturally without any need for "preaching" since the company first began 50 years ago.

Considerable independence, freedom with responsibility, hands-on management, efficiency, a focus on young people, performance-based pay and a sense of community all feature in this unique philosophy.

Efficiency through freedom and accountability

The NIBE Group works in teams with many highly committed individuals in all areas of operation. Giving our staff both considerable freedom and responsibility is an obvious approach for us, and, combined with performance-related pay, it makes for excellent self-motivation and a high degree of efficiency.

We value the individual and believe that personal freedom generates the very best results for both individuals and company alike.

Youth and maturity

A low level of staff turnover has meant that our workforce boasts considerable expertise, which is of particular interest and benefit to customers.

Our recent expansion has enabled us to take on many young people, resulting in a good mix of youth and maturity. In the past few years we have employed more than 300 people under the age of 25.

Increasing proportion of non-Swedish employees

Foreign acquisitions have seen a steep rise in the number of non-Swedish workers in 2000. HR philosophies are important in a climate of increasing internationalisation, and future success owes much to ensuring that staff are "on your wavelength" from the moment the takeover is announced. In our experience, our HR policy continues to serve us well even far beyond the borders of Sweden.

University alliances provide tomorrow's employees

We have many dealings with a variety of educational institutions, one of which is Chalmers University of Technology in Göteborg. We offer many Chalmers students summer placements, sponsor their dissertations, and have also taken on some 40 graduates over the past few years.

Another example is NIBE Heating's cooperation with the local upper secondary school in Markaryd in initiating a special course in energy studies. This kind of active cooperation enables pupils studying the subject to combine theory and practice in a natural way, as they are offered placements and summer jobs with us.

This, together with comprehensive programmes for the ongoing technical training of our employees inspires us to look to the future with confidence.



Straight talking

Providing staff with a steady stream of detailed information about the company and its development generates a greater feeling of togetherness and belonging.

We seek to promote a frank, honest dialogue between employees at all levels. We believe that this reduces the number of conflicts and helps us to talk our way to solutions when conflicts do arise – leaving us free to concentrate most of our efforts and energy towards meeting the challenges that face us outside the company.

Shared leisure activities break down barriers

We are convinced that a commitment to both work and shared leisure activities creates a good atmosphere and team spirit. Our sports facilities and out-of-work activities help staff to meet in an informal context, which we believe breaks down the artificial barriers that can otherwise exist between different categories of employees.

Hands-on management

Management that includes a hands-on managerial style alongside more conventional executive and operative functions produces managers who are more skilled and better respected.

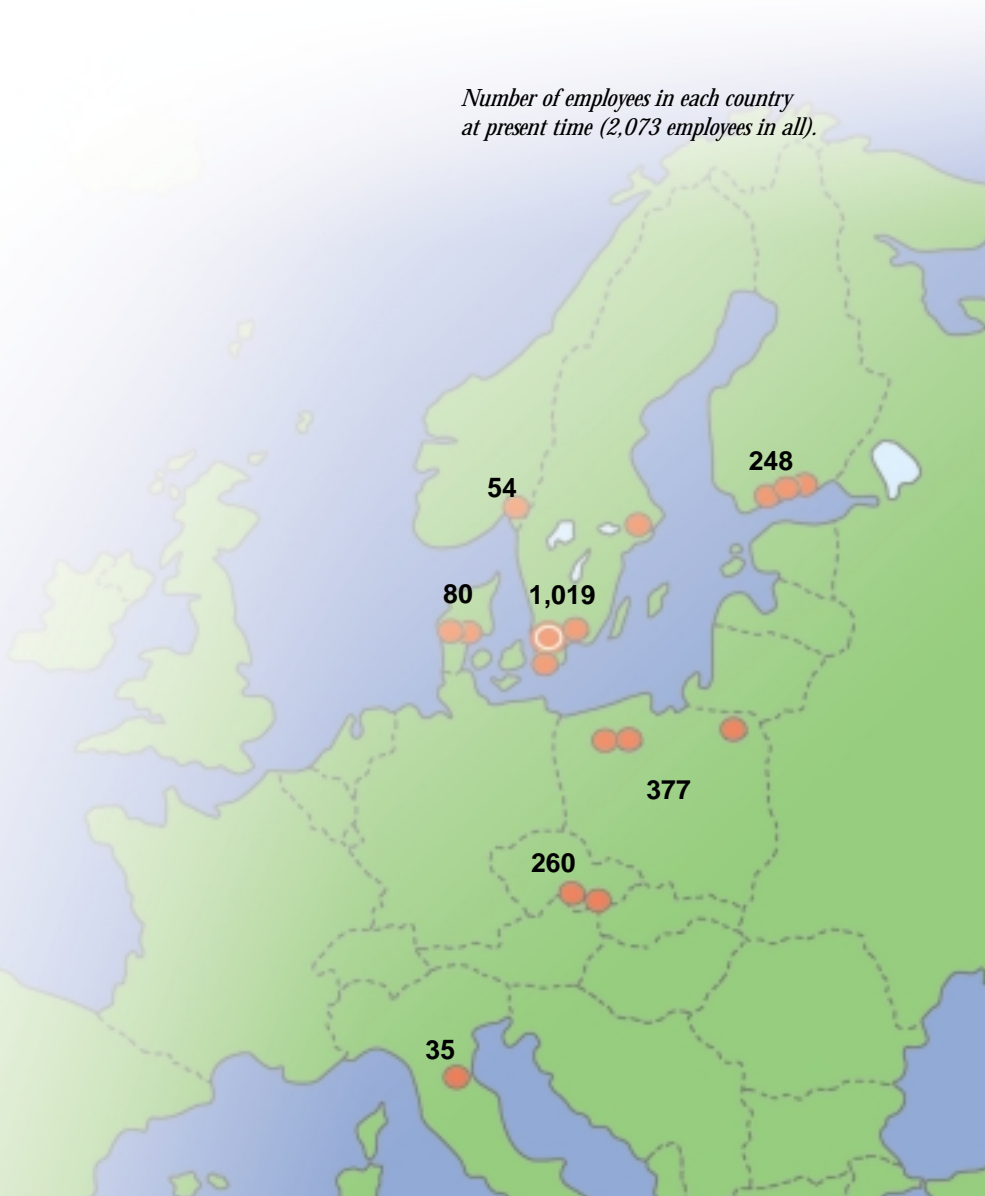
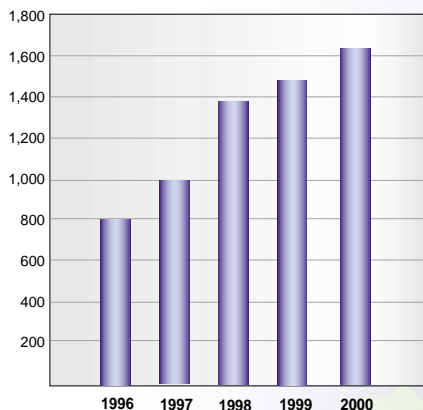
We have always worked with a flat organisation, long before this approach had become the trend that it is today. There is, of course, ample scope to build a career in the NIBE Group, but we believe that each step up the ladder should be part of a natural progression and build on genuine expertise, experience and a great degree of personal commitment.

Key figures

	2000	1999
Average number of employees	1,617	1,475
Administration	25%	25%
Production	75%	75%
Males	74%	75%
Females	26%	25%
Average age	40	39
Average years of employment	10	10
Workforce turnover	8%	7%
Number of graduates	85	68
Employees in Sweden	61%	63%
Employees abroad	39%	37%

Number of employees in each country at present time (2,073 employees in all).

Average number of employees



Quality and the Environment

Greater focus on total quality

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 or service, and thus generates new orders. As stated in our quality policy, it is crucial that every employee views quality as extremely important if we are to meet our customers' demands.

To live up to these high goals 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.

Continual improvement is a key concept at NIBE, and is, in part, the responsibility of our quality and project groups. Measurable quality targets have been set and performance is monitored regularly. We also aim to work closely with customers and suppliers to develop our operations, and to compare ourselves with the world around us with a view to leading the way in our three specialist areas.

Product quality is already high, but work is constantly under way to bring about improvements, focusing particularly on areas such as delivery times, delivery reliability, product development and customer service in order to develop our operations to meet market needs for total quality.

How well we succeed in this will be a key factor for our continued growth in an increasingly competitive market.

Quality assurance

Major manufacturing units within the NIBE Group already have well established ISO 9001 accredited quality systems. Last year NIBE Heating's plant in Trelleborg, southern Sweden was also certified, and the Polish water heater manufacturer BIAWAR was ISO 9001 accredited before being taken over by NIBE. The aim is for all units, regardless of size, to be ISO 9001 certified over the coming years.

The quality management system is used to steer operations in the direction of the aims we have established, with both quality work and constant improvements increasingly focusing on the customer in order to meet the market's demands and expectations.



All heat pumps are tested for operational reliability before they leave the production line.

Continued growth with reduced environmental impact

Following ISO 14001 accreditation for NIBE Stoves and NIBE Heating in Markaryd and Trelleborg (Sweden) in 1999, the introduction of environmental management systems is continuing all the time throughout the Group.

Under the motto "Continued growth, reduced environmental impact" our environmental work focuses on five key areas:

- reducing emissions
- reducing waste
- increasing energy efficiency
- reducing the consumption 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 the long-term sustainability of the environment.

Measurable indicators for various types of environmental impact are gradually being introduced throughout the NIBE Group to enable us to monitor the results of our environmental work and identify any trends. This reporting programme, which currently covers only the certified units, has already revealed positive and measurable effects in the form of reduced waste, more efficient use of materials and fewer emissions to air and water.

Besides focusing on environmental impacts that can be translated into measurable indicators, the Group always takes account of the environment when developing new products or changing any of its processes. Consideration is also given to the future recycling potential of new products.

Several 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 Element

*Business Area Manager:
Christer Fredriksson*

		2000	1999	1998	1997	1996
Net sales	(SEK m)	605.6	558.5	552.4	356.4	300.4
Growth	%	8.4	1.1	55.0	18.6	48.4
Operating profit	(SEK m)	47.5	41.1	45.6	32.8	19.1
Operating margin	(%)	7.8	7.4	8.2	9.2	6.4
Average number of employees		935	905	925	669	522

Mission statement

NIBE Element will supply manufacturers and users of heating products with components and systems for electric heating.

Objectives

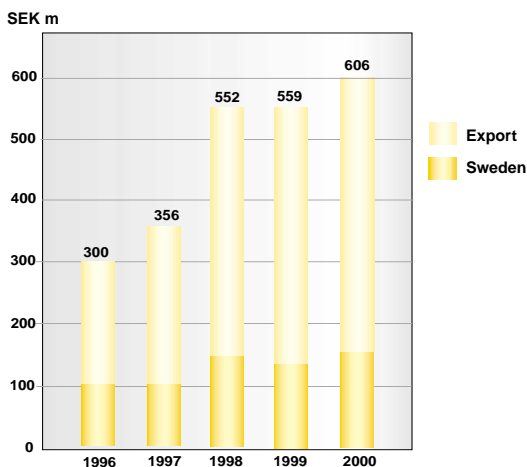
NIBE Element aims to report average year-on-year growth of 20%.

Operating profit is to average at least 10% of turnover over a business cycle.

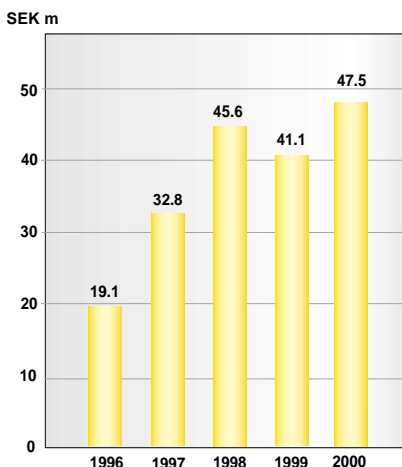
Strategy

- NIBE Element aims to be the market leader in its product area in Northern Europe.
- NIBE Element will maintain a local presence in its domestic markets and sell a complete range of components and systems for electrical heating applications.
- NIBE Element aims to rank among the leading players in the European market – outside its domestic markets this means focusing on medium-sized and large-scale serial production.
- The business area will undertake acquisitions to gradually increase the number of domestic markets in which it operates.

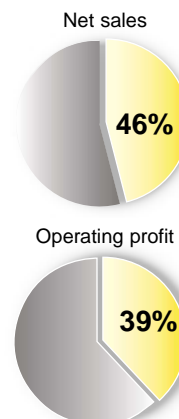
Net sales 1996 – 2000



Operating profit 1996 – 2000



NIBE Element's contribution to Group net sales and operating profit in 2000



Review of the year

The largely buoyant economic climate in Europe combined with an improved market share to generate organic growth of around 7%. Brisker demand also meant that most of the production units enjoyed good capacity utilisation.

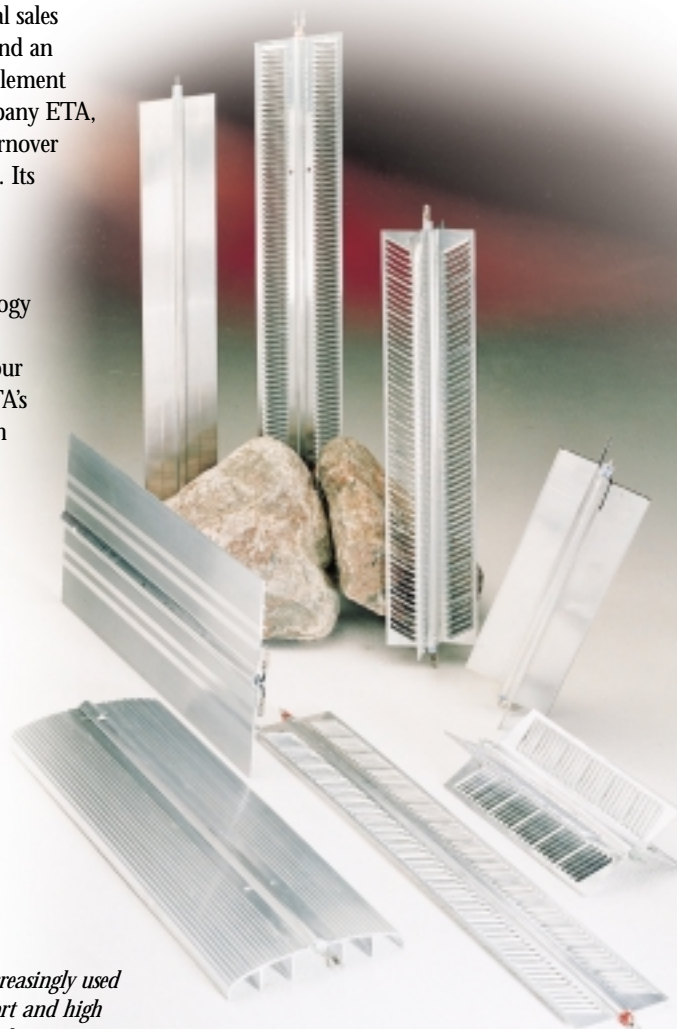
The impact on earnings of higher material prices and substantial price pressure in several market segments brought on by continued stiff competition was countered with intensified restructuring activity and improved productivity.

Continuing our expansion with four new acquisitions, we also strengthened our position in Europe further, partly by adding Italy and the Czech Republic to our domestic markets.

During the summer we acquired the element business of the Norwegian company Coates A/S, which generates annual sales of around SEK 2 million. This business, which focuses on products for the plastics industry, will become part of our Norwegian subsidiary and complement our existing product range in Norway.

In September we acquired the element business of the Italian FER company, which generates annual sales of around SEK 25 million. The idea is to increase our presence in Italy, one of the largest markets for electric elements in Europe. The company will market both its own range and products from NIBE Element's other units.

During the autumn we entered into negotiations with the two leading heating element companies in the Czech Republic. These resulted in the acquisition in December of Eltop (annual sales around SEK 10 million) and an agreement to acquire the element business of the listed company ETA, which generates annual turnover of around SEK 25 million. Its main products are tubular electric elements, but the acquisition will also bring in interesting new technology in the form of thick-film elements to complement our existing product range. ETA's element business was taken over with effect from 1 February 2001.



Aluminium elements are increasingly used wherever convenience, comfort and high performance are accorded high priority.

Outlook for 2001

The market outlook at the beginning of the year remains still bright, although all economic indicators suggest a risk of a slowdown during the year.

The price increases introduced in a number of product areas during the autumn will go some way to offset the negative impact on earnings of higher prices for certain input goods. The current purchase prices, which settled at a high level during the fourth quarter, are forecast to fall gradually during the year.

The trend towards ever keener price competition, especially in the high-volume segments, is expected to continue.

The structural measures decided on during the autumn, such as the merger of the Swedish tubular element units Backer Elektro-Värme AB and Bröderna Håkansson Värme AB and the transfer of labour-intensive foil element production to Poland, are currently being implemented. Combined with the effects of the acquisitions made, these measures are expected to result in positive earnings growth in 2001.

Products

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

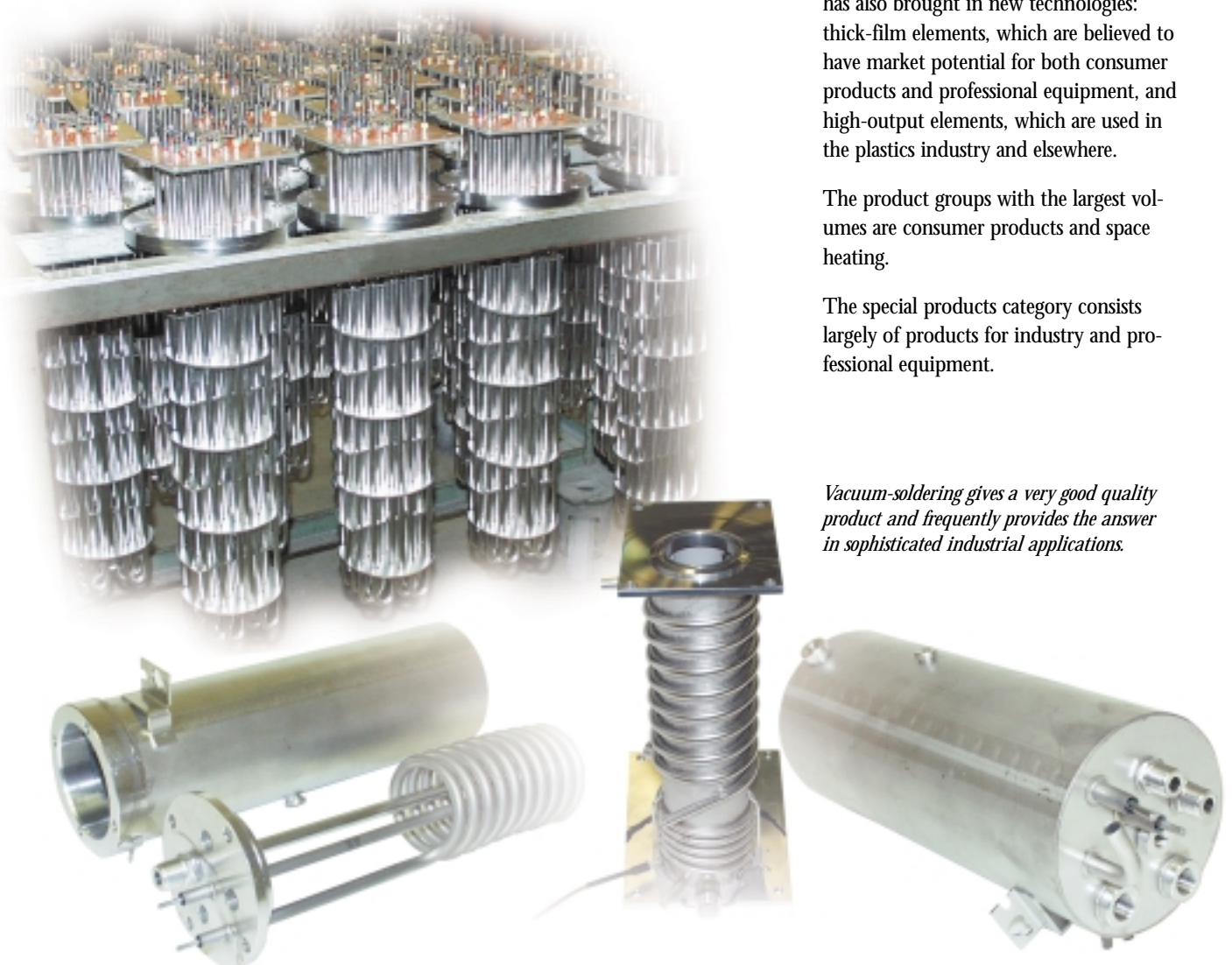
The tubular element is the predominant product, but while the basic technology has remained virtually unchanged for many years, the products themselves have been gradually perfected in terms of performance, quality and manufacturing cost. Recent takeovers have added new products to the range, including products for the offshore sector and plastics industry.

The acquisition of foil element manufacturer Calesco Foil saw us benefiting from an extremely interesting complementary technology for applications at lower temperatures and outputs, which is considered to have substantial market potential in the future. The acquisition of the Czech units has also brought in new technologies: thick-film elements, which are believed to have market potential for both consumer products and professional equipment, and high-output elements, which are used in the plastics industry and elsewhere.

The product groups with the largest volumes are consumer products and space heating.

The special products category consists largely of products for industry and professional equipment.

Vacuum-soldering gives a very good quality product and frequently provides the answer in sophisticated industrial applications.



NIBE Element's products can be divided into the following product groups, depending on their area of application:

Product group	Examples of use	Product
Water heating	Water heaters	Heaters, tubular elements
Consumer products	Electric cookers Water beds Irons Washing machines	Fan oven elements, tubular elements Foil elements Tubular elements Circuit breaker elements, tubular elements
Space heating	Electric radiators	Aluminium tubular elements
Vehicles	Engine pre-heaters Rear-view mirrors	Immersion heaters, tubular elements Polymer elements
Special products	Trains Parabolic antennas ATMs	Load resistors, tubular elements Wireless transmission, foil elements Foil elements
Plastics industry	Plastic extrusion machines	Strip elements, high-energy elements
Catalogue standard	Electrical control-box heaters	PTC elements
System products	Catering coffee machines	Percolators, tubular elements
Machines	Electrical testing equipment	Electrical test gear
Components	Heat exchangers	Stainless steel ribbed and grooved pipes



Important customer groups in the "Special products" category include medical equipment manufacturers, and the telecom and plastic industries.



Production

NIBE Element has eleven different production units in Sweden, Norway, Finland, Denmark, Poland, the Czech Republic and Italy. The main reason for production being spread across so many countries 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 and more specialised when it comes to large series and unique products. Standardisation across the business area and the coordination of components are helping continually to rationalise the supply of components and base materials.

The Polish unit, Backer OBR, and the Czech units, Backer CZ and Eltop, provide NIBE Element with access to low-cost production in modern factories.

The two Swedish units producing tubular elements will specialise their programmes in 2001: the Sösdala plant will focus on high-volume production and the factory in Tjörnarp on industrial production. This specialisation is expected to result in better service and cost savings.

At the beginning of 2001 most of the manual assembly of foil elements was transferred from Calesco in Kolbäck, Sweden to the newly built production unit in Poland. This transfer is expected to result in substantial cost savings.

Quality and the environment

Our competitiveness as a supplier of elements depends largely on the consistently high quality of our products, and, indeed, our mission statement dictates that high quality should be one of the main reasons for customers to choose our products.

Most of our manufacturing units are ISO 9001 accredited and all products undergo testing before delivery. On the environmental side, we are working to reduce the impact of our production processes both within our factories and on the natural environment outside, and work is under way to introduce the ISO 14001 environmental management system.

Prices

The European market for consumer products such as white goods is intensely competitive when it comes to component purchasing. The market is consolidating to leave a small number of ever larger manufacturers who are seeking to reduce the cost of input goods on the basis of standardisation and volumes. To counter this pressure on prices, several element suppliers, NIBE Element included, have set up production in low-cost countries. However, this trend also means that the price pressure in the high-volume segments is not expected to abate.

The number of customers in the special products segment is growing in Europe. Fortunately, since factors such as technical cooperation and innovation play a key role in our success as a supplier to this segment, prices are under far less pressure here.

Putting foil elements through their paces in the new production plant in Poland. All elements are rigorously tested before leaving the factory.



Product development

Most product development is undertaken in conjunction with our customers, but we also carry out our own fundamental product development in parallel with this process. The continued optimisation of existing products in terms of technical performance and cost has been prioritised for in-house product development and involves working with suppliers to assess and test a number of new components and base materials.

We are also working to provide our products with additional technical functions such as the control and adjustment of elements or their incorporation into through-flow water heaters.

Product development at NIBE is supplemented with extensive production technology activities designed to continually rationalise and improve the cost-effectiveness of our operations, and to enhance the quality of our products even further.

While the business area owns a number of patents and registered designs, most products are unique to specific customers and are not therefore patent-protected.

Market

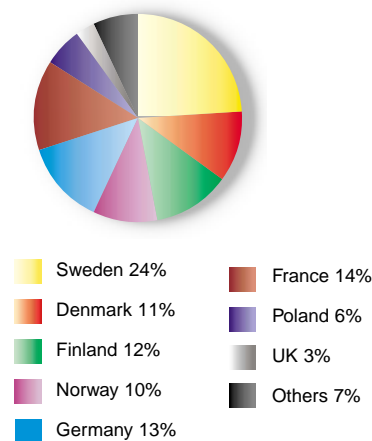
The market for components and systems for electric heating can be divided into two main groups: **OEM** (original equipment manufacturing), where the element is used as a component in the customer's product, and **industry**, where the element is generally used in the customer's manufacturing process or as a spare part.

In the OEM segment NIBE Element supplies several major engineering companies in both the Nordic region and the rest of Europe. Heating elements are used in many products, so this market tends to depend more on demand for engineering products in general than demand for any specific product.

The industry segment comprises customers who use elements in their own manufacturing process as well as component customers, who use elements in relatively small series. The segment is characterised by local links between customer and supplier, and by small production series. Demand in this segment depends on investment levels in industry and the general state of the engineering sector.

In its domestic markets (currently defined as Sweden, Norway, Denmark, Finland, Poland, the Czech Republic and Italy), NIBE Element leads the market everywhere but in Italy, and sells a complete range of products for both OEM and industrial customers. Elsewhere, we concentrate on selling products for which we possess unique expertise in terms of equipment and know-how.

NIBE Element – sales by geographical markets



Steatite and PTC elements for space heating applications.



Growth and trends

The European element market tends to reflect trends in GDP growth. Growth in Western Europe is forecast at around 2% over the next few years, while growth in the former eastern bloc countries is likely to be much higher. However, there seems little doubt that competition in these markets is set to increase over time.

Given the consolidation that is taking place in various sectors, the number of independent customers is falling. This, in turn, opens up greater opportunities for pan-European players, while local players are finding it increasingly difficult to defend their market position. We believe that, as one of the front-runners in the industry in Europe, NIBE Element stands to benefit from this process.

Access to the Internet will make it easier for customers to find new suppliers and products outside their own local area – a trend which should favour suppliers with a broad standardised range. We are therefore working continually to develop our standard range with a view to holding a larger number of standard products in stock.

Since customers generally want to work more closely with suppliers in issues dealing with product development, logistics and cost-cutting, we are stepping up resources in these areas.

Our own growth potential over the next few years will be founded on a combination of organic growth and corporate acquisitions. Fiercer competition means

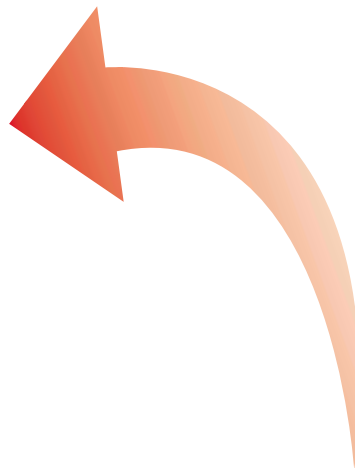
that the restructuring of the European element industry will continue, so the number of potential and possible acquisitions is expected to be considerable. Our organic growth will be based on the combination of an extended product range for our domestic markets and a sharper focus on exports to Eastern, Central and Southern Europe.

The range will be broadened in our various domestic markets so that, in the long run, we can become a one-stop supplier of components and systems for all types of electric heating.

Opportunities and risks

Opportunities

- Restructuring within the industry 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



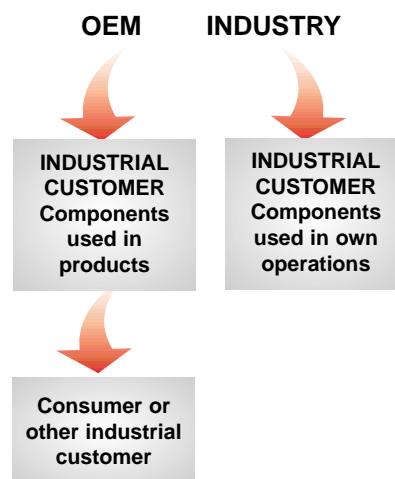
Risks

- New technologies
- Greater competition
- Cost trends in the Nordic countries
- Competition from low-price, low-quality ranges
- Product liability and series faults

NIBE Element and its competitors

Competition in the business area's domestic markets derives from both small local operators and a number of large European companies. Our local presence here constitutes an advantage in terms of both cooperation and logistics, and our aim is to offer the broadest and most complete range in these markets.

The situation varies elsewhere in Europe, depending on whether we are competing with a domestic company ranking among the leading players in Europe. Where there is already a strong domestic manufacturer, we usually try to establish a niche for ourselves by marketing unique special products, while elsewhere we aim to gradually acquire a position as one of the market leaders.



Production of foil elements at the modern, new manufacturing unit in Poland.



NIBE Heating

*Business Area Manager:
Kjell Ekermo*



		2000	1999	1998	1997	1996
Net sales	(SEK m)	552.6	485.3	356.8	281.2	242.3
Growth	%	13.9	36.0	26.9	16.0	30.6
Operating profit	(SEK m)	59.6	48.8	30.3	26.1	16.5
Operating margin	(%)	10.8	10.1	8.5	9.3	6.8
Average number of employees		575	490	392	327	278

Mission statement

NIBE Heating will supply the market with products that maintain a comfortable indoor temperature in homes and other premises by means of heating, ventilation, cooling and heat recovery, as well as products for heating domestic hot water.

Objectives

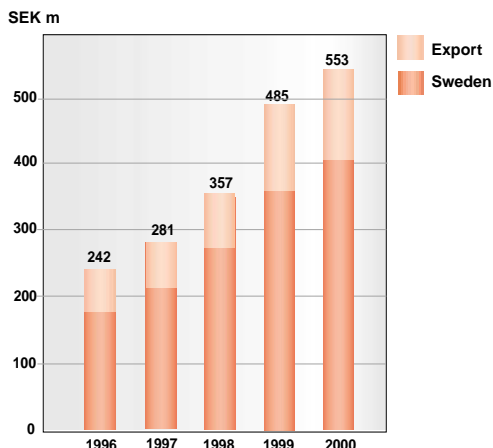
NIBE Heating aims to report average year-on-year growth of 20%.

Operating profit is to average at least 10% of turnover over a business cycle.

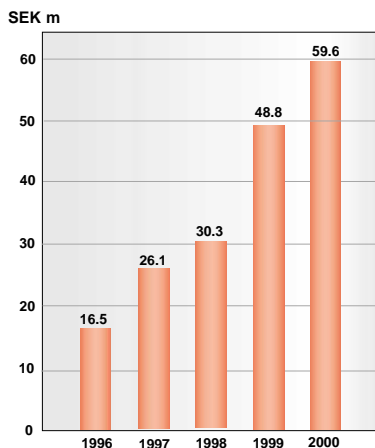
Strategy

- NIBE Heating aims to consolidate its current position as the market leader in Sweden.
- NIBE Heating aims to further develop its position as one of the market leaders in the other Nordic countries and in Poland.
- NIBE Heating aims to gradually develop new domestic markets outside the Nordic countries through a combination of organic growth and acquisitions.

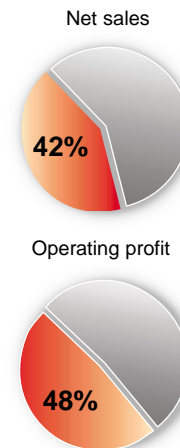
Net sales 1996 – 2000



Operating profit 1996 – 2000



NIBE Heating's contribution to Group net sales and operating profit in 2000



Review of the year

NIBE Heating continued to strengthen its position in its Swedish domestic market during the year, with further increases in market share in virtually all prioritised product areas. After a slow start to the year, sales performed extremely well during the second half. The surge in oil prices has meant that consumers are increasingly choosing forms of heating other than traditional domestic boilers, which has favoured sales of ground-source heat pumps in particular. Major progress has been made in this product segment, especially after the launch last autumn of a brand new generation of ground-source heat pumps featuring extremely high levels of performance and the lowest levels of noise on the market. An increase in the construction of single-family homes in Sweden has also resulted in a marked increase in sales of exhaust-air heat pumps.

Fortunately, when the new heat-pump factory taken into operation during the first half of the year faced its first real test as volumes soared during the autumn, the plant lived up to expectations in terms of both delivery reliability and quality.

One major event in 2001 was the acquisition of BIAWAR, Poland's leading manufacturer of water heaters. Activity at the company since the takeover has been dominated by reorganisation, reinforcements on the marketing side and the expansion of the product range.

Outlook for 2001

A slight increase in the construction of single-family homes and a still buoyant housing market in Sweden, together with a sharper focus on foreign expansion, are expected to provide scope for continued healthy growth in 2001.

Sales of both exhaust-air and ground-source heat pumps are forecast to rise further, while sales of domestic boilers are expected to decline. We also intend to reinforce our market-leading position in water heaters.

Recent acquisitions outside Sweden, an increase in internal resources in export sales and the launch of heating products specially tailored to the export market all combine to provide a firm platform for future expansion in Europe.

Production will be further streamlined and optimised during the year with a view to realising our overall production strategy, which entails manufacturing products at a number of separate, highly rationalised plants.

The combination of volume growth and continued efficiency gains is expected to result in positive earnings growth in 2001.

Heat pumps are manufactured in super-clean conditions in Europe's most advanced heat-pump plant.



Products

NIBE Heating offers heating products powered by a variety of fuels to meet different market requirements and different needs for heating systems. Our broad range of products enables end-customers to choose a solution that best suits them.

NIBE Heating's products all feature:

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

The business area achieves this by maintaining its sharp focus on the development, production and marketing chain, while working ceaselessly to increase its efficiency.

The product range was further extended during the year through the acquisition of BIAWAR with its water heaters and through-flow water heaters, a brand new product segment for us. A number of new product solutions, primarily for heat pumps, were also launched in 2000.

The following products are marketed under the NIBE, Vølund, Haato and BIAWAR brands in our priority product segments:

- heat pumps
- domestic boilers
- water heaters for direct and indirect heating
- instantaneous water-heating elements
- sub-contracted production of corrosion-protected pressure vessels.

Production

Most products in the business area's range are manufactured at our plant in Markaryd in the south of Sweden.

The year brought extensive changes in the production structure in a bid to streamline, modernise and increase the efficiency of the various production units. Water heaters are now manufactured not only in Markaryd but also in Finland and Poland, and through-flow water heaters are produced in Poland and the Czech Republic. All domestic boilers are made at our production unit in Trelleborg.

The new heat pump factory in Markaryd that was taken into operation during the first half of the year is paving the way for further expansion in high-technology heating products, both in Sweden and abroad. The plant is believed to be the most modern in Europe and has been built so that it is big enough for large-scale production with rational production flows in what is an extremely clean manufacturing environment. Its capacity of 30,000 units per annum can be increased relatively easily.



New ground-source heat pumps are being developed all the time to meet the demands of an ever-evolving market.

Quality and the environment

We set stringent quality requirements for all of our products, particularly the high-tech functions and components that have to perform flawlessly to satisfy the end-user. NIBE Heating's operations are part of NIBE AB, which has been ISO 9001 quality certified since 1993 and received ISO 14001 accreditation for its environmental management systems in 1999.

Products are continually tested after each production stage and undergo extensive testing at the end of the production process. We aim constantly to improve our products and to reduce the number of faults and quality shortfalls.

Prices

Although prices are moving increasingly into line in the various European markets, price differentials do still exist since both products and distribution methods vary from country to country.

As NIBE Heating believes that increases in efficiency should be passed on to customers, we have taken the initiative to gradually reduce the price of heat pumps, domestic boilers and water heaters over a period of years in the Swedish market.

Product development

The technology for domestic boilers and water heaters is well established and so development work focuses on improving output and energy efficiency and on making products more environmentally friendly. Product design has also become an increasingly important parameter and is now an important selling point.

The latest heat pumps are under constant development and feature a high degree of innovation. This means that a substantial proportion of development resources is allocated to the heat pump business, which launches new models with various functions and applications each year.

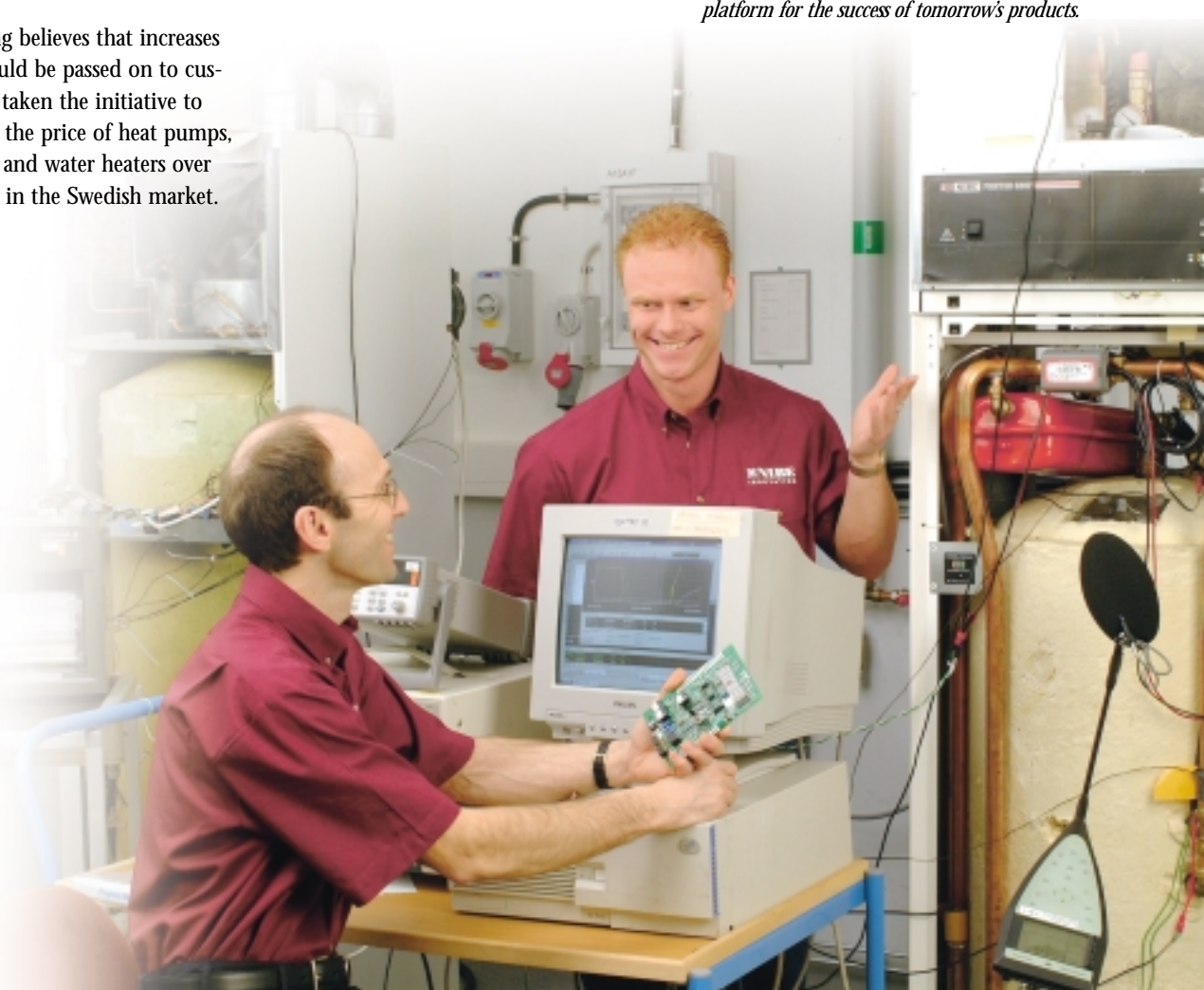
Last year a brand new generation of ground-source heat pumps was developed featuring a clear advance in performance in terms of higher energy gains and lower

noise levels. We also launched a new type of exhaust-air heat pump for the provision of both hot water and water-based central heating (under-floor or radiator-based).

The products of the future will be characterised by:

- ❑ a continued focus on maximising energy gains and efficiency
- ❑ improved control options (remote communication/control)
- ❑ convertible systems (heating in the winter/cooling in the summer)
- ❑ recyclability and other environmental modifications
- ❑ design improvements
- ❑ better economy/"all-round" solutions.

The special skills of our R&D staff in our state-of-the-art Development Centre provide a firm platform for the success of tomorrow's products.



The market

Most of our marketing work is devoted to our domestic markets in the Nordic countries and Poland and to a number of established European markets such as Germany, the Netherlands, Switzerland, the UK and Spain. Other European markets are assessed continually. We have yet to focus on any non-European markets, but will be looking at this option once we have fully achieved our targets for European expansion.

The Swedish market

The Swedish market is NIBE Heating's operational base where we are the clear market leader in all our priority product segments. Our aim is to retain and further strengthen this position.

Most of the business area's turnover currently comprises sales to the home improvement (RMI) sector. However, after many years of recession, the construction of new houses is picking up.

The increase in the construction of single-family housing has a direct impact on sales of exhaust-air heat pumps since this type of heat pump is generally installed in such homes. Although few new houses

were built throughout much of the 1990s, we are now registering an increase and work started on around 9,000 new homes during the year 2000, compared with a mere 5,500 in 1998 or just 7,000 in 1999.

The sharp increase in oil prices saw the overall market for ground-source heat pumps grow rapidly during the year. This segment is largely dependent on the home improvement sector, where there were high levels of activity throughout 2000. Although an influx of new players resulted in keener competition, we still managed to increase our market share

Exhaust-air heat pumps are a unique Swedish heating concept which is rapidly becoming much sought after throughout all of Europe.



substantially during the year. The overall market for heat pumps showed growth of almost 20% during the year.

The domestic boiler market, which is heavily dependent on oil prices, was hit hard by the rise in oil prices and shrunk markedly during the year – yet, we have still retained our market share. The home improvement market accounts for virtually all sales since very few domestic boilers are installed in new houses.

The home improvement market is also our biggest customer for water heaters, which enjoyed healthy growth during the year. NIBE Heating's unique concept of offering three different types of protection against corrosion – stainless steel, copper and enamel – has proved successful as we can always offer the optimum solution on the basis of each and every customer's particular needs. While copper heaters account for the bulk of sales, the share of stainless steel heaters is growing. Demand for enamel heaters in Sweden is dwindling.

Export markets

We sell water heaters to both the home improvement and new housing sectors in our export markets.

A relatively high number of new homes is being built outside Sweden, in some cases at least ten times as many. Official statistics indicate that more than 80,000 new homes are being built each year in Germany, France, Italy, Spain, the UK,

the Netherlands and Poland. While less complex ventilation and heat recovery requirements mean that the installation and use of exhaust-air heat pumps are not yet as common in these markets as in Sweden, there is nevertheless a clear trend towards an increase in sales.

The acquisition of BIAWAR now makes Poland NIBE Heating's largest export market. At present the main focus here is on water heaters, but we will also be launching heat pumps in Poland in 2001.

Our second largest export market is Finland, where we market a complete range under the Haato and NIBE brands. Here too we believe heat pumps to have considerable growth potential.

In Denmark, our third largest export market, we market our entire range under the Vølund name.

Germany, a key market for us, is building around 300,000 new homes a year. Awareness and expectations of the quality of the indoor environment are increasing, leading, in turn, to greater interest in and use of exhaust-air heat pumps. Interest in ground-source heat pumps is also growing fast, with these heat sources being installed in both new and existing housing.

The growing interest in heat pumps in our established export markets is currently believed to be by far the single greatest potential source of growth for NIBE Heating.

Growth and trends

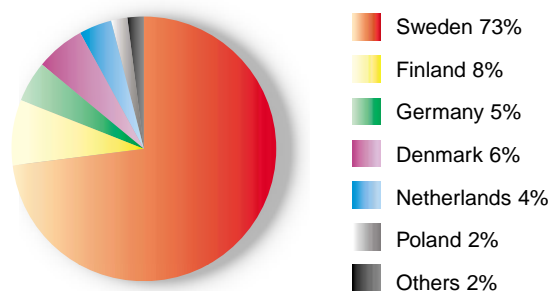
Sweden and the rest of Europe are moving towards a greater use of more environmentally friendly and recyclable products, with strict, new norms and rules on combustion efficiency and emissions levels becoming more commonplace all the time. Similarly, requirements for ventilation and heat recovery in new properties are also increasing.

Common to most of our markets is an active debate on how to reduce overall energy consumption through the use of economical and environmentally friendly heating solutions. Taken together, this all means that the outlook for future sales of our products is considered to be bright.

The overall market for water heaters in Sweden is forecast to grow slightly, while the decline in the domestic boiler market is expected to continue. Any sales growth in these segments will stem primarily from our ability to win additional market share, both in Sweden and abroad.

The Swedish market for ground-source and exhaust-air heat pumps is forecast to expand further, and growth in our priority export markets for these products is expected to be substantial.

NIBE Heating – sales by geographical markets



Distribution

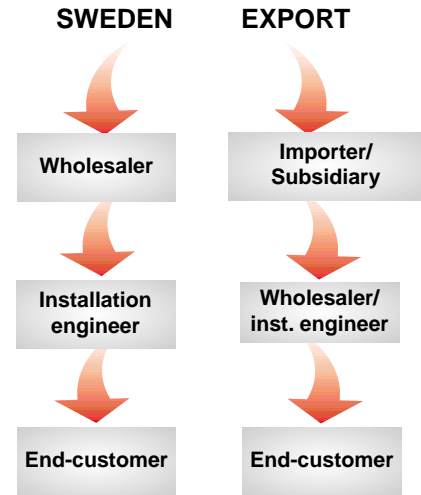
NIBE Heating's distribution strategy in the Swedish market is to work with wholesalers to establish a truly nationwide sales organisation. This will enable all HVAC installation engineers in Sweden to supply all the products from our current range to the end-customer locally and at the best possible price.

Training wholesalers and installation engineers is a never-ending process. The increasing technological complexity of our products means that training is vital in order to ensure that end-customers are pleased with their new products. This is particularly the case in the heat pump market, where high levels of expertise are a must for both wholesalers and installation engineers alike.

Outside Sweden, we distribute our products through our branches, subsidiaries or local importers, who then sell them to wholesalers and installation engineers.

Training our partners and foreign installation engineers/service companies is also a continuous process.

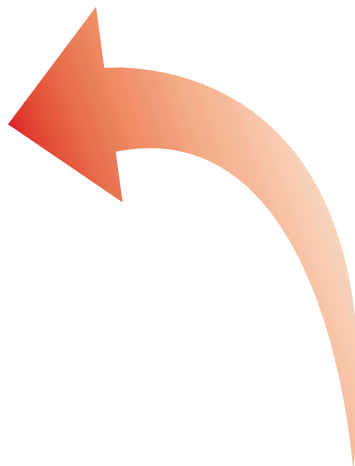
Our clear strategy in all our markets is to have a rational and transparent distribution model for our products.



Opportunities and risks

Opportunities

- A very large non-Nordic market
- Representation through own units or importers in many countries
- Strong brands
- Broad range of products
- Europe's most modern heat-pump factory
- Highly advanced, in-house product development
- Political decisions on energy and the environment
- Expansion through acquisitions



Risks

- Hastily introduced laws, official decisions, energy taxes etc.
- Greater competition
- New technologies outside our current areas of expertise
- Low-price/low-quality competition
- New distribution channels

NIBE Heating and its competitors

NIBE Heating is in a class of its own in several respects:

- ❑ three different types of protection against corrosion: copper, stainless steel and enamel
- ❑ high-performance, high-quality products
- ❑ broad range of products
- ❑ strong brands
- ❑ hypermodern production plant for manufacturing heat pumps
- ❑ extensive and highly professional sales and service organisation
- ❑ competitive prices

The Swedish market is dominated by a number of Nordic manufacturers. The few non-Nordic players are generally represented in the low-price, low-quality segment, but do in some cases offer good products with good performance.

The Swedish heat pump market (the largest in Europe) is dominated by Swedish players, and we rank as one of the market leaders.

Our acquisition of TMV-Pannan of Trelleborg in 1996 and our in-house product development activities have enabled us to work our way up to a position from which we now lead the market in domestic boilers. Although a number of foreign manufacturers do operate in the Swedish market, their products are still not sufficiently well adapted to Swedish needs and therefore enjoy little success.

NIBE Heating's position as the clear market leader in the Swedish water heater market can be attributed to continuous marketing and product customisation since we set up our own production unit in Markaryd during the 1950s. None of the other Nordic water heater manufacturers can match us for breadth of range.

NIBE Heating enjoys a leading position in its priority product segments in Poland, Finland and Denmark and is the German market leader for exhaust-air heat pumps. However, NIBE Heating is still a minor player in Europe as a whole.

Our strategy outside our domestic markets is to expand partly through leading-edge products and specialist expertise in growth segments and partly through acquisitions.

A comprehensive range of products means that we can supply customers with the best solution for their needs.





NIBE Stoves

*Business Area Manager:
Niklas Gunnarsson*

		2000	1999	1998	1997	1996
Net sales	(SEK m)	155.7	133.6	124.8	104.5	80.6
Growth	%	16.6	7.0	19.4	29.6	22.9
Operating profit	(SEK m)	15.6	17.6	15.2	12.5	8.5
Operating margin	(%)	10.0	13.2	12.2	12.0	10.6
Average number of employees		103	77	70	68	57

Mission statement

NIBE Stoves will supply the market with wood-burning stoves and chimney systems for heating indoor areas, with the emphasis firmly on design and efficient, environmentally friendly combustion processes.

Objectives

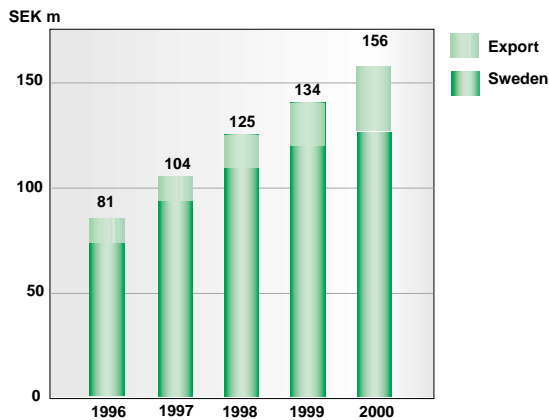
NIBE Stoves aims to report average year-on-year growth of 20%.

Operating profit is to average at least 10% of turnover over a business cycle.

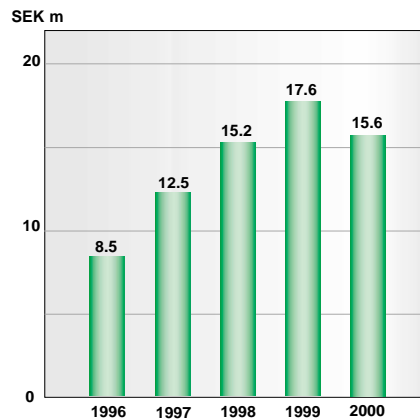
Strategy

- NIBE Stoves aims to further strengthen its position as the market leader in Sweden.
- NIBE Stoves aims to rank among the market leaders in the other Nordic countries.
- NIBE Stoves aims to gradually develop new domestic markets outside the Nordic region by means of both organic growth and acquisitions.

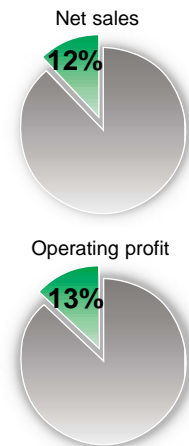
Net sales 1996 – 2000



Operating profit 1996 – 2000



NIBE Stoves' contribution to Group net sales and operating profit in 2000



Review of the year

Demand for wood-burning stoves slackened during the autumn, especially during the fourth quarter, which is usually the peak season for sales. This was due to a combination of extremely mild weather during the autumn and a general drop in the consumption of durable goods during the fourth quarter. As a result, the domestic market was somewhat more subdued than in previous years, although continuing growth in the construction of new housing helped to boost sales of wood-burning stoves.

Export sales fared extremely well during the year in all our priority markets. This was the result of a sharper focus on these

markets, which involved the further expansion of dealer networks and the launch of products tailored specifically to meet the needs of different national markets.

Demand in the various product segments followed much the same pattern as before, albeit with a slight shift of emphasis towards lightweight wood-burners with complete chimney systems. The new models launched during the year received a warm welcome from the market and helped to generate organic growth despite the decline in the domestic market.

June brought the opening of what we now consider to be the Nordic region's premier

display of wood-burning stoves in a modern environment. The new NIBE showroom has proved very popular and serves as a source of inspiration for dealers both in Sweden and abroad.

A brand new production plant for wood-burning stoves came into operation during the summer. There were a number of teething problems at the plant during the autumn, resulting in some disruption to deliveries, but delivery capacity was again able to meet demand towards the end of the year. The cost of building and commissioning the new plant impacted on the year's operating profit.



All our products are displayed in realistic settings in the modern, new NIBE showrooms.

Outlook for 2001

We believe that demand for wood-burning stoves will remain at current levels despite the gathering gloom of the economic outlook, and that our wide range will enable us to further strengthen our position in the domestic market. We also expect the expansion of Cronspisen's dealer network in Sweden and in priority export markets to result in higher sales of tiled stoves.

A brand new range designed to appeal to an international clientele was launched at the beginning of 2001. The range has been tailored primarily to meet the needs of our priority export markets, but will also prove extremely interesting for the Swedish market.

Together, all these strengths – an even stronger, wider range for the domestic market, the newly acquired Roslagsspisen brand, a new range developed specifically for priority export markets and a well developed dealer network – inspire us to have high hopes for the future.

Products

NIBE Stoves develops and sells its own products under the Handöl, Contura and Cronspisen brands, and has sole rights in Sweden for the sale of products from Morsø (Denmark) and Vermont (USA), both of which enjoy an extremely strong position in their respective domestic markets. NIBE Stoves' products comprise the following main groups:

- ❑ wood-burning stoves
- ❑ cast-iron stoves
- ❑ tile-faced stoves
- ❑ tiled stoves
- ❑ masonry stoves
- ❑ fire inserts

NIBE Stoves also manufactures complete modular chimney systems specially designed for use with the products above in premises without existing chimneys.

Towards the end of the first quarter in 2001 NIBE Industrier also took over Roslagsspisen, which is a well-known name in Sweden for inserts for open fires.

The major reason for buying a wood-burning stove is the 'cosiness factor'. This breaks down into two elements: the enjoyment of seeing the fire and basking in the heat, and the pleasure of owning such a beautiful object.

The wood-burning stoves we offer are perceived as a secondary source of heating, since both permanent homes and holiday homes generally have a primary heating system involving radiators, hot air or electricity.

Along with the cosiness factor, cost-effectiveness and the security of having a back-up source of heat are two more good reasons for buying this type of product which have come about as a result of energy policy decisions and changes in the price of energy. However, the 'cosiness factor' remains the strongest reason for buying a wood-burning stove and is thought to motivate four out of five sales.

Six strong brands represent the Swedish market's broadest range of home heating products.





Most of the work on wood-burning stoves is carried out by welding robots, although some critical operations are performed manually.

Production

The bulk of our products are made at the brand new, state-of-the-art production plant in Markaryd completed last year. Cronspisen tiled stoves are produced at a separate plant in Emmaboda as they involve an entirely different production process to other wood-burning stoves. The capacity of these plants ties in well with projected future growth. At present, the newly acquired Roslagsspisen products are being manufactured exclusively by subcontractors.

Quality and the environment

In the field of wood-burning stoves, the concept of quality covers both function and performance, and the business area is recognised as offering excellent products that use good combustion technology. A high standard of finish for the end product and the use of high-quality components are also extremely important. Our modern manufacturing process ensures a high, all-round standard of quality for all products.

Ever more stringent, and in some cases, totally new requirements are constantly being set for the environmental performance of products. In a bid to meet these requirements we earmark considerable resources to improving combustion technology, so minimising the environmental impact of our products.

NIBE Stoves is part of NIBE AB, which has been ISO 9001 quality accredited since 1993 and ISO 14001 certified for its environmental management systems since 1999.

All Handöl and Contura products are manufactured and assembled in modern, rational production premises.



Prices

The breadth of our range means that we can offer products in all price segments from SEK 6,000 to SEK 40,000 each. Most of the lower priced products, which are considerably easier to install, are sold via builders' merchants, while the more expensive models, which require somewhat more experience from those fitting and installing them, are sold via the specialist trade.

Outside Sweden, where the range is marketed as niche products, we fall into the upper price bracket. Competition here is increasing, however, since the majority of new models launched by well known domestic manufacturers in the countries where we are active are being sold at slightly lower prices than in the past.

Product development

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 increase their efficiency. Developing and gaining environmental approval for a new combustion chamber is a complex process that can often take up to a year.

Product design accounts for much of the development work, as products follow home furnishing trends closely. Attractive models with contemporary styling are created around existing combustion chambers by both in-house and external designers, with the latter generally commissioned to develop models for new



A new generation of stove boasting a more efficient fire-box and a design with an international appeal is put to the test in our state-of-the-art laboratory.

markets. Thanks to a rational product development process, where much of the work is carried out in a 3D computer environment supported by tests in our new, state-of-the-art laboratory, we have been able to produce new models based on existing combustion chambers in just six months.

The trend is for new models to be developed and launched with increasing speed. Our concept of designing new models around a limited number of combustion chambers enables us to adapt quickly to new trends and present several new products each year.

Our current portfolio of brands is very strong, especially in our domestic markets, and all the brands are protected. Design registration also plays a key role as we owe much of our success to the appeal of our designs among consumers.

Product development times have been shortened by the introduction of virtual design techniques using advanced 3D computer graphics.



The market

The wood-burning stove market tends to follow the business cycle, with consumption of capital items increasing during times of economic prosperity.

The size of the different markets varies considerably and depends not only on population size but also on customs, as some countries have a stronger tradition of wood-burning stoves than others.

Demand also varies from country to country in terms of the products' design, materials and technology. The Swedish market is dominated by stoves with a Swedish design, manufactured in steel plate. Finnish consumers favour warm-body stoves finished in various stone materials or tiles, while the Norwegians prefer small cast-iron stoves and cast-iron inserts with a masonry surround. Germans and Danes share relatively similar tastes and tend to choose light, steel-plate stoves in modern designs. Such variations in taste are generally the result of a specific style having been established in a market by domestic manufacturers.

As they are generally used merely to add atmosphere to a room, wood-burning stoves tend to have a long life, which means that the demand for replacing worn-out stoves is very limited.

The Swedish market

Thanks to its broad and comprehensive range of products, NIBE Stoves is the clear market leader in Sweden. Our aim is to defend and strengthen this position by pro-active marketing and a constant stream of attractive, new models.

Despite signs that demand for wood-burning stoves etc. has fallen off slightly in Sweden as a whole during the year, interest does still remain generally high.

The construction of new housing also benefits sales of wood-burning stoves. Although few new homes were built in the 1990s, the number of new housing starts has once again risen and around 9,000 new homes are expected to be completed in Sweden in 2001, compared with only 5,500 in 1998, 7,000 in 1999 and 9,000 in 2000. We are also seeing an increasing willingness among home-buyers to choose wood-burning stoves as an optional extra for their new home.



The Contura 460 is a masonry stove with a modern design featuring gently rounded lines and a fire-box with glass on three sides.

Export markets

Export sales fared very well during the year in all our priority markets, thanks chiefly to intensive marketing efforts and the launch of new models.

German and Danish markets for wood-burning stoves expanded during the year as a result of soaring oil prices. This was particularly good news for sales of low-end products through DIY chains, but it also boosted sales of high-end products through specialist stores, especially during the autumn season. Successful product launches and a well developed dealer network in Germany resulted in a major increase in sales.

As the dealer network in Denmark is not developed to the same extent, this year's marketing work there will have a two-pronged focus on expanding the network and launching new models.

While the Norwegian market for wood-burning stoves, like that in Sweden, contracted slightly during 2000, demand continues to grow for more expensive products with a unique design. This has had a noticeable effect in Norway, where sales grew strongly during the year.

Customers

Our end-customers are, by and large, homeowners or owners of holiday homes.

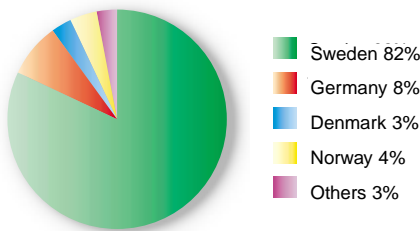
Our products are generally distributed to customers through dealers, which tend to be either specialist stores or DIY outlets with their own showroom. Specialist stores sell on the basis of expertise and a high level of service to customers looking for a one-stop solution, where price is not the primary consideration. DIY outlets sell mainly to customers contemplating installing a stove themselves, and who are more concerned about the price. Our dealer network covers all of Sweden.

Sales to Swedish house manufacturers rose during the year as a result of the increase in the construction of new housing. The fact that we are a one-stop supplier means that we enjoy a strong position with this group.

The Cronspisen dealer network is already very strong in the south and eastern parts of Sweden and this will now be extended gradually to cover the entire country.

In our export markets we sell almost exclusively to specialist stores.

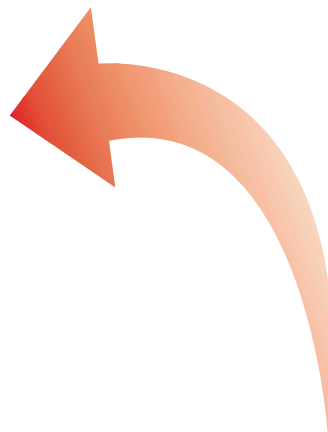
NIBE Stoves – sales by geographical markets



Opportunities and risks

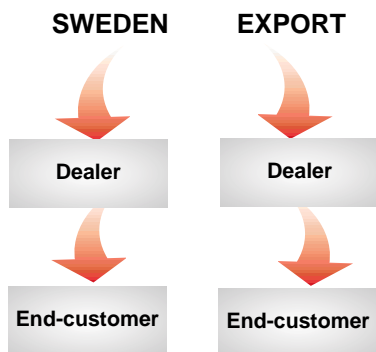
Opportunities

- Sales potential in some segments of the domestic market
- Huge export market
- Strong in-house product development department
- Strong brands
- Broad range of products
- Different types of products for different customer needs reduce risk exposure
- Rational production
- Expansion through acquisitions



Risks

- Hastily introduced energy policies
- Local authority decisions on restrictions on wood-burning products
- Increase in low-price competition from abroad
- General economic climate



Growth and trends

More than ever before buyers of wood-burning stoves are now tending to choose something different, to go for a bolder design. The introduction of different colours and materials such as soapstone has proved very popular, and this is one trend that we expect to continue.

Although requirements for more environmentally friendly products are increasing gradually both in Sweden and abroad, there are still no standards common to all of Europe: instead each country sets its own specific requirements.

NIBE Stoves and its competitors

We are the only company in Sweden to manufacture both wood-burning stoves and chimney systems. As such, we are in a position to provide a complete solution, from floor plates to chimney cowls, so benefiting dealers and end-customers in a number of ways, not least since our customers are able to deal with one single supplier who assumes responsibility for the entire product.

All products manufactured in-house under the Handöl and Contura brands feature a design that makes for efficient, controlled combustion and which can also draw in air from outside where necessary – a major advantage when installing stoves in modern, airtight houses. Stricter requirements in Germany for a healthy indoor environment and for energy savings mean that demand for this system – which we are, in principle, the only manufacturer to produce – is beginning to take off there too.

Cronspisen boasts an extremely wide and attractive range of classic tiled stoves. All models are based on the original tiled stove principle whereby the flue gases are led through long ducts, transferring their heat *en route* to the surrounding material. The products are robustly built with a heavy heat-retaining body.

Our wide range of products gives us a clear competitive advantage as we can always offer customers an alternative, no matter what their wishes in terms of technology, material, design or price.

NIBE Stoves has by far the largest national network of dealers in the Swedish market. Competition both in the domestic market and in Norway, Finland and Denmark is made up primarily of other Nordic manufacturers. On the other hand, the German market is the scene for competition from, in principle, all the major European manufacturers, as well as a few from North America.



Cronspisen Sonya – a classic, round tiled stove which retains heat for up to 24 hours.



The Board of NIBE Industrier AB. From left to right: Leif Gustavsson, Gerteric Lindquist, Bengt Hjelm, Arvid Gierow and Bill Tunbrant.

The Board's work and remuneration

The Board of NIBE Industrier consists of five Board members elected by the Annual General Meeting. Employees of the company may, where necessary, be called in to appear before the Board to explain the background to specific issues or act as an expert resource. At its regular meetings the Board deals with standing items on its agenda to be reviewed in accordance with its mandate. The Board itself deals with all matters of consequence and has not set up any working committees.

During 2000 the Board convened on 13 occasions, seven 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, with the company's budget and with major investments and takeovers. Minutes were taken at all meetings.

Once a month the Board receives a report on the company's financial performance and position. The Managing Director maintains continuous contact with the Chairman of the Board.

The Board received remuneration of SEK 330,000 for 2000, of which the Chairman received SEK 160,000 in accordance with a resolution passed by the Board. No remuneration is paid to members of the Board employed by Group companies. There are no agreements on future pensions/severance pay or any other benefits for either the Chairman of the Board or any other Board members, with the sole exception of severance pay for the Managing Director. If the company terminates the Managing Director's contract, he is entitled to six months' paid notice and severance pay equivalent to 12 months' salary. The Managing Director received

salary and other remuneration totalling SEK 1,222,000 for 2000 and also has a company car. Salaries to other senior executives in the group amounted to SEK 3,178,000. The senior executives also have company cars.

As an incentive, certain employees in key positions have a right to a performance-related bonus which is payable if certain targets are met. The size of this bonus is, however, limited to an amount equivalent to a maximum of three monthly salaries for each of the employees concerned.

The Board of Directors

Bengt Hjelm (born 1943)

Chairman and Board member since 1989. Graduate in business administration and, since 1980, MD of Hjelm & Rohman AB consultancy, specialists in corporate management, acquisitions and directorships. Shareholding (incl. wife's holding) in NIBE Industrier: 94,008 A shares and 224,352 B shares.

Gerteric Lindquist (born 1951)

Board member since 1989. Chief Executive. MD, NIBE Industrier AB and NIBE AB. Graduate in engineering and business administration. NIBE employee since 1988. Shareholding in NIBE Industrier: 94,035 A shares and 222,715 B shares.

Arvid Gierow (born 1943)

Board member since 1997. Graduate in business administration. Chairman of the Boards of Svenska Handelsbanken Helsingborg and ALMI Företagspartner Skåne AB. Board member of Markaryd Formplast AB. Shareholding in NIBE Industrier: 5,400 B shares.

Bill Tunbrant (born 1950)

Board member since 1997. Graduate in engineering. MD of Cramo Instant AB. Shareholding in NIBE Industrier: 400 B shares.

Leif Gustavsson (born 1945)

Board member since 1994. Financial Director, NIBE Industrier AB. Economics graduate. NIBE employee since 1966. Board member of Markaryd Sparbank savings bank. Shareholding in NIBE Industrier: 94,008 A shares and 191,621 B shares.



Bengt Hjelm



Gerteric Lindquist



Arvid Gierow



Bill Tunbrant



Leif Gustavsson

Senior executives

Gerteric Lindquist (born 1951)

See Board profile.

Leif Gustavsson (born 1945)

See Board profile.

Christer Fredriksson (born 1955)

Graduate in engineering. Business Area Manager for NIBE Element and MD of Backer BHV AB. NIBE employee since 1992. Shareholding in NIBE Industrier: 23,490 A shares and 44,810 B shares.

Kjell Ekermo (born 1956)

Graduate in engineering. Business Area Manager for NIBE Heating. NIBE employee since 1998. Shareholding in NIBE Industrier: 700 B shares.

Niklas Gunnarsson (born 1965)

Engineer. Business Area Manager for NIBE Stoves and MD of Cronspisen Kakelugnar AB. NIBE employee since 1987. Shareholding in NIBE Industrier: 700 B shares.



Christer Fredriksson



Kjell Ekermo



Niklas Gunnarsson

Auditor

SET Revisionsbyrå AB

Chief auditor

Willard Möller (born 1943)
Authorised public accountant.



Willard Möller

Five-year review

Key figures and ratios

		2000		1999	1998 ¹⁾	1997	1996
		incl SPP	excl SPP				
Net sales	(SEK m)	1,304.2	1,304.2	1,168.2	1,026.8	735.8	617.0
Growth	(%)	+ 11.6	+ 11.6	+ 13.8	+ 39.5	+ 19.3	+ 37.7
Profit after net financial items	(SEK m)	124.0	106.6	94.1	75.5	59.3	32.4
Net investments in fixed assets	(SEK m)	132.9	124.6	58.8	127.4	36.0	33.4
Gross margin	(%)	13.6	12.3	11.9	11.4	12.3	10.4
Operating margin	(%)	10.0	8.7	8.4	8.0	8.7	6.4
Net profit margin	(%)	9.5	8.2	8.1	7.4	8.1	5.2
Capital employed	(SEK m)	641.9	629.4	492.7	453.4	345.9	262.3
Equity	(SEK m)	403.9	391.4	329.6	290.7	247.1	133.5
Return on capital employed	(%)	23.7	20.9	21.5	21.0	21.8	16.1
Return on equity	(%)	24.3	21.3	21.9	20.2	22.5	18.8
Return on total assets	(%)	16.0	14.1	14.5	14.0	14.0	10.3
Asset turnover	(times)	1.55	1.57	1.66	1.72	1.56	1.50
Equity/assets ratio	(%)	42.6	42.0	44.9	43.3	47.0	31.9
Proportion of risk-bearing capital	(%)	48.7	48.3	51.5	50.0	54.3	40.8
Operating cash flow	(SEK m)	- 8.7	- 13.3	27.5	- 9.3	36.3	40.9
Interest cover	(times)	12.8	11.1	13.4	10.0	9.7	4.3
Interest-bearing liabilities/equity	(%)	57.8	59.7	49.3	55.8	40.0	96.0
Average number of employees		1,617	1,617	1,475	1,390	1,067	857

¹⁾ The Swedish Financial Accounting Standards Council's recommendation RR8 (Accounting for the impact of changed exchange rates) has been used.

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 taxes.

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 the average balance sheet total.

Asset turnover

Net sales divided by the average balance sheet total.

Equity/assets ratio

Assets as a percentage of the balance sheet total.

Proportion of risk-bearing capital

Equity, including minority participations and deferred taxes, as a percentage of the balance sheet total.

Operating cash flow

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

Interest cover

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

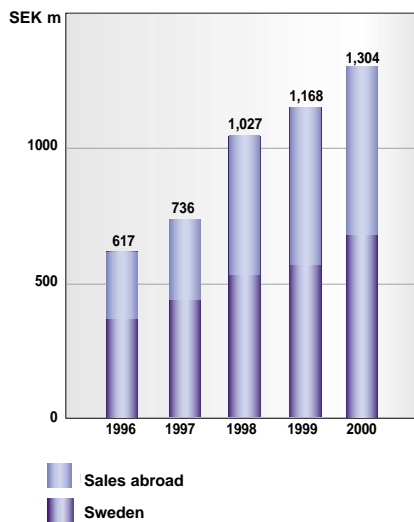
Interest-bearing liabilities/equity

Interest-bearing liabilities as a percentage of equity.

Administration report

Comments on the income statements

Net sales 1996 – 2000



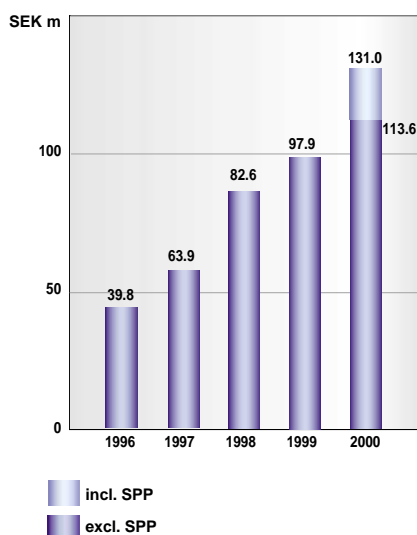
Net sales

The NIBE Group's net sales rose by 11.6% in 2000 to a figure of SEK 1,304.2 million (1999: SEK 1,168.2 million), with volumes increasing in all three of the Group's business areas. Business for NIBE Element showed an increase of 8.4%, of which 6.6% was attributable to organic growth, with the remaining 1.8% deriving from acquisitions. For NIBE Heating the rise in volumes was 13.9%, with 11.8% attributable to organic growth in Sweden and our priority export markets and the remaining 2.1% deriving from acquisitions. NIBE Stoves reported the greatest increase: 16.6%, of which 3.4% was attributable to organic growth and 13.2% to acquired business.

The Group's net sales outside Sweden rose by SEK 58.4 million to SEK 636.1 million (SEK 577.7 million). As such, net sales abroad accounted for 48.8% (49.5%) of total net sales. Group net sales in the Swedish market climbed 13.1% to SEK 668.1 million (SEK 590.5 million).

Organic growth accounted for SEK 98.4 million of the total SEK 136.0 million increase in Group net sales. The remaining SEK 37.6 million was due to acquisitions, with SEK 10.4 million of this figure attributable to NIBE Element, SEK 10.2 million to NIBE Heating and SEK 17.5 million to NIBE Stoves. SEK 0.5 million of these totals refers to acquired sales between the business areas.

Operating profit 1996 – 2000



Operating profit

Group operating profit for 2000 climbed 33.8% to SEK 131.0 million, pushing the operating margin up to 10.0%. If the premium refunds from the SPP pensions insurance company are excluded, the increase is 16.0% and the operating margin 8.7% (8.4%). The improvement in the operating margin was due largely to the effects of good growth in volume for NIBE Heating and an increase in volumes for NIBE Element combined with the success of general measures implemented to raise productivity.

Excluding the effect of the SPP refunds, the greatest increase in operating profit was the SEK 10.8 million reported by NIBE Heating, an improvement of 22.1% on the previous year. For NIBE Element the increase was SEK 6.4 million or 15.6%, while NIBE Stoves reported a decrease of SEK 2.0 million or 11.4% in its figures.

Goodwill

Operating profit was charged with goodwill amortisation of SEK 10.0 million (SEK 9.2 million) of which SEK 1.0 million refers to for operations acquired during the year. On a full-year basis this is equivalent to a current level of SEK 11.1 million.

Quarterly data – net sales and profit

Group (all amounts in millions of SEK)

Income statement	2000				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	292.9	289.4	292.7	429.2	267.6	276.6	265.9	358.1
Operating expenses	- 276.4	- 270.3	- 263.3	- 380.6	253.9	- 260.3	- 238.8	- 317.3
Items affecting comparability ¹⁾	0.0	+ 16.1	0.0	+1.3	0.0	0.0	0.0	0.0
Operating profit	16.5	35.2	29.4	49.9	13.7	16.3	27.1	40.8
Net financial income/expenses	- 0.4	- 2.0	- 2.4	- 2.2	- 0.4	- 0.8	- 2.2	- 0.4
Pre-tax profit	16.1	33.2	27.0	47.7	13.3	15.5	24.9	40.4
Tax on profit for the year	- 5.1	- 10.4	- 8.2	- 14.2	- 4.7	- 5.3	- 7.9	- 11.9
Minority share of profit for year	0.0	- 0.1	- 0.1	+0.2	- 0.1	0.0	0.0	- 0.1
Net profit for the year	11.0	22.7	18.7	33.7	8.5	10.2	17.0	28.4

¹⁾ Refers to premium refunds from SPP insurance.

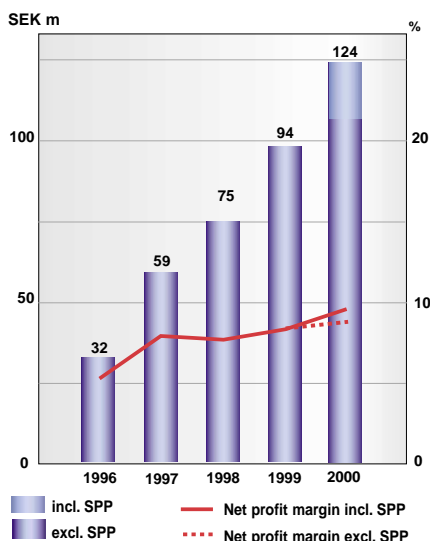
Business areas (amounts in millions of SEK)

Net sales	2000				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIBE Element	152.3	139.3	128.8	185.2	141.4	135.7	122.3	159.1
NIBE Heating	110.3	125.1	128.4	188.8	101.3	119.3	115.9	148.8
NIBE Stoves	32.8	27.4	37.6	57.9	26.8	23.5	30.8	52.5
Group eliminations	- 2.5	- 2.4	- 2.1	- 2.7	- 1.9	- 1.9	- 3.1	- 2.3
Group	292.9	289.4	292.7	429.2	267.6	276.6	265.9	358.1

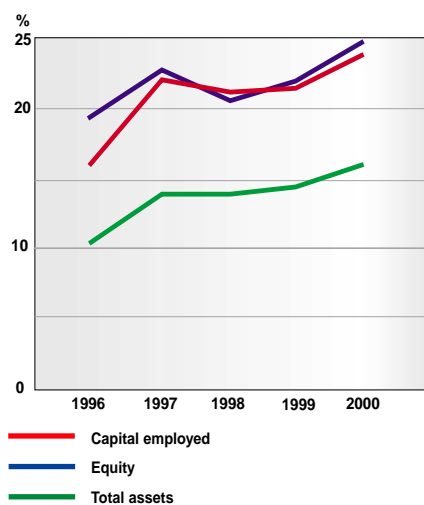
Operating profit	2000				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIBE Element	11.0	8.3	10.8	17.4	9.4	5.5	9.5	16.7
NIBE Heating	5.1	12.1	17.3	25.1	3.8	10.6	15.9	18.5
NIBE Stoves	2.7	1.3	3.3	8.3	2.5	2.6	4.0	8.5
Group eliminations ²⁾	- 2.3	+ 13.5	- 2.0	- 0.9	- 2.0	- 2.4	- 2.3	- 2.9
Group	16.5	35.2	29.4	49.9	13.7	16.3	27.1	40.8

²⁾ The effect on the profit of refunds of SEK 17.4 million from SPP is included under the heading Group eliminations.

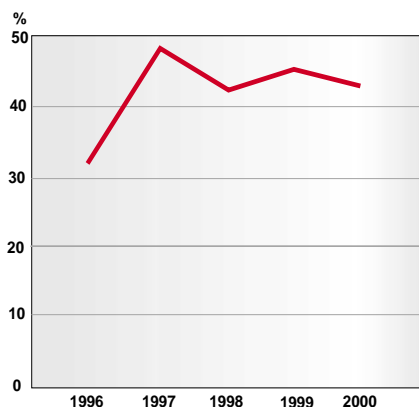
**Profit after financial items
1996 – 2000**



Return



Equity/assets ratio



Profit after financial items

Profit after financial items rose by 31.8% to SEK 124.0 million (SEK 94.1 million) to yield a net profit margin of 9.5% (8.1%). If the premium refunds from SPP are excluded, the increase was 13.3%, which corresponds to a net profit margin of 8.2% (8.1%). Net interest expenses for the Group rose from SEK 3.8 million in 1999 to SEK 7.0 million in 2000, with about half of the extra expenses being due to rising interest rates and half to an increased need for borrowing.

Tax

The tax charged totalled SEK 37.9 million (SEK 29.8 million), equivalent to an effective tax rate of 30.6% (31.7%). The nominal tax rate in Sweden is 28%. The main reason for the higher effective tax rate is primarily non-deductible goodwill amortisation charges, but also the fact that some of the earnings were generated by foreign subsidiaries liable to pay higher tax rates.

SPP surplus

The SEK 17.4 million refund from SPP is shown in the accounts as an item affecting comparability. This figure represents the current value of refunds of the SPP surplus. It is anticipated that the amount may be used to reduce premium payments to SPP over the next three to five years.

Comments on the balance sheets

Equity/assets ratio and return

The Group's equity/assets ratio stood at 42.6% (44.9%) at the year-end. Equity, including minority participations, totalled SEK 408.3 million (SEK 330.2 million). The Group's target is that the equity/assets ratio should not fall below 30%.

The Group's return target is that the return on equity should average at least 20% over time. The return on equity for 2000 was 24.3% including SPP refunds and 21.3% excluding these refunds (21.9%).

The return on capital employed was 23.7% including SPP refunds and 20.9% excluding them (21.5%). The profit target for the profit centres in the group is that the operating margin (operating profit as a percentage of net sales) should average at least 10% for each respective profit centre over a business cycle. NIBE Heating's operating margin was 10.8% (10.1%) for 2000, NIBE Stoves' was 10.0% (13.2%) and NIBE Element's was 7.8% (7.4%). The operating margin for the Group as a whole during the year was 8.7% (8.4%) excluding SPP refunds.

Liquid assets

Group liquid assets totalled SEK 34.3 million (SEK 34.1 million) at the year-end, not including unused overdraft facilities of SEK 109.5 million (SEK 115.8 million). The Group's overdraft facilities were increased by SEK 24.7 million during the year, with SEK 13.2 million of this deriving from acquisitions.

Comments on the cash flow statements

Cash flow from operating activities

The NIBE Group's cash flow before changes in working capital was SEK 139.3 million (SEK 101.9 million).

Changes in working capital

The SEK 48.6 million (SEK 31.5 million) increase in working capital items is equivalent to 35.7% (22.3%) of sales growth. The balance sheets of businesses acquired during the course of the year have been consolidated in their entirety, but, as far as sales are concerned, consolidation is limited to the sales for the period during which the unit was owned by NIBE Industrier. The increase in working capital calculated on growth which takes into account the full-year effect of acquired units is equivalent to 20.5%, i.e. within the range considered normal as a consequence of sales growth.

Investments

Group acquisitions of operations/subsidiaries totalled SEK 33.5 million (SEK 15.9 million), and net investments in existing units amounted to SEK 99.4 million (SEK 42.9 million), breaking down as follows:

	(SEK m) 2000	1999
Plant and machinery	44.2	35.3
Property and real estate	39.4	10.7
Construction in progress	2.4	- 1.3
Other fixed assets	13.4	- 1.8

The cash outflow after investment activities was thus SEK 42.2 million, as opposed to an inflow of SEK 11.6 million in 1999.

Credit from financial institutions and pensions schemes

	(SEK m) 2000	1999
Variable rate loans repayable over 10 years	142.3	102.3
Used portion of variable rate overdraft facilities	68.2	37.2
Allocations to PRI pensions	23.1	23.0
Total interest-bearing liabilities	233.6	162.5
Unutilised overdraft facilities	109.5	115.8
Total credit available	343.1	278.3

Group interest-bearing liabilities totalled SEK 233.6 million (SEK 162.5 million) at the year-end. During 2000 interest on total interest-bearing liabilities was payable at an average rate of 5.2% (4.6%).

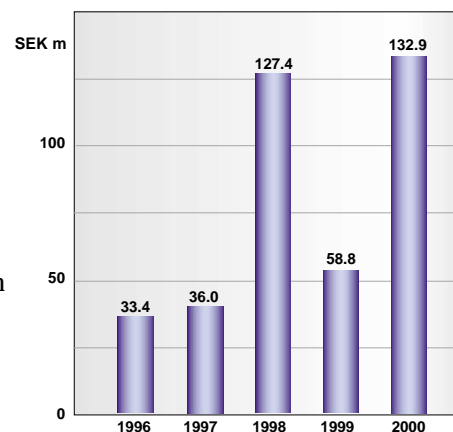
Acquisitions

Six companies were acquired during 2000, five of them outside Sweden.

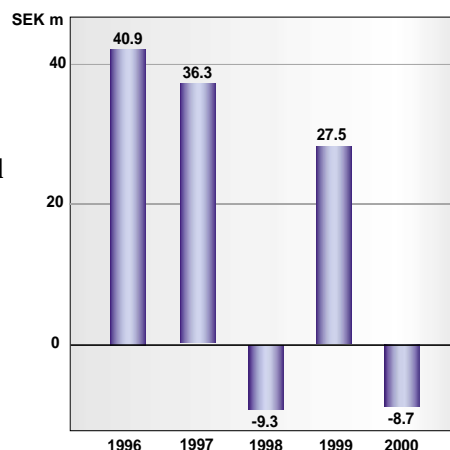
In January the Group acquired **Cronspisen Kakelugnar AB** of Emmaboda (Sweden). The company produces heavy tiled stoves and sold for SEK 17.6 million in 2000. This company is incorporated into the accounts with effect from January.

In June Norske Backer A/S acquired the Norwegian company **Coates A/S**, with an annual turnover of approximately SEK 2 million. This company is incorporated into the accounts with effect from June.

Net investments in fixed assets



Operating cash flow



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

In September NIBE acquired the tubular element manufacturing operations of the Italian **Elettromeccanica FER Ferrara s.r.l.** This business turns over approximately SEK 25 million a year and was incorporated into the accounts with effect from October.

In October NIBE took over **BIAWAR**, Poland's leading manufacturer of domestic water heaters with annual sales of approximately SEK 60 million. This company was incorporated into the accounts with effect from October.

In December NIBE acquired the Czech tubular element manufacturer **Eltop Praha s.r.o.** The company, which has annual sales of approximately SEK 10 million, was incorporated into the accounts with effect from December.

December also saw the signing of an agreement to acquire **ETA a.s** of the Czech Republic which was subsequently approved by the Czech monopolies commission in January 2001. This company has been incorporated into the Group's accounts with effect from February 2001. Current annual sales are in the region of SEK 25 million.

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 affect the profitability of the business area in question.

Dependence on suppliers

All components in the products sold by the Group's three business areas are supplied by a number of suppliers in Europe and elsewhere. When choosing a supplier, NIBE undertakes a thorough review of the supplier's ability to meet the requirements set by the Group. There are alternative suppliers for all components used. In our opinion the Group would not suffer should an individual supplier fail to meet our requirements.

Future capital requirements

The Group already has, and is likely to continue to have, a healthy cash flow which can readily cover the foreseeable investments and other commitments of its various operations. The Group also operates a pro-active policy in terms of acquisitions. The capital for acquisitions is generated partly through day-to-day operations and partly through external loans. The Group is aiming for growth of 20% per annum, half of which should be organic, with the other half deriving from acquisitions. As has been the case in the past, this growth will be funded through good internal cash generation, topped up with external funding.

Sensitivity analysis

The NIBE Group is exposed to a number of risks that impact on earnings, several of which are beyond the Group's control. The table on the left outlines some of the risks in question and shows how they impact on earnings.

Sensitivity analysis

	Basis for calc. SEK m	Change %	Impact SEK m
Net sales (margin constant)	1,304.2	+/- 1.0	4.8
Operating margin (volume constant)		+/- 0.1	1.3
Material costs	512.2	+/- 1.0	5.1
Payroll expenses	432.3	+/- 1.0	4.3
Interest-bearing liabilities (interest rate constant)	233.6	+/-10.0	1.2
Interest rate %	5.2%	+/- 1.0	2.3

Based on income statement for 2000

Currency exposure

Ongoing transactions

69.3% of the Group's sales from Sweden were denominated in SEK in 2000. Where invoices and purchases are denominated in other currencies, the Group hedges the estimated net flows over the year for the following 6–12 months. The total net flow in 2000 was around SEK 246 million. The largest net inflows during the year were denominated in FRF at SEK 79 million and in DEM at SEK 74 million, while the largest net outflows were denominated in USD at SEK 13 million and EUR at SEK 11 million.

Investments in foreign currencies

The value of foreign net assets as shown in the 2000 year-end Group balance sheet was around SEK 154 million, of which SEK 69 million was denominated in PLN, SEK 43 million in FIM, SEK 17 million in NOK, SEK 15 million in DKK, SEK 6 million in ITL and SEK 4 million in CZK.

Risks relating to disputes over patents and other matters

While the Group holds a number of patents, none of its products is patented. 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

We are of the 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 national social security calculations.

Group non-restricted equity

Group non-restricted equity totalled SEK 268.4 million at the year-end. On this occasion there is no proposal to transfer any funds to restricted reserves.

Appropriation of profits

The Board of Directors and Managing Director propose that the profits at the disposal of the Annual General Meeting, namely SEK 71,609,000 be appropriated as follows:

Shareholders' dividend	SEK 22,013,000
Carried forward	SEK 49,596,000
	SEK 71,609,000

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	- 1.5
Swedish krona falls against all currencies in which NIBE Industrier has net assets	- 1.0	+ 1.5

Based on net assets 31 Dec 2000

Income statements

(in millions of SEK)	<i>Note 1</i>	Group		Parent company	
		2000	1999	2000	1999
Net sales	<i>Note 2</i>	1,304.2	1,168.2	1.9	–
Cost of goods sold		– 959.5	– 864.6	–	–
Gross profit		344.7	303.6	1.9	–
Selling expenses		– 175.9	– 150.8	–	–
Administrative expenses	<i>Note 3</i>	– 67.5	– 62.6	– 7.6	– 6.6
Items affecting comparability	<i>Note 5</i>	17.4	–	–	–
Other operating income		12.3	7.7	–	–
Operating profit	<i>Note 2 - 5</i>	131.0	97.9	– 5.7	– 6.6
Profit from financial investments					
Profit from participations in group companies	<i>Note 6</i>	–	–	38.8	30.9
Interest income and similar profit/loss items	<i>Note 7</i>	3.5	3.8	4.4	1.7
Interest expense and similar profit/loss items	<i>Note 8</i>	– 10.5	– 7.6	– 6.5	– 4.8
Profit after financial items		124.0	94.1	31.0	21.2
Appropriations	<i>Note 9</i>	–	–	–	– 0.7
Tax on the profit for the year	<i>Note 10</i>	– 37.9	– 29.8	– 0.1	– 0.7
Minority participation in profit after tax		–	– 0.2	–	–
Profit for the year		86.1	64.1	30.9	19.8

Balance sheets

(in millions of SEK)

	<i>Note 1</i>	Group		Parent company	
		31 Dec 2000	31 Dec 1999	31 Dec 2000	31 Dec 1999
Assets					
Fixed assets					
Intangible fixed assets					
Goodwill	<i>Note 11</i>	75.6	68.3	–	–
Other intangible assets	<i>Note 12</i>	1.9	0.4	–	–
		77.5	68.7	–	–
Tangible fixed assets					
Land and buildings	<i>Note 13</i>	152.6	99.9	–	–
Plant and machinery	<i>Note 14</i>	141.5	112.6	–	–
Construction in progress	<i>Note 15</i>	9.5	6.6	–	–
		303.6	219.1	–	–
Financial fixed assets					
Long-term securities held		0.1	0.1	–	–
Shares in subsidiaries	<i>Note 17</i>	–	–	279.0	278.6
Receivables from Group companies		–	–	61.5	41.3
Other long-term receivables	<i>Note 5</i>	10.1	1.3	–	–
		10.2	1.4	340.5	319.9
Total fixed assets		391.3	289.2	340.5	319.9
Current assets					
Inventories					
Raw materials and consumables		155.8	120.7	–	–
Work in progress		60.4	50.3	–	–
Finished products and goods for resale		73.6	52.7	–	–
		289.8	223.7	–	–
Current receivables					
Accounts receivable – trade		212.1	177.7	–	–
Receivables from Group companies		–	–	0.4	0.5
Other receivables	<i>Note 5</i>	12.5	4.4	–	0.4
Prepaid expenses and accrued income		7.6	4.3	0.1	0.1
		232.2	186.4	0.5	1.0
Current investments	<i>Note 16</i>	0.7	0.9	–	–
Cash and bank		34.3	34.1	–	–
Total current assets		557.0	445.1	0.5	1.0
Total assets		948.3	734.3	341.0	320.9

(in millions of SEK)	Group		Parent company	
	31 Dec 2000	31 Dec 1999	31 Dec 2000	31 Dec 1999
Equity and liabilities				
Equity	<i>Note 18</i>			
Restricted equity				
Share capital	58.7	58.7	58.7	58.7
Restricted reserves	76.8	76.6	74.9	74.9
	135.5	135.3	133.6	133.6
Non-restricted equity				
Non-restricted reserves	182.3	130.2	40.7	38.5
Profit for the year	86.1	64.1	30.9	19.8
	268.4	194.3	71.6	58.3
Total equity	403.9	329.6	205.2	191.9
Minority participation in equity	4.4	0.6	–	–
Untaxed reserves				
Tax allocation reserves	–	–	3.0	3.0
Provisions				
Provisions for pensions	23.1	23.0	–	–
Provisions for taxes	53.4	47.9	–	–
Guarantee risk reserve	8.7	7.7	–	–
Other provisions	<i>Note 19</i> 6.8	–	–	–
Total provisions	92.0	78.6	–	–
Long-term liabilities	<i>Note 20</i>			
Bank overdraft facilities	<i>Note 21</i> 68.2	37.2	–	–
Liabilities to Group companies	–	–	28.5	29.0
Liabilities to credit institutions	122.3	84.9	92.2	83.0
Pension liabilities	0.2	0.2	–	–
Total long-term liabilities	190.7	122.3	120.7	112.0
Current liabilities				
Liabilities to credit institutions	20.0	17.4	9.6	9.6
Accounts payable – trade	90.3	61.9	0.1	0.1
Advance payments from customers	0.5	0.4	–	–
Liabilities to Group companies	–	–	–	1.0
Tax liability	13.6	5.4	0.1	0.7
Other liabilities	28.1	26.7	0.1	0.1
Accrued expenses and deferred income	<i>Note 22</i> 104.8	91.4	2.2	2.5
Total current liabilities	257.3	203.2	12.1	14.0
Total equity and liabilities	948.3	734.3	341.0	320.9
Pledged assets	<i>Note 23</i> 626.8	500.9	229.9	229.8
Contingent liabilities	<i>Note 24</i> 1.9	1.9	24.4	25.3

Cash flow statements

(in millions of SEK)

	Group		Parent company	
	2000	1999	2000	1999
Operating activities				
Operating profit	131.0	97.9	- 5.7	- 6.6
+ depreciation charged to this profit	46.3	41.3	-	-
- minority participation in profits	-	- 0.2	-	-
	177.3	139.0	- 5.7	- 6.6
Interest received and similar profit/loss items	3.1	3.8	4.4	1.7
Interest paid and similar profit/loss items	- 10.6	- 7.0	- 6.5	- 4.6
Tax paid	- 30.5	- 33.9	- 0.7	1.5
Cash flow before change in working capital	139.3	101.9	- 8.5	- 8.0
Change in working capital				
Increase in inventories	- 47.0	- 23.9	-	-
Increase in current receivables	- 26.2	- 32.2	0.5	10.1
Increase in current liabilities	24.6	24.6	- 1.2	- 5.1
Cash flow from operating activities	90.7	70.4	- 9.2	- 3.0
Investment activities				
Net investment in long-term securities	-	1.5	-	-
Net investment in plant and machinery	- 44.2	- 35.3	-	-
Net investment in land and buildings	- 39.4	- 10.7	-	-
Change in construction in progress	- 2.4	1.3	-	-
Net investment in goodwill	- 4.0	0.1	-	-
Net investment in other intangible fixed assets	- 0.7	0.1	-	-
Change in long-term receivables	- 8.7	0.1	- 20.2	- 39.8
Cash flow from investment activities	- 99.4	- 42.9	- 20.2	- 39.8
Operational cash flow	- 8.7	27.5	- 29.4	- 42.8
Acquired companies	- 33.5	- 15.9	- 0.4	-
Financing activities				
Change in minority interest	3.5	0.1	-	-
Profit from participations in Group companies	-	-	38.8	30.9
Amortisation of long-term loans	- 19.6	- 15.5	- 11.2	- 9.5
Other changes in long-term liabilities and provisions	75.6	18.2	19.8	33.8
Dividend to shareholders	- 17.6	- 14.7	- 17.6	- 14.7
Cash flow from financing activities	41.9	- 11.9	29.8	40.5
Cash flow for the year	- 0.3	- 0.3	0.0	- 2.3
Liquid funds at the beginning of the year	34.1	36.2	0.0	2.3
Exchange rate difference in liquid funds	0.5	- 1.8	-	-
Liquid funds at year-end	34.3	34.1	0	0

Notes to the Accounts

1 Accounting and valuation principles

Consolidated accounts

The NIBE Group reports its accounts in accordance with the Swedish Annual Accounts Act and the recommendations of the Swedish Financial Accounting Standards Council.

The accounting principles are unchanged unless specifically stated otherwise. The consolidated accounts cover the parent company NIBE Industrier AB (publ) and subsidiaries in which the parent company directly or indirectly holds more than 50% of the votes, or otherwise has a dominating influence. Companies acquired and sold are included in the Group income statement for the period during which they were owned. Consolidated accounts have been drawn up in accordance with the purchase method. For the consolidated accounts, recommendation RR01 of the Swedish Financial Accounting Standards Council has been applied.

The income statements and balance sheets of foreign subsidiaries are translated using the current method.

Recommendation RR01 means that the equity in the acquired company is determined on the basis of a market valuation of assets and liabilities on the date of acquisition. This market valuation constitutes Group acquisition cost. The difference between the acquisition value of the shares in the subsidiary and the value of the equity calculated in the acquisition analysis is recorded as Group goodwill. Only that part of the subsidiaries' unrestricted equity that can be allotted to the parent company with-

out a need to write down the shares, is included in Group non-restricted equity.

In drawing up the consolidated balance sheet, untaxed reserves have been divided into two: one part is recorded as deferred tax liability under the heading of provisions, the other under restricted equity, i.e. non-distributable funds. Consequently, any appropriations which involve changes in untaxed reserves are omitted from the consolidated balance sheet. The tax portion of these changes is recorded with the tax expense for the year in the income statement, while the equity portion is included in the profit for the year. The rate for calculating deferred tax in Swedish subsidiaries is 28%, and for foreign subsidiaries, the applicable tax rate in the individual countries. The required provisions have been made for intra-group profits.

Receivables

Receivables and liabilities in foreign currencies have been valued in accordance with the Swedish Financial Accounting Standards Council's recommendation RR8 concerning accounting for the impact of changed exchange rates.

Inventories

Inventories are valued at acquisition cost, after which the standard deduction for obsolescence of 3% has been made, and at a net realisable value respectively (in Sweden).

Fixed assets

Depreciation according to plan has been based on acquisition value and is calculated with reference to estimated economic life. The following depreciation rates have been used:

Goodwill	10%
Other intangible assets	10 – 20%
Buildings	3.33 – 5%
Land improvements	3.75 – 5%
Plant and machinery	10 – 25%
Fixtures and fittings	4%

Accounting depreciation has been applied at the maximum permitted amount for tax purposes.

The estimated economic life of goodwill is based both on the financial history of the companies/businesses acquired and their future prospects from the point of view of market strategy. This, together with the potential for the companies' product range and their current distribution systems, which are normally linked to well-known agents and dealers occupying positions in the leading ranks of the market, motivates an economic life of 10 years for goodwill.

Research and development

R&D costs are included in their entirety for the year in which they are incurred.

2 Distribution of net sales and operating profits

Distribution by business area (in millions of SEK)

	Net sales		Operating profit	
	2000	1999	2000	1999
NIBE Element	605.6	558.5	47.5	41.1
NIBE Heating	552.6	485.3	59.6	48.8
NIBE Stoves	155.7	133.6	15.6	17.6
Group adjustments	- 9.7	- 9.2	8.3	- 9.6
Group total	1,304.2	1,168.2	131.0	97.9

Distribution by geographic market (in millions of SEK)

	Net sales	
	2000	1999
Scandinavia	957.3	882.5
Europe excluding Scandinavia	335.8	277.6
Other markets	11.1	8.1
Group total	1,304.2	1,168.2

3 Payments to auditors

During the year the NIBE Group has been invoiced with charges amounting to SEK 1 million (of which SEK 0.1 million to the parent company) for auditing services, and with charges amounting to SEK 0.4 million (of which SEK 0.1 million to the parent company) for services other than auditing.

	Auditing	Other assignments
SET Revisionsbyrå AB	0.5	0.1
PricewaterhouseCoopers	0.2	0.0
Others	0.3	0.3
	1.0	0.4

4 Salaries, other remuneration and social security contributions

(in millions of SEK)	2000			1999		
	Salaries and other remunerations	Social security contribs.	(of which pensions expenses)	Salaries and other remunerations	Social security contribs.	(of which pensions expenses)
Parent company	2.9	1.5	(0.5)	2.6	1.4	(0.4)
Subsidiaries	320.3	108.1	(15.5)	290.1	99.0	(14.3)
Group total	323.2	109.6	(16.0)	292.7	100.4	(14.7)

Of the parent company's pension costs, SEK 0.3 million (SEK 0.2 million) relate to the MD. The parent company has no outstanding pension obligations to the Board and MD. The corresponding sum for the Group is SEK 1.1 million (SEK 0.9 million). Outstanding Group pensions to the previous Board and MD amount to SEK 0.2 million (SEK 0.2 million).

Salaries and other remuneration distributed by country and between the Board/Managing Director and other employees

(in millions of SEK)	2000		1999	
	Board and MD	Other employees	Board and MD	Other employees
Parent company	1.6	1.3	1.4	1.2
Subsidiaries in:				
Sweden	2.4	217.8	2.1	198.4
Norway	0.5	12.3	0.8	11.3
Finland	1.1	48.9	1.1	44.0
Denmark	0.7	24.9	0.7	25.4
Poland (of which bonus SEK 0 m and SEK 0.2 m)	2.6	7.1	1.9	4.4
Czech Republic	0	0.1	-	-
Italy	0.3	1.6	-	-
Group total	9.2	314.0	8.0	284.7

Average number of employees

	2000		1999	
	Number of employees	(of which males)	Number of employees	(of which males)
Parent company	4	2	3	2
Subsidiaries in:				
Sweden	976	787	933	760
Norway	45	31	48	35
Finland	269	136	243	128
Denmark	89	61	94	62
Poland	220	167	154	116
Czech Republic	5	3	-	-
Italy	9	3	-	-
Group total	1,617	1,190	1,475	1,103

Agreement on severance pay: Applies only to the Managing Director of the parent company. An agreement has been signed on severance pay amounting to one year's salary.

5 Items affecting comparability

(in millions of SEK)	Group 2000
SPP refunds	
Refunds made during the year	4.5
Long-term claim	8.3
Current claim	4.6
Total	17.4

SPP refunds have been settled against operating costs in the income statement of the parent company.

6 Result from participations in Group companies

(in millions of SEK)	Parent company	
	2000	1999
Group contributions	8.0	13.0
Dividend	30.8	17.9
	38.8	30.9

7 Interest income and similar profit/loss items

(in millions of SEK)	Group		Parent company	
	2000	1999	2000	1999
Interest income, Group companies	–	–	2.8	1.4
Interest income, other	1.7	1.1	–	–
Other financial income	1.8	2.7	1.6	0.3
	3.5	3.8	4.4	1.7

8 Interest expense and similar profit/loss items

(in millions of SEK)	Group		Parent company	
	2000	1999	2000	1999
Interest expense, Group companies	–	–	1.2	1.1
Interest expense, other	10.2	7.4	5.3	3.7
Other financial expenses	0.3	0.2	–	–
	10.5	7.6	6.5	4.8

9 Appropriations

(in millions of SEK)	Parent company	
	2000	1999
Transfers to tax allocation reserve	–	0.7
Total	–	0.7

10 Tax on the profit for the year

(in millions of SEK)	Group		Parent company	
	2000	1999	2000	1999
Current tax	33.0	25.8	0.1	0.7
Deferred tax	4.9	4.0	–	–
Total	37.9	29.8	0.1	0.7

In the year's deferred tax the sum of SEK 4.9 million (SEK 5.4 million) is attributable to the change in untaxed reserves.

Deferred tax liability in the Group amounts to SEK 53.4 million (SEK 47.9 million) and is recorded under the item "Provisions for tax". SEK 39.7 million (SEK 34.2 million) of the Group's deferred tax liability refers to tax on untaxed reserves.

11 Goodwill

(in millions of SEK)	Group	
	2000	1999
Acquisition value		
Acquisition value brought forward	91.4	83.1
Investment for the year	16.2	13.0
Sales and disposals	–	– 0.6
Translation differences	1.5	– 4.1
Accumulated acquisition value carried forward	109.1	91.4
Depreciation brought forward	23.1	14.6
Sales and disposals	–	– 0.5
Depreciation for the year	10.0	9.2
Translation differences	0.4	– 0.2
Accumulated depreciation carried forward	33.5	23.1
Book value carried forward	75.6	68.3

12 Other intangible assets

Rights of tenancy, patents, licences, trademarks and the like.

(in millions of SEK)	Group	
	2000	1999
Acquisition value		
Acquisition value brought forward	0.6	0.6
Investment for the year	1.6	0.1
Translation differences	0.2	– 0.1
Accumulated acquisition value carried forward	2.4	0.6
Depreciation brought forward	0.2	0.1
Depreciation for the year	0.2	0.1
Translation differences	0.1	–
Accumulated depreciation carried forward	0.5	0.2
Book value carried forward	1.9	0.4

13 Land and buildings

(in millions of SEK)	Group	
	2000	1999
Acquisition value		
Acquisition value brought forward	171.7	164.8
Investment for the year	57.1	10.7
Sales and disposals	–	– 1.3
Translation differences	2.8	– 2.5
Accumulated acquisition value carried forward	231.6	171.7
Depreciation brought forward	72.9	68.5
Sales and disposals	–	– 0.8
Depreciation for the year	6.6	6.0
Translation differences	0.4	– 0.8
Accumulated depreciation carried forward	79.9	72.9
Revaluation brought forward	1.1	1.4
Depreciation for the year on revalued amount	– 0.2	– 0.3
Accumulated revaluation carried forward	0.9	1.1
Book value carried forward	152.6	99.9
of which, in Sweden	63.2	29.2
Value assessed for tax purposes (Sweden)	47.6	46.8
of which land	9.6	7.7

New construction, renovations and rebuilds during the year have not been assessed for tax purposes.

14 Plant and machinery

(in millions of SEK)	Group	
	2000	1999
Acquisition value		
Acquisition value brought forward	301.4	269.2
Investment for the year	56.6	39.5
Sales and disposals	- 4.0	- 2.7
Translation differences	4.3	- 4.6
Accumulated acquisition value carried forward	358.3	301.4
Depreciation brought forward	188.8	166.8
Sales and disposals	- 2.6	- 1.9
Depreciation for the year	29.3	25.8
Translation differences	1.3	- 1.9
Accumulated depreciation carried forward	216.8	188.8
Book value carried forward	141.5	112.6

15 Construction in progress

(in millions of SEK)	Group	
	2000	1999
Balance brought forward	6.6	7.9
Expenses accrued during the year	25.5	7.9
Re-allocations during the year	- 23.0	- 9.2
Translation differences	0.4	0
Amount at year-end	9.5	6.6

16 Current investments

(in millions of SEK)	Acquisition value	Market value	Book value
Listed shares	0.9	0.7	0.7
	0.9	0.7	0.7

17 Shares in subsidiaries

(in millions of SEK)	Proportion of capital	Number of shares	Book value
NIBE AB	100%	400,000	103.2
Backer BHV AB (formerly Backer Elektro-Värme AB)	100%	37,170	49.7
Loval Oy	100%	768	39.6
Bröderna Håkansson Värme AB	100%	15,000	19.0
Jevi A/S	100%	1	29.9
Calesco Foil AB	100%	10,500	37.5
Handöl-Form AB	100%	1,000	0.1
Group total			279.0

Shares owned via subsidiaries

Name	Proportion of capital	Number of shares
Norske Backer A/S	100 %	12,000
Backer OBR Sp. z o. o.	100 %	10,000
Kiloval Oy	100 %	33
NIBE Polska Sp. z o. o.	100 %	10,480
Brakon Norge A/S	100 %	10
Oy Meyer Vastus AB	90 %	18
Cronspisen Kakelugnar AB	100 %	5,500
NIBE Biawar SP. z o. o.	86 %	71,826
Backer FER s. r. l.	100 %	
Eltop Praha s. r. o.	100 %	
Backer Elektro CZ s. r. o.	100 %	

Details of corporate identity numbers and registered offices of subsidiaries

	Corporate identity number	Registered office	
NIBE AB	556056 - 4485	Markaryd	Sweden
Backer BHV AB	556053 - 0569	Hässleholm	Sweden
Loval Oy	379.654	Loviisa	Finland
Handöl-Form AB	556194 - 1393	Markaryd	Sweden
Norske Backer A/S	919 799 064	Kongsvinger	Norway
Backer OBR Sp. z o. o.		Pyrzyce	Poland
Kiloval Oy	438.072	Loviisa	Finland
NIBE Polska Sp. z o. o.		Warnice	Poland
Bröderna Håkansson Värme AB	556108-0259	Höör	Sweden
Brakon Norge A/S	953 122 561	Jevnaker	Norway
Oy Meyer Vastus AB	224.101	Monninkylä	Finland
Jevi A/S	12 85 42 77	Vejle	Denmark
Calesco Foil AB	556000-5034	Hallstahammar	Sweden
Cronspisen Kakelugnar AB	556480-3806	Emmaboda	Sweden
NIBE Biawar SP. z o. o.		Bialystok	Poland
Backer FER s. r. l.		Sant'Agostino	Italy
Eltop Praha s. r. o.		Miretice	Czech Rep.
Backer Elektro CZ s. r. o.		Prague	Czech Rep.

18 Equity

Group

(in millions of SEK)	Share capital	Restricted reserves	Translation difference	Non-restricted reserves	Total equity
Amount at beginning of year	58.7	76.6	- 4.7	199.0	329.6
Shareholders' dividend				- 17.6	- 17.6
Transfer between restricted/non-restricted capital		- 0.9		0.9	
Exchange rate differences charged directly against equity		1.1		- 0.6	0.5
Translation difference			5.3		5.3
Profit for the year				86.1	86.1
Amount at year-end	58.7	76.8	0.6	267.8	403.9

Parent company

Share capital consists of 940,008 A-shares and 4,929,992 B-shares, both categories with a par value of SEK 10 per share.

(in millions of SEK)	Share capital	Share premium reserve	Statutory reserve	Non-restricted equity	Total equity
Amount at beginning of year	58.7	67.4	7.5	58.3	191.9
Shareholders' dividend				- 17.6	- 17.6
Profit for the year				30.9	30.9
Amount at year-end	58.7	67.4	7.5	71.6	205.2

19 Other provisions

(in millions of SEK)	Group 2000
Restructuring reserve on acquiring BIAWAR	5.0
Dissolved during the year	- 1.9
Translation difference	0.3
Amount in restructuring reserve at end of year	3.4
Other provisions	3.4
Amount at year-end	6.8

20 Long-term liabilities

The following list is of that part of long-term liabilities which fall due for payment later than five years from the accounting year end.

(in millions of SEK)	Group		Parent company	
	2000	1999	2000	1999
Liabilities to credit institutions	50.7	26.5	10.5	14.0
Liabilities to Group companies	–	–	28.5	28.5
Pension liabilities	0.1	0.1	–	–
Amount at year-end	50.8	26.6	39.0	42.5

21 Bank overdraft facilities

The sum of bank overdraft facilities granted in the Group as a whole amounted to SEK 177.7 million (SEK 153.0 million). During the year these have risen by SEK 24.7 million, of which SEK 13.2 million have been added as a result of acquisitions.

22 Accrued expenses and deferred income

(in millions of SEK)	Group		Parent company	
	2000	1999	2000	1999
Accrued salaries	44.7	39.5	0.9	0.9
Accrued social security contributions	24.7	23.5	0.6	0.7
Other items	35.4	28.4	0.7	0.9
Amount at year-end	104.8	91.4	2.2	2.5


23 Pledged assets

(in millions of SEK)	Group		Parent company	
	2000	1999	2000	1999
Floating charges	93.3	88.9	–	–
Real estate mortgages	79.3	43.1	–	–
Shares in subsidiaries ¹⁾	454.2	368.9	229.9	229.8
Total pledged assets	626.8	500.9	229.9	229.8
1) Liabilities for which shares have been used as collateral	85.4	59.5	48.4	59.5

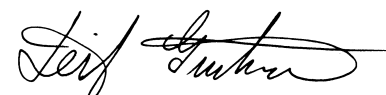
24 Contingent liabilities


(in millions of SEK)	Group		Parent company	
	2000	1999	2000	1999
Pension obligations which have not been taken up among liabilities or provisions	1.5	1.5	–	–
Contingent liabilities in favour of other Group companies	–	–	24.4	25.3
Other contingent liabilities	0.4	0.4	–	–
Total contingent liabilities	1.9	1.9	24.4	25.3

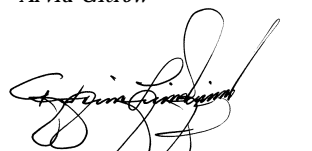
Markaryd, Sweden, 19 March 2001


 Bengt Hjelm
 Chairman of the Board


 Arvid Gierow


 Leif Gustavsson


 Bill Tunbrant


 Gerteric Lindquist
 Chief Executive Officer & MD

Audit Report

To the General Meeting of Shareholders in NIBE Industrier AB (publ). Corporate ID no. 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 of NIBE Industrier AB for the financial year 2000. These accounts and the administration of the Company are the responsibility of the Board and the Managing Director. 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 and the Managing Director, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board Member or the Managing Director. We also examined whether any Board Member or the Managing Director has, in any other way, acted in contravention of the Swedish Companies Act, the Annual Accounts Act, or the articles of association of the company. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the Company's and the Group's financial position and results of operations in accordance with generally accepted accounting standards in Sweden.

We recommend to the 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 be discharged from liability for the financial year.

Markaryd, Sweden, 26 March 2001

SET Revisionsbyrå AB

A handwritten signature in black ink, appearing to read "Willard Möller". The signature is fluid and cursive, written over a white background.

Willard Möller
Authorised Public Accountant

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