

Annual Report

1999



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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. As part of this work, our website, which contains far more information than this annual report, is continually updated with all kinds of news, including financial data. Our website can be found at

www.nibe.se

- Turnover increased to SEK 1,168.2 million (1998: SEK 1,026.8 million)
- The Group reported growth of 14%, of which 8% was organic
- Profit after net financial items rose to SEK 94.1 million (SEK 75.5 million)
- Earnings per share rose to SEK 10.92 (SEK 8.56)
- Water-heater manufacturer Haato in Finland was taken over
- The Board proposes a dividend of SEK 3.00 per share (SEK 2.50)
- The Board intends to propose that the Annual General Meeting approves 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 3.00 per share for 1999, equivalent to a total of SEK 17.6 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 Wednesday, 24 May 2000.

The record date for the dividend is Friday, 19 May 2000.

Annual General Meeting

The Annual General Meeting will be held at 6 pm on Tuesday, 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

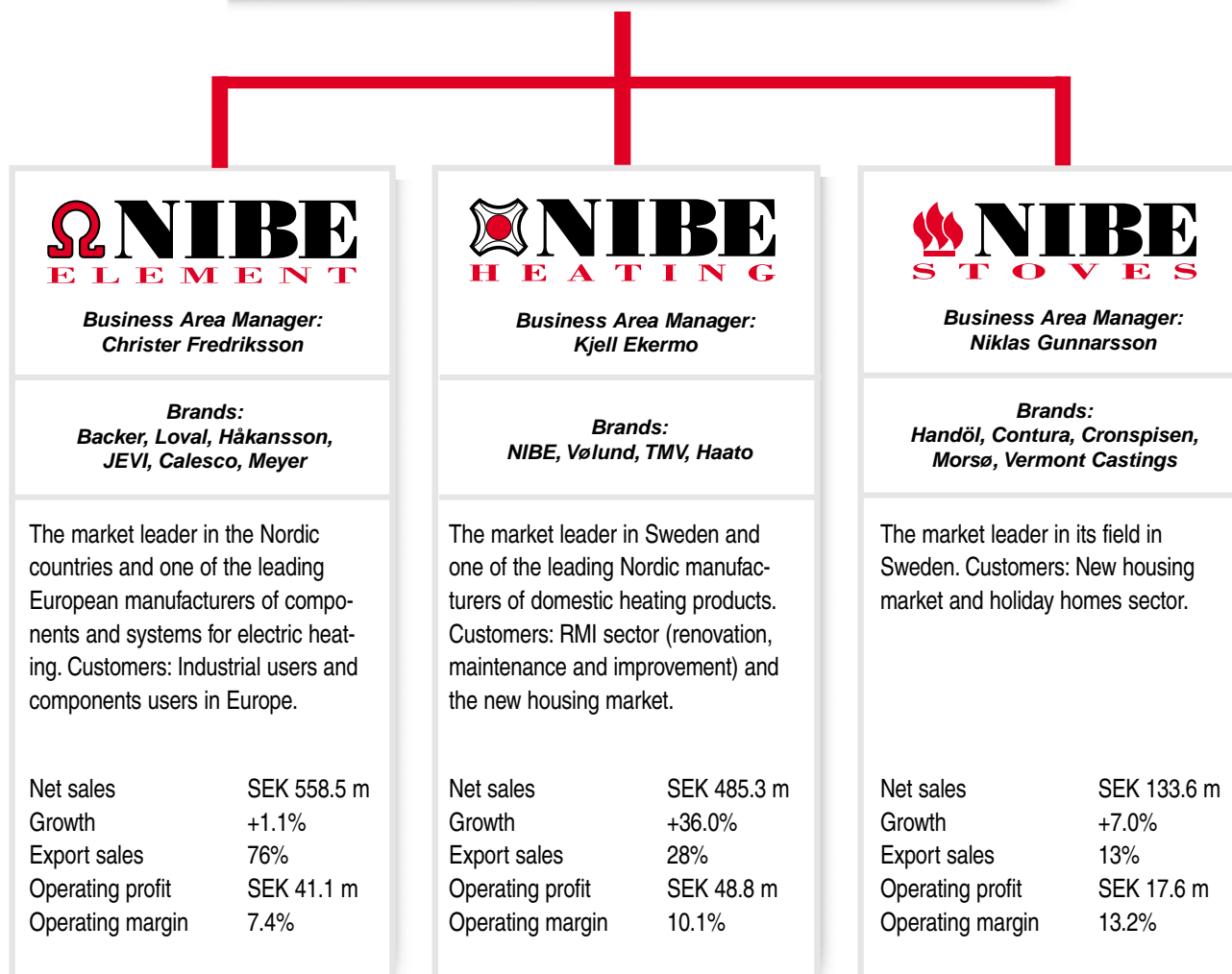
16 May 2000	Annual General Meeting
16 May 2000	Interim report, Jan–March 2000
17 August 2000	Interim report, Jan–June 2000
16 November 2000	Interim report, Jan–Sept 2000

Group overview



MD: Gerteric Lindquist

The parent company, NIBE Industrier AB, has its registered office in Markaryd in Sweden and has been quoted on the OTC list of the Stockholm Stock Exchange since June 1997. The group is divided into three separate business areas as shown 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 policy and other group-wide policy issues.



Business concept

Vision

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

Mission statement

Our mission is to offer high-quality and 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 long-term customers who value the peace of mind that the NIBE Group can offer.

The Group also 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 of at least 10% of turnover 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 close 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 and recruitment of new key employees
- 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

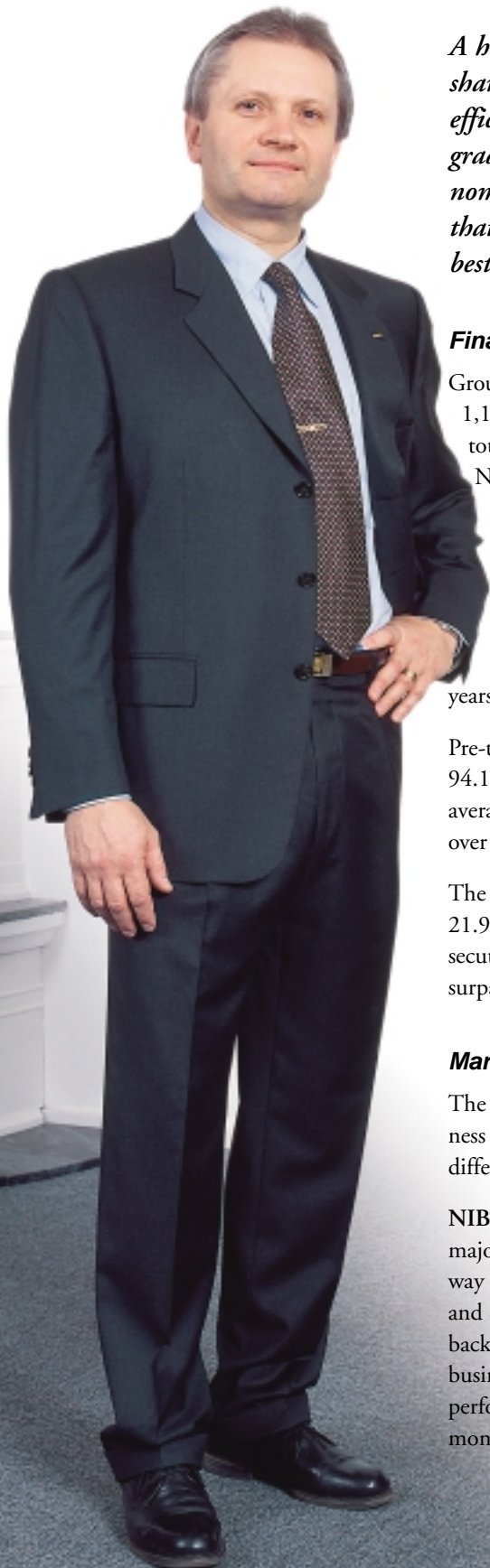
will play a key role in product development, from the choice of materials, through production and use to recycling.

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.

The Chief Executive's Report

Strong finish to a successful decade



A healthy increase in market share and a successful internal efficiency drive combined with a gradual improvement in the economic climate helped to ensure that 1999 was the NIBE Group's best year yet.

Financial performance

Group net sales rose 14% to SEK 1,168.2 million, and organic growth totalled 8%. This means that the NIBE Group has reported average annual volume growth of 25% over the last six years, which more than meets our long-term target of average year-on-year growth of 20%. Just over half of our growth over the last few years has been organic.

Pre-tax profit climbed 25% to SEK 94.1 million, giving the Group an average annual profit growth of 33% over the last six years.

The return on equity for the year was 21.9%, making 1999 the third consecutive year in which this figure has surpassed our long-term target of 20%.

Market development

The markets for each of our three business areas' products developed in very different ways during the year.

NIBE Element's year was marked by major fluctuations: a poor start gave way to a recovery during the spring and summer, only for demand to drop back in the third quarter before the business area went on to put in its best performance ever during the last three months of the year.

While such abrupt shifts may seem bewildering to outsiders, they illustrate quite well the situation that components suppliers find themselves in when their customers are unsure of how demand will develop.

The strength of the business area is reflected in the fact that it not only increased its market share under these demanding circumstances, but also managed to report only a marginal drop in operating profit. This also serves to illustrate how well we can adjust capacity, both up and down, to meet the needs of the market.

NIBE Heating enjoyed soaring volumes practically all year. The business area's 36% growth – 27% of which was organic – was attributable largely to its continued healthy increase in market share in Sweden, Finland and Germany.

Operating profit rose 61% and the operating margin is now slightly higher than the 10% target.

A great deal of hard work has gone into meeting the surge in demand, and the results are nothing short of exceptional, even though some deliveries ran late during the autumn.

NIBE Stoves enjoyed a steady increase in volumes during the year, reporting a satisfactory increase in market share in Sweden, and even more so in Germany and Norway.

This paved the way for the business area to improve its already excellent operating profit, and its operating margin is now 13.2%.

Increase in capacity

NIBE Element has no fewer than nine production units spread across the Nordic countries and Poland. The smaller units are focusing more and more on being the partner of choice for industrial customers in each country, while the larger units are concentrating on supplying the OEM market with volume products. This approach is felt to be the best way of making the most of our investment programme, securing volume growth and facilitating internal and external benchmarking.

NIBE Heating's major expansion programme has meant that production will have to be totally reorganised by product. The entire boiler production operation has already been moved to the Trelleborg production unit, and in the spring 2000 heat pump production will be transferred to new, customised premises adjacent to the main factory in Markaryd. As such, water-heater production will be concentrated in three places: Markaryd, Finland and Poland.

The autumn will see the official opening of NIBE Heating's new advanced development centre, the aim of which is to improve product innovation and performance.

The reorganisation of the business area's production units by product has prompted a move in the same direction by NIBE Stoves. Work has been underway since summer 1999 on a complete plant for NIBE Stoves in a recently acquired industrial property in Markaryd.

New offices and a state-of-the-art development centre have already been opened, with the production facilities and new showrooms set to follow suit in the spring of the year 2000.

Cronspisen, which was taken over in January 2000, will, however, remain in Emmaboda and be developed from there.

Growth strategies focus on Europe

We are looking to reach a target of an average of 10% organic growth per year, matched by the same rate of growth through acquisitions.

Over the last six years we have managed to notch up no fewer than 13 start-ups and acquisitions. This process has provided us with extremely valuable experience of how to set about acquiring new businesses, how to integrate them into existing operations and how then to develop them.

Furthermore, striking a balance between organic growth and growth through acquisitions over time appears to work well in terms of both profitability and organisation.

Although our acquisitions and start-ups have been mainly in the Nordic countries to date, we are now setting our sights on the rest of Europe in a move to supplement our various marketing drives.

Our strategy of averaging 20% year-on-year growth means generating turnover of SEK 2.4 billion in four years' time, while retaining a healthy profit margin.

The European market alone is worth more than SEK 50 billion. This, combined with our own extremely strong product ranges and several potential takeover candidates, means that we have high hopes that we will continue to meet our growth targets in the future.

Outlook for 2000

The three business areas in which we operate all offer good potential for continued growth.

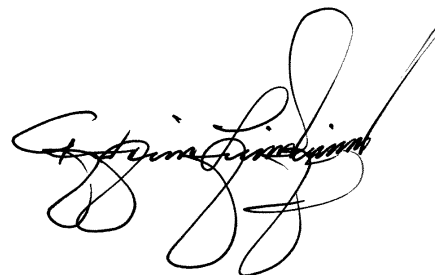
The need for new products is increasing at the same time as the sectors are undergoing a process of consolidation, opening up opportunities for fresh acquisitions.

We believe that we will continue to go from strength to strength in our priority markets.

Furthermore, there is still plenty of scope for efficiency savings within the group.

As the general climate is currently extremely optimistic, we have every reason to consider the Group's outlook to be bright in terms of both growth and performance.

Markaryd, Sweden, April 2000



*Gerteric Lindquist
Managing Director and Chief Executive*

Eight success factors from 50 years' experience

Over the years eight principles have assumed ever increasing significance for our operations as a whole. These provide the foundation we need to continue to expand while never losing sight of our profitability targets. These 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 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 to enable the company to thrive and prosper.



Profitability – our number one priority

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

Neither of the two original companies in the NIBE Group, Backer Elektro-Värme AB and NIBE AB, 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 contributing factor 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.



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.

While flexible wage systems are not an uncontroversial issue in Sweden, we remain firmly convinced that flexibility is crucial to the continuing 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.

In the companies we take over, the basic payroll costs are often the section of the accounts that differs most from those in existing NIBE companies, and, as such, this area has the greatest potential for improvement. The reason for the discrepancy is that the companies tend to adopt a fixed hourly rate or monthly salary instead of performance-related pay.

The new 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.



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.

Market-leading product development plays an important role in helping NIBE to break into new markets and continue to win market share. It is also important when it comes to objectively assessing solutions produced by competitors.

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



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 to always do things that little bit better, and by always being receptive to ideas on how things can be improved.

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

Work is underway 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, flat organisations give individual workers considerable freedom with equally considerable responsibility, and allow talented people to assume responsible positions early in their careers. Managers should never act solely as executive decision-makers, but retain the direct operational involvement that is crucial for an in-depth understanding of their job and which also helps minimise overall payroll costs.

We endeavour to have a low turnover of staff, both to safeguard quality and to prevent anxiety outside the company as a result of an unsettled workforce.

All too often the adage that "a company's greatest resource is the people who work for it" has become little more than empty words. On the other hand, a company that can look back on a 50-year tradition of living and developing in this spirit lends a totally different weight to statements like this.

Being able to keep and develop the skilled employees a company already has plays a vital role in its success whenever there is a steady influx of new staff, both via recruitment drives and via acquisitions.

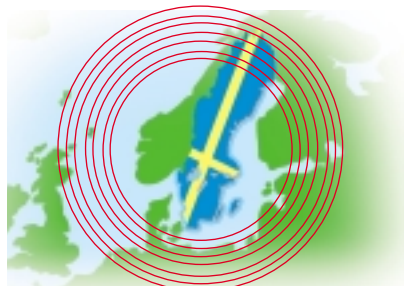


Concentrating on three core areas

Our operations concentrate on heating products. The fact that we have been working with tubular elements since the very beginning 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 their 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 the market leader in its respective field in Sweden, we will need to look abroad for both organic growth and future 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.



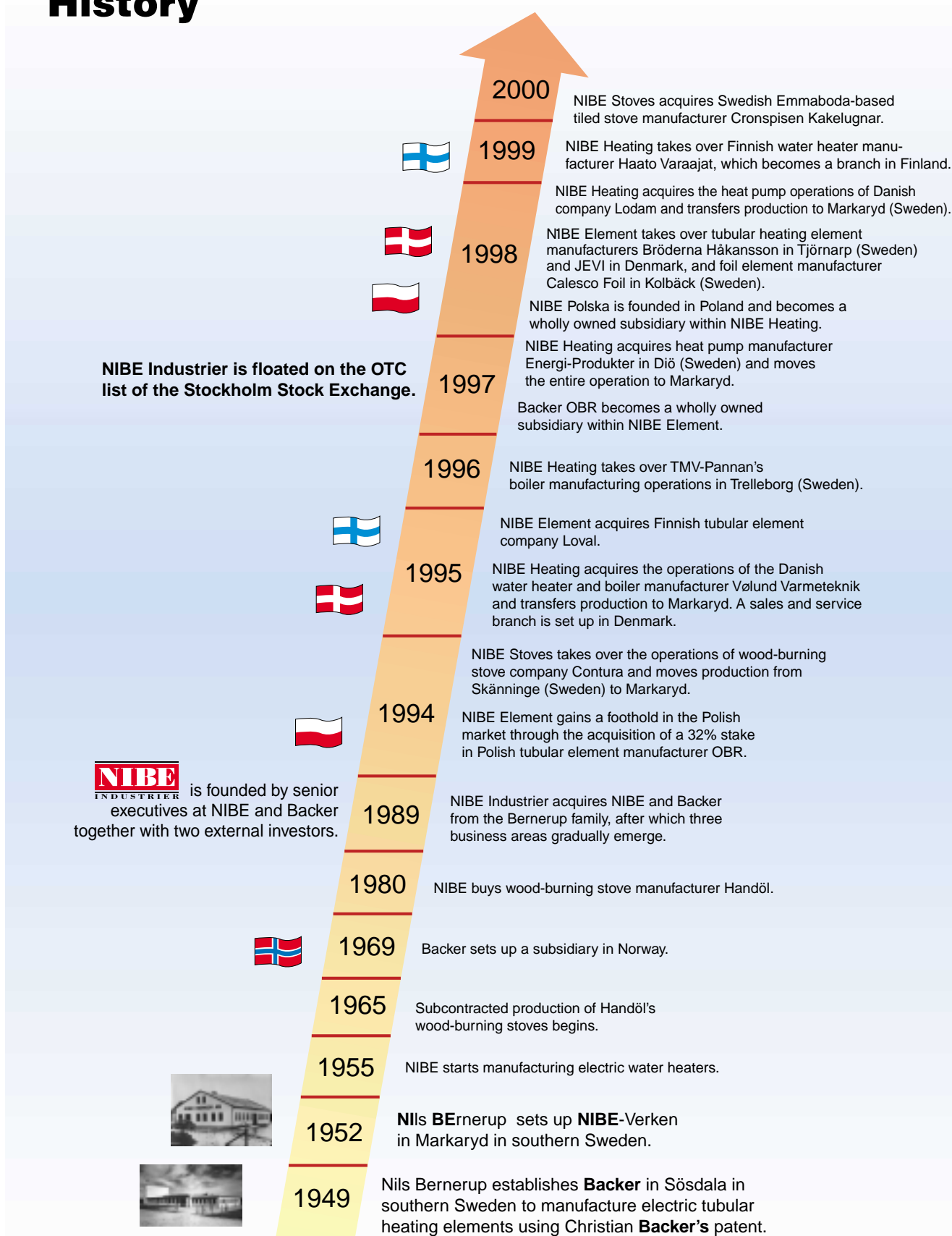
Long-term, clearly defined ownership

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 broadening 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 made itself felt in 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 intentions.

History



The NIBE share

NIBE Industrier AB's B-shares were floated on the Stockholm Stock Exchange's OTC 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 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 2,652 shareholders on 31 December 1999. The ten largest shareholders held 65.6% of the votes and 44.9% of the capital.

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 3.00 per share for the 1999 financial year, which is 27.5% of Group profit after full tax.

Analyses of NIBE's shares

NIBE's shares were monitored by the following brokers and banks during the year:

D Carnegie Tel. +46 8 676 88 00 Johan Ståhl
 Enskilda Securities Tel. +46 8 522 29500 Leif Pettersson
 Nordiska
 Fondkommission Tel. +46 8 791 48 00 Mikael Laséen
 Swedbank Markets Tel. +46 8 585 90000 Patrik Naeslund

Largest shareholders (source: VPC AB share register, 30 December 1999)

Name	No. of shares	Votes (%)
Board and senior executives ¹⁾	1,801,130	49.47
Beleggingen Weberstan BV	750,960	20.00
Sjätte Allmänna Pensionsfonden	405,100	2.83
Roburs Småbolagsfond Norden	370,000	2.58
Svolder AB	343,300	2.40
Other holdings (2,630 shareholders)	2,199,510	22.72
Total	5,870,000	100.00

¹⁾ For Board of Directors, see also page 42.

Shareholder structure (source: VPC AB share register, 30 December 1999)

No. of shares	No. of shareholders	Share of ownership (%)	No. of shares	Proportion of shares (%)
1 – 500	2,276	85.82	450,944	7.68
501 – 1,000	218	8.22	191,244	3.26
1,001 – 5,000	95	3.58	206,080	3.51
5,001 – 10,000	19	0.72	146,200	2.49
10,001 – 100,000	31	1.17	1,217,692	20.74
100,001 –	13	0.49	3,657,840	62.32
Total	2,652	100.00	5,870,000	100.00

Changes in share capital

Year	Increase (SEK)	Par value (SEK)	Total no. 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 Ten-for-one split 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

	1999	1998	1997	1996	1995
No. of shares	5,870,000	5,870,000	5,870,000	4,700,000	4,700,000
Year-end share price (SEK)	121.00	124.00	173.00		
EPS (after full tax) (SEK)	10.92	8.56	7.80	4.71	3.07
Equity per share (SEK)	56.14	49.52	42.10	28.40	24.36
Proposed dividend (SEK)	3.00	2.50	2.00	1.28	0.64
Price/equity	2.16	2.50	4.11		
Dividend yield (%)	2.48	2.02	1.16		
Operating cash flow per share (SEK)	4.70	- 1.59	6.87	8.71	- 0.62
Payout ratio (%)	27.5	29.2	25.6	27.2	20.8
PE ratio (after full tax)	11.1	14.5	22.2		
Market value (SEK m)	710	728	1,016		
EBIT multiple	8.6	10.3	16.1		
EV/sales (multiple)	0.72	0.83	1.40		
Share turnover (%)	13.77	36.69	40.24		
Beta value	0.51	0.57	0.54		
Volatility	0.06	0.11	0.14		

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.

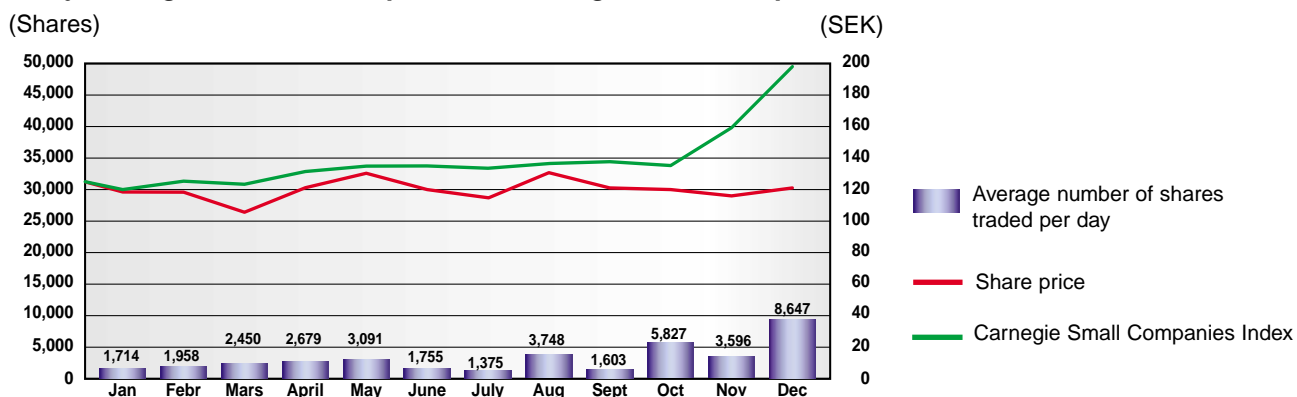
Beta value

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.

Daily trading volumes, share price and Carnegie Small Companies Index



Our employees

The NIBE Group's human resources philosophy is based on a straightforward, common sense approach that has evolved naturally without the need for "preaching" since the company first started 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 our philosophy.

Efficiency through freedom with responsibility

The NIBE Group works in teams with many extremely 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 best results for the individual and the company alike.

Youngsters and veterans

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

Our expansion in recent years has enabled us to take on a number of young people, which has resulted in a good mix of youth and maturity. In the past few years we have taken on more than 200 employees below the age of 25. The average age in the group is 39, and the average period of employment ten years.

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 and sponsor dissertations. We have also taken on some 30 graduates over the last few years.

Another example is NIBE Heating's cooperation with the local upper secondary school in Markaryd in taking the initiative to start up special studies in energy. Active cooperation means



that pupils studying this subject can combine theory and practice in a natural way, since they are offered placements and summer jobs with us.

The above, combined with the comprehensive ongoing technical training offered to a variety of customers, means that NIBE's home town of Markaryd is gradually emerging as Sweden's leading centre for energy training.

Straight talking

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

We also promote straight, honest communications between employees at different levels, since we consider that this reduces the number of conflicts and helps us to talk our way to solutions when conflicts do arise. This, in turn, means that we can concentrate our

efforts and energy towards meeting the challenges that await us outside the company.

Active 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 also breaks down uncalled-for barriers between different staff categories.

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.



Quality and the Environment



All exhaust-air heat pumps are tested before they leave the production unit.

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.

Continual improvement – a key concept at NIBE – is the responsibility of our various 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 sectors.

Quality assurance

Our quality policy states that, one by one, all the companies in the Group will gradually be ISO 9001 accredited. The majority of our companies have already achieved this goal and incorporate well established systems that seek to develop operations in the direction of total quality by means of continual improvement. Product quality is already high, but work to bring about improvements is constantly underway and focuses on areas such as delivery times, delivery reliability, product development and customer service. Our ability to meet the market's needs for total quality will be a key factor for our continued growth in an increasingly competitive market.

The environment

NIBE Stoves and NIBE Heating in Markaryd and Trelleborg have been ISO 14001 accredited since June 1999. In this first year we have already seen the positive and quantifiable impact of our environmental management system (which includes a total of 15 different environmental targets) in the form of reduced quantities of waste, more efficient use of raw materials and lower emissions to air and water.

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

The two largest companies within NIBE Element also began work on introducing ISO 14001 during the year. This work will be stepped up in the year 2000, with more companies set to join in at a later date. The project will be drawing on the experience gained from the accreditation of NIBE Heating and NIBE Stoves.

ISO 14001 accreditation involves a variety of measures, including monitoring areas such as sorting at source, energy consumption, the consumption of natural resources, transport, choice

of chemicals, recycling and the environmental impact of our products.

Several projects are underway with a view to finding and verifying technical alternatives that are more environmentally friendly than current manufacturing methods. This work has been accorded top priority and involves careful testing to ensure that characteristics such as the life and reliability of products are not jeopardised.





NIBE Element

Business Area Manager Christer Fredriksson

		1999	1998	1997	1996	1995
Net sales	(SEK m)	558.5	552.4	356.4	300.4	202.4
Growth	%	1.1	55.0	18.6	48.4	27.9
Operating profit	(SEK m)	41.1	45.6	32.8	19.1	17.4
Operating margin	(%)	7.4	8.2	9.2	6.4	8.6
Average number of employees		905	925	669	522	347

Mission statement

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

Objectives

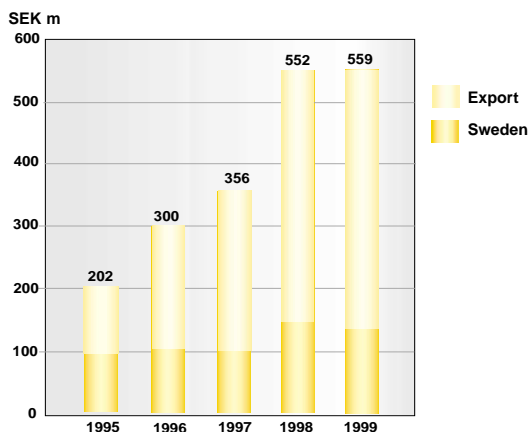
NIBE Element aims to report average year-on-year growth of 20%.

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

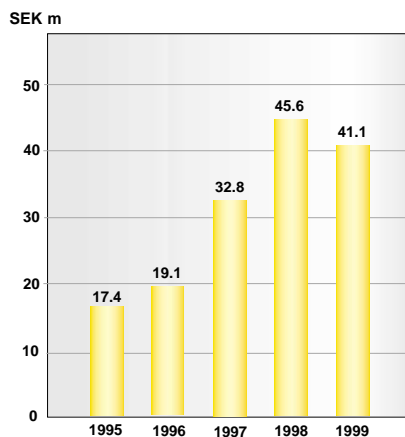
Strategy

- 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.

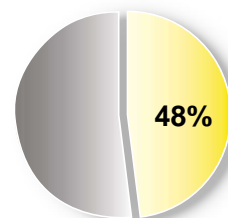
Net sales, 1995–1999



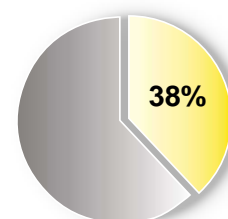
Operating profit, 1995–1999



Net sales



Operating profit



NIBE Element's contribution to Group net sales and operating profit in 1999

Review of the year

1999 brought an irregular inflow of orders, with relatively large fluctuations from one quarter to the next, making forecasts for the year as a whole extremely difficult. The main reason for these fluctuations was the weak engineering sector in several of the business area's main markets, which, in turn, resulted in substantial stock movements in response to signals that the economic climate was changing. Given that this is a situation that is likely to continue, we need to remain flexible in terms of being able to adapt our capacity.

Demand was relatively weak during the year in the traditional engineering industry, the main market for tubular elements. By contrast, the electronics and telecommunications industries, which use foil elements for example, enjoyed much healthier demand for their products. Overall, NIBE Element managed to increase its market share and improve its position.

In a bid to counter the impact of lower demand, staffing levels were gradually adjusted downwards during the year and proved to be very much in line with the level of demand seen during the fourth quarter. Along with produc-

tivity-enhancing and other cost-cutting measures, this served to increase operating profit substantially towards the end of the year.

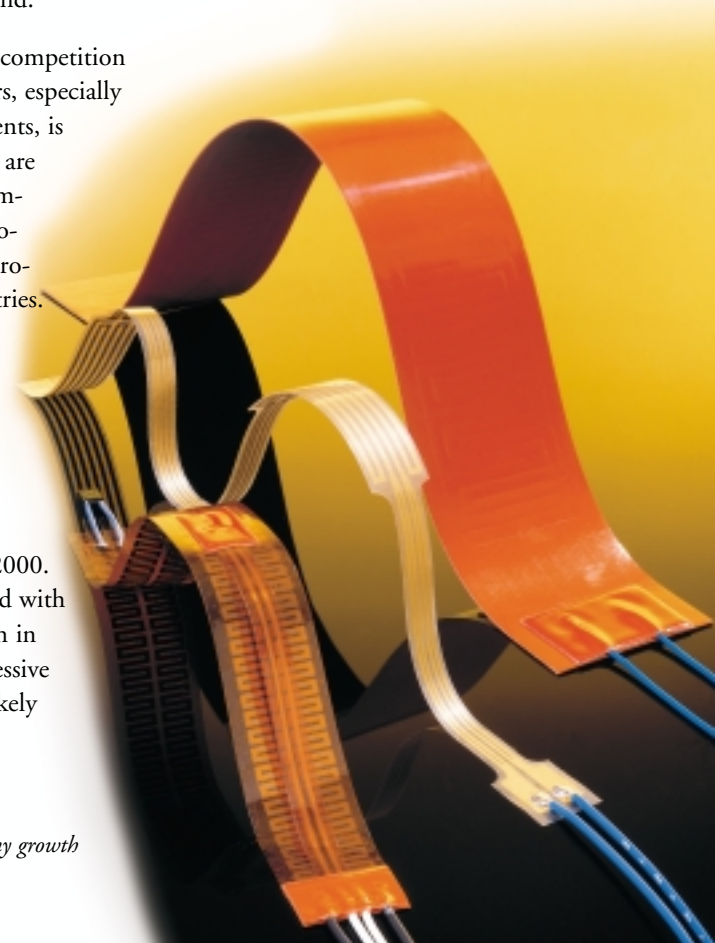
Outlook for 2000

The market was slightly brisker at the beginning of the year 2000 than a year earlier, and capacity is now well matched to forecast demand.

The ever increasing price competition seen over the last few years, especially in the high-volume segments, is expected to continue. We are countering this with a combination of continual rationalisation measures and production in low-cost countries.

The full impact of the rationalisation measures implemented during the year, particularly in those companies taken over in 1998, is likely to filter through during the year 2000. These measures, combined with a more proactive approach in new markets and an aggressive acquisition strategy, are likely to result in profit growth during the year.

Foil elements are used in many growth sectors.



Products

NIBE Element's product range comprises mainly components and systems for electrical 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 years' takeovers have added new products to the business area's range, so that NIBE Element can now meet the needs of new customers, including those in 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 considerable market potential in the future. The main applications for these elements include heating certain types of medical equipment and specific applications in telecommunications.

The product groups with the largest volumes – consumer products and space heating – jointly account for more than half the market.

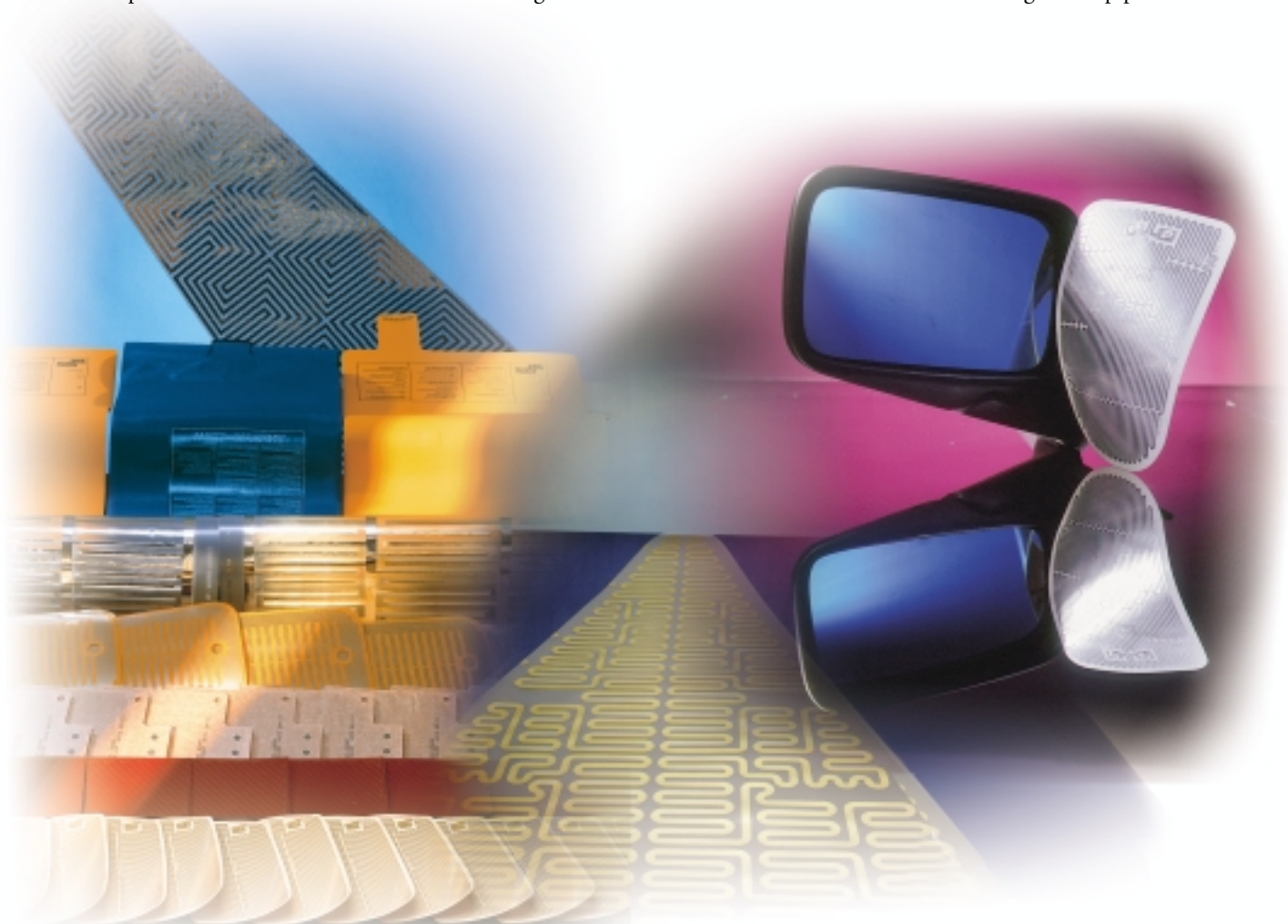
The special products category is largely characterised by small series of products that are still under development.

Manufacturers of medical equipment, the telecommunications sector and the plastics industry are all important customer groups for special products.



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 Tumble dryers Washing machines	Fan oven elements, tubular elements Integral elements, tubular elements Circuit breaker elements, tubular elements
Space heating	Electric radiators	Aluminium tubular elements
Vehicles	Engine pre-heaters Rear-view mirrors Caravan floors	Immersion heaters, tubular elements Polymer elements Foil elements
Special products	Trains Parabolic antennas Base stations (mobile telephony) ATMs	Load resistors, tubular elements Wireless transmission, foil elements Foil elements Foil elements
Plastics industry	Plastic extrusion machines	Strip 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



Production

NIBE Element has nine different production units in Sweden, Norway, Finland, Denmark and Poland. 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 larger 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.

Backer OBR, our Polish unit which has expanded considerably over the last few years, provides NIBE Element with access to low-cost production in a state-of-the-art factory.

Quality and the environment

Our competitiveness as a supplier of elements depends largely on the consistently high quality of our products. 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 our products also 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 underway to introduce the ISO 14001 environmental management system.

Prices

The European market for consumer products such as white goods is consolidating to leave a small number of ever larger manufacturers who are looking to buy from very few suppliers. Given the substantial volumes involved, prices are under considerable pressure in these segments. On the other hand, this necessitates improvements in efficiency and paves the way for working with really big customers.

The number of customers in the special products segment is growing in Europe. 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.

The Polish Backer OBR factory has been upgraded to a state-of-the-art unit that supplies products to several major white goods manufacturers in Europe.



Product development

While most of our product development is undertaken in conjunction with our customers, 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 new components and basic 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.

Our product development is supplemented with extensive production technology development activities designed to rationalise operations continually, to increase cost-effectiveness and to enhance quality 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.

The 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.

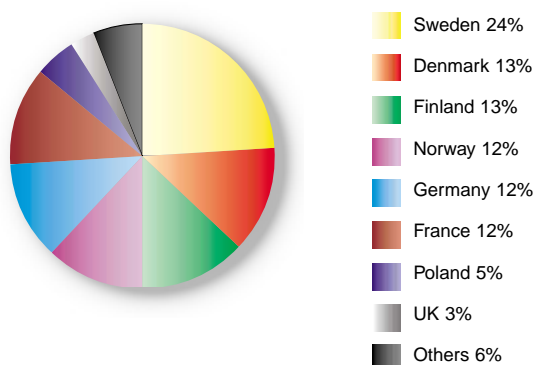
In the OEM segment NIBE Element supplies several major engineering companies in both the Nordic region and the rest of Europe. Since heating elements are used in many products, this market depends more on demand for engineering products in general than demand for any specific product.

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.

NIBE Element is the market leader in its domestic markets, currently defined as Sweden, Norway, Denmark, Finland and Poland, 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 – turnover by geographical market



Growth and trends

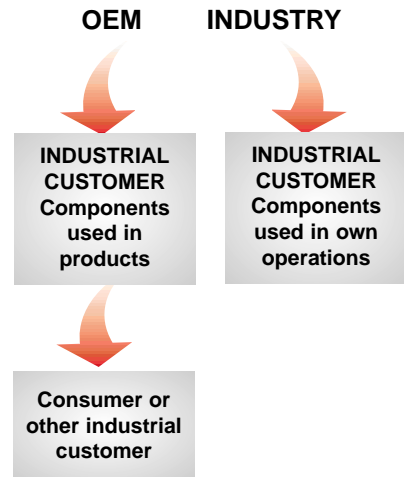
The European element market tends to reflect trends in GDP growth. Growth in Western Europe is forecast at around 2% over the next few years, while growth in the former Eastern Bloc countries is likely to be much higher.

Given the consolidation that is taking place in various sectors, the number of independent customers is falling. This, in turn, means that there are greater opportunities for pan-European players, while local players are finding it more and more 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.

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

Growth over the next few years is expected to take place primarily in Eastern, Central and Southern Europe, where acquisitions and export drives will mean that we can add new domestic markets to our portfolio.

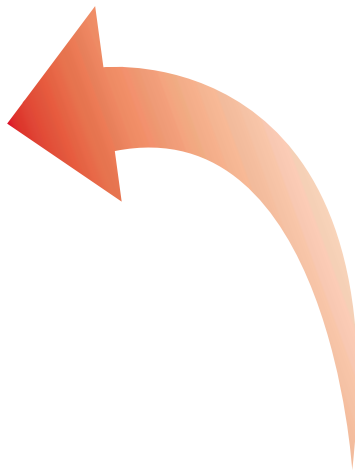
The range will be broadened in our various domestic markets so that, in the long run, we can become a one-stop supplier of components and systems for electric heating.



Opportunities and risks

Opportunities

- Restructuring within the industry and expansion through acquisitions
- Purchasing and production synergies
- Market position in the Nordic countries and Poland allows marketing of a broader range of products
- Strong brands
- Rational, flexible production
- Access to rational, low-cost production
- One of the leading manufacturers in Europe



Risks

- New technologies
- Greater competition
- Costs in the Nordic countries
- Low-price, low-quality competition
- Product liability and series faults

Competition

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

The situation varies elsewhere in Europe, depending on whether or not we are competing with a domestic company that ranks among the leading players in Europe.

In those countries with strong domestic competition we market special products in the first instance. Elsewhere we aim to gradually become one of the market leaders.

Manufacturing tubular elements for heating liquids.



NIBE Heating



Business Area Manager Kjell Ekermo

		1999	1998	1997	1996	1995
Net sales	(SEK m)	485.3	356.8	281.2	242.3	185.6
Growth	%	36.0	26.9	16.0	30.6	15.1
Operating profit	(SEK m)	48.8	30.3	26.1	16.5	12.3
Operating margin	(%)	10.1	8.5	9.3	6.8	6.6
Average number of employees		490	392	327	278	228

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

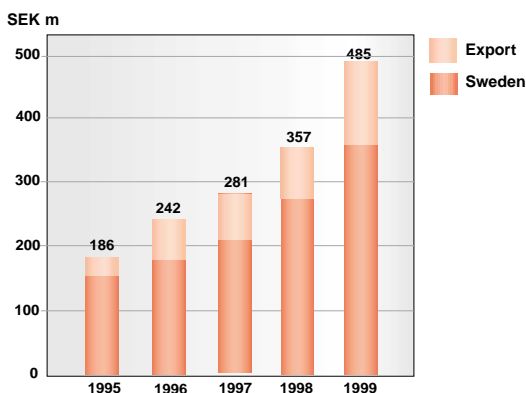
NIBE Heating aims to report average year-on-year growth of 20%.

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

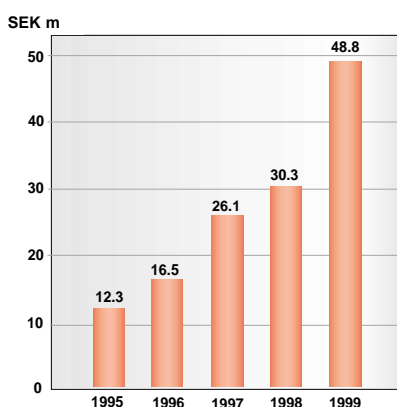
Strategy

- 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.
- NIBE Heating aims to gradually develop new domestic markets outside the Nordic countries through a combination of organic growth and acquisitions.

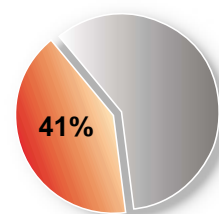
Net sales, 1995–1999



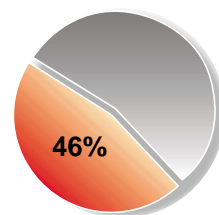
Operating profit, 1995–1999



Net sales



Operating profit



NIBE Heating's contribution to Group net sales and operating profit in 1999

Review of the year

The year began with the takeover of the operations of the Finnish water heater company Haato Varaajat Oy. Having previously reported stagnating sales and operations, Haato put in a good performance over the year as a whole.

The beginning of the year brought a drop in demand for the business area as a whole, but orders picked up dramatically at the beginning of February in all priority product segments. This strong demand then held steady for the rest of the year, which, in turn, led to a major recruitment drive for production staff.

During the year we finished developing and launched a number of heating products for both the Swedish market and our priority export markets.

Towards the end of the year we completed our new advanced development centre, the aim of which is to ensure that our products will be able to meet future requirements for better efficiency, design and environmental performance.

Outlook for 2000

The stage is set for healthy growth during the year 2000. Sales of exhaust-air heat pumps stand to benefit most from the forecast increase in the construction of new houses in Sweden.

There are plenty of opportunities for us to strengthen our position in the European market thanks to our recently launched, specially customised heating products. Indoor comfort and the indoor environment are playing an increasingly important role in most countries, which, along with the need for good ventilation in homes, has meant that demand for our products is increasing.

The acquisition of Haato Varaajat in Finland means that we are better placed to supply stainless steel water heaters to markets that require them.

Our newly established subsidiary in Poland is expected to generate good growth opportunities in the Polish market and other East European markets.

Increases in volumes and further efficiency improvements are expected to translate into higher earnings for the year as a whole.

Ground source heat pumps represent a major growth opportunity in Europe.



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 means that end-customers can choose the solution that best suits them.

NIBE Heating's products all feature:

- ❑ the best 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 entire development, production and marketing chain, while working ceaselessly to increase its efficiency.

In 1999 NIBE Heating sold products under the NIBE, Vølund, TMV and Haato brands in its priority product segments:

- ❑ heat pumps
- ❑ domestic boilers
- ❑ water heaters for direct and indirect heating
- ❑ subcontracted production of corrosion-protected pressure vessels

Production

Most of the products in the business area's range are manufactured at our plant in Markaryd in the south of Sweden. Major increases in volumes over the last few years have meant that the production of some products has been moved on account of insufficient



X-ray control of welds for water heaters and dimension controls are both part of the quality assurance procedures at NIBE Heating.

capacity. All boilers are now manufactured at our production unit in Trelleborg, while water heaters are manufactured in Finland and Poland as well as Markaryd.

In a move to cope with further growth, we completed a brand new production-optimised heat pump factory in a recently acquired industrial property in Markaryd at the beginning of the year 2000. Furthermore, our production units in Poland and Finland will be undergoing expansion programmes, while the Markaryd unit will be automated to a higher degree.

TIG welding of a copper-lined water heater.



Quality and the environment

We set stringent quality requirements for all of our products, particularly the high-tech functions and components. NIBE Heating's operations are part of NIBE AB, which has been ISO 9001 accredited since 1993. 1999 brought accreditation to environmental standard ISO 14001.

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

Prices

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

NIBE Heating believes that any increase in efficiency should be passed on to customers. As such, we have gradually reduced the price of heat pumps, domestic boilers and water heaters over several years in the Swedish market.

Product development

The fact that the technology for domestic boilers and water heaters is well established means that the rate of innovation has not been marked by any quantum leaps. Our product development activities endeavour to bring about improvements in a number of areas, including:

- energy efficiency
- ease of use and servicing
- environmental considerations
- design

The new heat pumps launched in recent years feature a very high degree of innovation and are also under constant development. Here we are endeavouring to:

- increase the heat pump factor (greater energy gains)
- offer customers more economical products
- reduce noise levels further
- make our products more environmentally friendly
- increase the level of control available
- develop convertible systems (heating in the winter/cooling in the summer)

The field in which NIBE Heating is active is well established, the technology is relatively well known and the main areas are not covered by any specific patents (although some engineering features are patented). However, the development of advanced new products by increasingly qualified staff in a brand new development environment is bound to have an effect on the implementation of patent protection in the future.

Testing ground-source heat pumps at NIBE Heating's new laboratory.



The market

Most of our marketing work is devoted to our domestic markets in the Nordic countries and a number of established European markets such as Germany, the Netherlands, Poland, Switzerland 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 achieved our targets for European expansion.

The domestic market

The Swedish market is NIBE Heating's operational base and we are the 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 housing. Although few new houses were built throughout much of the 1990s, we are now registering an increase and work is expected to start on around 8,000 new homes during the year 2000, compared with around 5,500 in 1998 and 7,000 in 1999. Both the overall market and our market share increased significantly during the year.

The Swedish market for ground-source heat pumps contracted in 1999 and is expected to hold at its new lower level in the year 2000. Although an influx of new players resulted in keener competition, we managed to increase our market share during the year. This segment is considered to be mostly a home improvement market.



Demand is growing throughout Europe for the exhaust-air heat pump, a unique Swedish heating concept.

The domestic boiler market also contracted slightly during the year, but again we managed to increase our market share. Our biggest customer segment by far is the home improvement market as very few domestic boilers fuelled by oil, wood or pellets are installed in new houses.

The home improvement market is also our biggest customer for water heaters. 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 best solution on the basis of a customer's particular needs. While copper water heaters sell best, the other two types are also in demand. Despite an unchanged market, we saw a significant increase in volumes during the year.

Exports

We sell water heaters to both the home improvement and new housing sectors in our export markets. However, water heaters for new houses account for a higher proportion of sales than in our domestic market. A relatively high number of new houses 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, the trend is towards an increase in sales.

Germany, a key market for us, is building around 300,000 new houses a year. Awareness of the quality of the indoor environment is increasing, together with requirements governing not only this important feature of life at home but also the need to save energy – all of which combines to generate greater interest in and use of exhaust-air heat pumps.

Interest in ground-source heat pumps is also picking up, and these are being installed in both new and existing housing.

Growth and trends

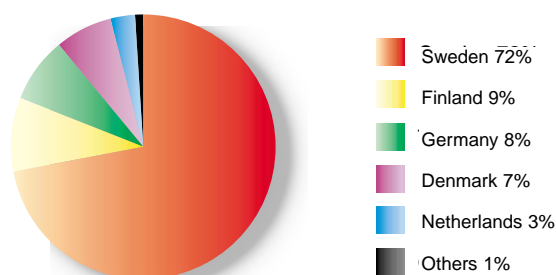
Sweden and the rest of the Nordic region are moving towards a greater use of more environmentally friendly products, and norms and rules on combustion efficiency and emissions levels are becoming more commonplace. Similarly, requirements for ventilation and heat recovery in new properties are also increasing. At the same time, the subject of how to reduce energy consumption is being hotly debated.

Given that this trend is also in evidence in most other European markets, the outlook for future sales of our products is bright.

Since growth in the overall market for domestic boilers and water heaters is considered to be relatively low, any increase in sales will be the result of our ability to win market share in both our domestic and export markets.

By contrast, the market for ground-source heat pumps and exhaust-air heat pumps is forecast to grow significantly in both Sweden and our priority export markets.

NIBE Heating – turnover by geographical market



Distribution

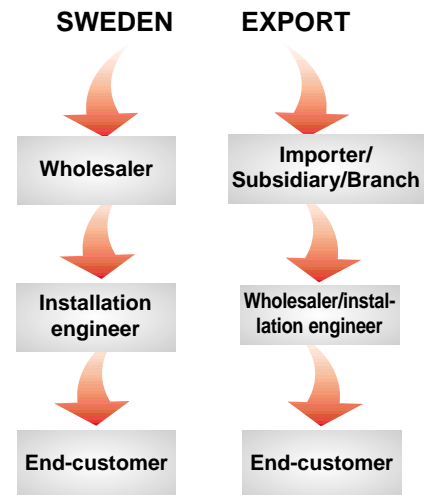
NIBE Heating’s distribution strategy in the Swedish market is to work with wholesalers to establish a complete nationwide sales organisation. This will enable all HVAC installation engineers in Sweden to supply all products from our range to the end-customer locally at the best possible price.

Training both 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.

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.

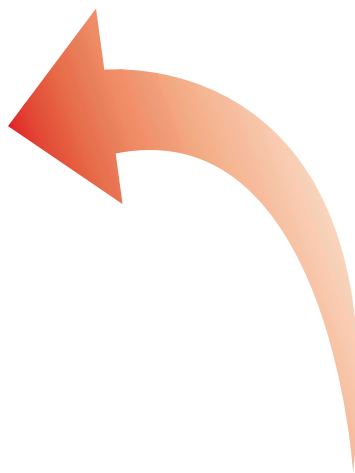
Our strategy in all markets is to use a rational and clear distribution model for our products.



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
- Rational production
- Competitive prices
- 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

Competition

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 and high-quality products
- ❑ broad range of products
- ❑ strong brands
- ❑ extensive sales and service organisation
- ❑ competitive prices

The Swedish market is dominated by a number of Nordic manufacturers, while the few non-Nordic players are generally represented in the low-price segment and offer lower levels of quality.

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 in Trelleborg in 1996 and our in-house product development activities have enabled us to become the market leader in the domestic boiler market, which is also dominated by Swedish companies. Although a number of foreign boiler manufacturers operate in the Swedish market, their products are not sufficiently 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 custo-

misation 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 Denmark and Finland, where the main competitors are generally other Nordic manufacturers.

However, NIBE Heating is still a minor player in Europe as a whole. Our strategy in the non-Nordic markets is to expand in growth segments, partly through leading-edge products and specialist expertise and partly through acquisitions.

Our broad range of products means that we can supply customers with the best solutions.





NIBE Stoves

Business Area Manager Niklas Gunnarsson

		1999	1998	1997	1996	1995
Net sales	(SEK m)	133.6	124.8	104.5	80.6	65.6
Growth	%	7.0	19.4	29.6	22.9	18.4
Operating profit	(SEK m)	17.6	15.2	12.5	8.5	0.2
Operating margin	(%)	13.2	12.2	12.0	10.6	0.3
Average number of employees		77	70	68	57	50

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

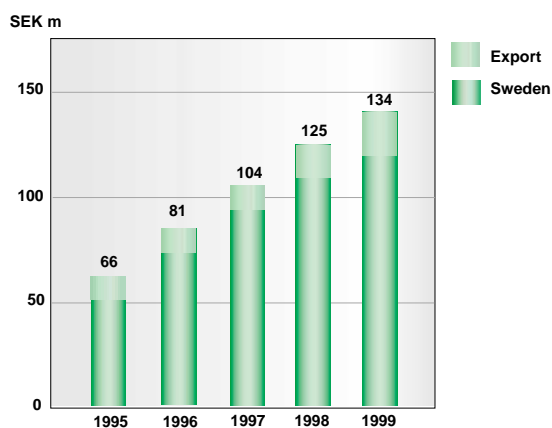
NIBE Stoves aims to report average year-on-year growth of 20%.

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

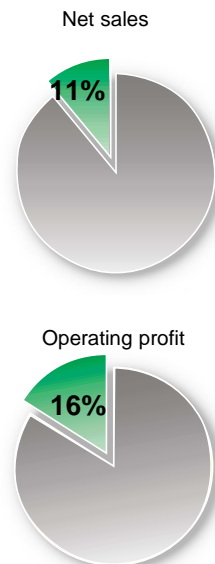
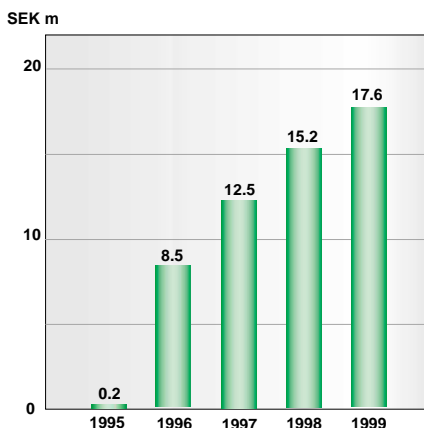
Strategy

- 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, 1995–1999



Operating profit, 1995–1999



NIBE Stoves' contribution to Group net sales and operating profit in 1999

Review of the year

Demand was healthy throughout the year and rose, as is customary, in the autumn. New orders were higher than in 1998, and the wood-burning stove market as a whole is considered to have expanded slightly during the year.

This brisk demand is attributable not only to a more buoyant economy, but also to more intensive marketing of our products.

The fact that our Handöl 10 was chosen by the Swedish Consumer Agency as the most efficient wood-burner on the market had a very positive impact on sales of this model during the autumn. This also benefited the entire Handöl range as nearly all models are based on the same fire-box design.

The launch of a new wood-burner under the Contura brand was a major success in both Sweden and our priority export markets. The Contura 450 is the first product in a range of new models that will be launched during the year 2000.

The end of the year saw us signing a letter of intent to acquire Cronspisen, and the actual takeover went ahead in January 2000. Cronspisen is the leading manufacturer of tiled stoves in Sweden and reported a turnover of SEK 20 million and a pre-tax profit of SEK 1 million in 1999.



The Morso 2140 – a classic cast iron stove with an integral convection system.

Outlook for 2000

Assuming continued growth in the Swedish economy and continued strong purchasing power in Swedish households, the wood-burning stove market is expected to hold at relatively high levels in the year 2000. The expected increase in activity in the construction market, especially in the construction of new houses, will also boost growth in the stove market.

Most of the products launched last year are expected to sell in greater volumes in all markets in the year 2000. We will also be launching many new models during the year that have been developed in-house, and which have been tailored more than ever before to the needs of both the domestic market and our priority export markets.

We will also be stepping up our marketing in Sweden and the other Nordic countries, a move which will include expanding our dealer network in Norway and Denmark.

The spring will see us setting up what we consider to be the Nordic region's premier display of wood-burning stoves in a modern environment adjacent to our head office in Markaryd, an attractive location that is easily accessible from the E4 European highway.

The takeover of Cronspisen means that we have become the market leader in Sweden in the field of warm-body stoves. Sales of Cronspisen's products are expected to increase during the year as a result of more intensive marketing, initially in Sweden and subsequently in our export markets too.

A stronger range of products than ever before, forecasts of sales growth in priority export markets and the positive impact of the acquisition of Cronspisen all mean that we have high hopes for the year 2000.



Handöl's Sofiero is a new stove built using heat-retaining soapstone which continues to spread heat long after the fire itself has gone out.

Products

NIBE Stoves develops and sells its own products under the Handöl and Contura brands, and, since January 2000, under the Cronspisen name as well. It also has the sole rights in Sweden to sell products from Morsø (Denmark) and Vermont (USA), both of which enjoy a very 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 mentioned above.

The major reason for buying a wood-burning stove is the 'cosiness' factor. This breaks down into two elements: the joy 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 houses 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 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.

Production

Most of NIBE Stoves' products are manufactured in Markaryd. Since the acquisition of Contura in 1994, which involved the transfer of its production to Markaryd, production has been based in the same unit as is used to make NIBE Heating's products. However, the major increases in volumes seen in recent years have resulted in a need for larger production facilities. As a result, the beginning of the year 2000 saw the completion of a separate, new production unit for wood-burning stoves in a newly acquired industrial property in Markaryd. The manufacture of the newly acquired Cronspisen tiled stoves will remain in Emmaboda.



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

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.

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 allocate considerable resources to improving combustion technology, so minimising the environmental impact of our products.

NIBE Stoves' operations are part of NIBE AB, which has been ISO 9001 accredited since 1993. 1999 brought accreditation to environmental standard ISO 14001.

Prices

The breadth of our range means that we can offer products to suit every pocket. Sweden is currently seeing an increase in sales in the top price bracket, which could be explained by greater consumer purchasing power at present.

Outside Sweden we fall into the top price bracket as our range is marketed as niche products. However, competition is increasing since most new models launched by well known domestic manufacturers in the relevant countries are being sold at slightly lower prices than in the past.



Our state-of-the-art laboratory is home to advanced equipment for testing environmental features and safety, as well as for design verification.

Product development

NIBE Stoves has a long tradition of product development. Considerable 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, since products by and large follow home furnishing trends. 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 markets. Thanks to a rational product development process, where much of the development work is carried out in a three-dimensional 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.

Products are developed in a 3D computer environment.



The trend is for new models to be developed and launched more and more quickly. Our concept of building new models using a small number of different combustion chambers means that we can quickly adapt to new trends, while at the same time presenting a number of new products each year.

Our trademarks are very strong in our domestic market and are all protected. Design registration also plays a key role as we owe much of our success to our designs. We therefore endeavour to register the designs for our new models.

The market

The wood-burning stove market generally follows the business cycle, with consumption of luxury products increasing during times of economic prosperity.

The size of the different markets varies considerably and depends not only on population size but also on tradition, 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 domestically produced design, manufactured in steel plate. Finnish consumers tend to prefer warm-body stoves finished in various stone materials or tiles, while the Norwegians like small cast-iron stoves and cast-iron inserts with a masonry surround. The Germans and Danes have relatively similar tastes and tend to prefer light steel-plate stoves in modern designs. These variations in taste are generally the result of a specific style having been established in a market by one or more 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 Contura 450 has proved to be a major success in both our domestic and our priority export markets.



Domestic 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.

Although state subsidies for the purchase of wood-burning stoves are now a thing of the past, these have been compensated for by a general increase in consumption and in householders' interest in investing in their homes.

The construction of new housing also benefits sales of wood-burning stoves. Although few new houses were built throughout much of the 1990s, we are now registering an increase and work is expected to start on around 8,000 new houses in Sweden during the year 2000, compared with only 5,500 in 1998 and 7,000 in 1999. We are also seeing a trend among buyers to choose wood-burning stoves as an optional extra for their new home.

Export markets

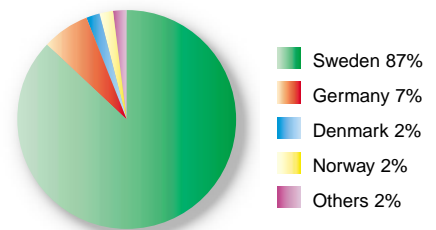
The export market for wood-burning products is vast. We have initially concentrated our marketing drives to just a few nearby markets, with Germany, Denmark and Norway designated as priority markets.

The German market for wood-burning stoves can be divided into two categories: sales via large DIY chains comprising exclusively low-price products which are copies of better known manufacturers' volume products; and sales via specialist stores – which we work with – which generally comprise new models with new designs and technology. Although sales through DIY stores have increased in Europe in recent years, the specialist sector is still very strong in most markets.

The successful launch of new models has served to substantially boost sales in Germany. We are also beginning to reap the rewards of our extensive work on building up a network of dealers in the country. During the year we established new outlets, and more will follow during the coming year. The German market is thought to have expanded slightly during the year on account of greater economic prosperity.

Sales in the Danish market tailed off in 1999, largely because we have yet to launch our new models. As such, we will be stepping up work here during the year 2000 and will be using the approach adopted in Germany.

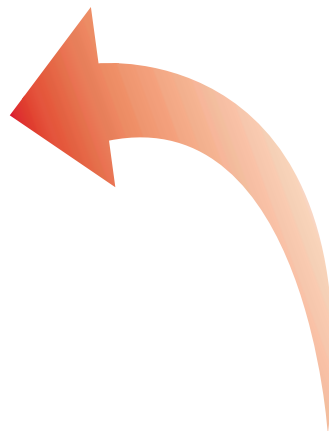
NIBE Stoves – turnover by geographical market



Opportunities and risks

Opportunities

- Sales potential in some segments of the domestic market
- Very large export market
- Strong in-house product development department
- Strong brands
- Broad range of products
- Many different types of product meet the needs of a wide variety of customers, so reducing risk exposure
- Rational production
- Expansion through acquisitions



Risks

- Hastily introduced energy policies
- Local authority decisions on restrictions on wood-burning products
- Greater low-price competition from abroad
- Economic climate

In the Norwegian market, which is relatively new to us, we have signed an agreement with a major national chain of specialist stores which has already resulted in higher sales. Marketing drives along the same lines as in Germany and the launch of new models adapted specifically to Norwegian preferences are expected to boost sales over the next few years.

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.

We sell almost exclusively to specialist stores in our export markets.

savings mean that demand for this system – which we are, in principle, the only manufacturer to produce – is beginning to take off there too.

Our broad 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.

Growth and trends

Buyers of wood-burning stoves and tile-faced stoves are tending more than ever before to choose something different, to go for a bolder design. The addition of different colours and materials such as soapstone has proved popular, and this trend is expected 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 has by far the largest national network of dealers in the Swedish market. Competition in both the domestic market and in Norway, Finland and Denmark is made up primarily of other Nordic manufacturers. On the other hand, all the major European manufacturers, and even a few from North America, compete in the German market.

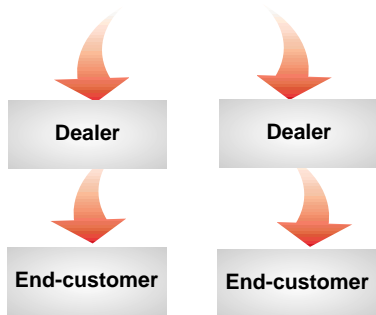
Competition

We are the only player in Sweden to manufacture both wood-burning stoves and chimney systems. As such, we provide a complete solution, from floor plates to cowls, so benefiting dealers and end-customers in a number of ways, especially since customers get to deal with a single supplier who is responsible 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 for combustion. This is a major advantage when installing stoves in modern, airtight houses. Stricter requirements in Germany for a healthy indoor environment and for energy



SWEDEN EXPORT



Customers

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

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



The Cronspisen Carina, a beautiful, round tiled stove which retains heat for up to 24 hours.

Board of Directors



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

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 223,352 B-shares.

Lars Lind (born 1941)

Board member since 1989.
Graduate in business administration.
Founder of the venture capital company MVI. Board member of MVI NV, Bilisten AB and Helmet Oy.
Shareholding in NIBE Industrier: 400 B-shares.

Gerteric Lindquist (born 1951)

Board member since 1989.
Chief Executive.
MD of 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 219,415 B-shares.

Leif Gustavsson (born 1945)

Board member since 1994.
Financial Director of NIBE Industrier AB.
Economics graduate.
NIBE employee since 1966.
Board member of Markaryds Sparbank savings bank.
Shareholding in NIBE Industrier: 94,008 A-shares and 192,021 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 Markaryds Formplast AB.
Shareholding in NIBE Industrier: 5,400 B-shares.

Bill Tunbrant (fborn 1950)

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

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 Elektro-Värme 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.

Auditor

Öhrlings Pricewaterhouse-Coopers AB

Lead auditor

Bertil Lindahl (born 1946).
Authorised public accountant.

The Board's work and remuneration

The Board of NIBE Industrier consists of six 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 that must 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 1999 the Board convened on 12 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. Furthermore, the Managing Director is in regular contact with the Chairman of the Board.

The Board received remuneration of SEK 330,000 for 1999, of which the Chairman received SEK 135,000 in accordance with a resolution passed by the Board. No remuneration is paid to members of the Board who are 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' notice and to severance pay

equivalent to 12 months' salary in addition to his normal salary. The Managing Director received salary and other remuneration totalling SEK 1,047,000 for 1999 and also has a company car. Salaries to other senior executives in the group amounted to SEK 2,676,000. These senior executives also have company cars.

Five-year review

Key figures and ratios

		1999	1998 ¹⁾	1997	1996	1995
Net sales	(SEK m)	1,168.2	1,026.8	735.8	617.0	448.0
Growth	(%)	+ 13.8	+ 39.5	+ 19.3	+ 37.7	+ 21.1
Pre-tax profit	(SEK m)	94.1	75.5	59.3	32.4	19.2
Net investments in fixed assets	(SEK m)	58.8	127.4	36.0	33.4	46.6
Gross margin	(%)	11.9	11.4	12.3	10.4	10.1
Operating margin	(%)	8.4	8.0	8.7	6.4	5.7
Pre-tax profit margin	(%)	8.1	7.4	8.1	5.2	4.3
Capital employed	(SEK m)	492.7	453.4	345.9	262.3	263.5
Equity	(SEK m)	329.6	290.7	247.1	133.5	114.5
Return on capital employed	(%)	21.5	21.0	21.8	16.1	12.9
Return on equity	(%)	21.9	20.2	22.5	18.8	12.5
Return on total assets	(%)	14.5	14.0	14.0	10.3	8.2
Asset turnover	(multiple)	1.66	1.72	1.56	1.50	1.29
Equity/assets ratio	(%)	44.9	43.3	47.0	31.9	28.5
Proportion of risk-bearing capital	(%)	51.5	50.0	54.3	40.8	37.5
Operating cash flow	(SEK m)	27.5	- 9.3	36.3	40.9	- 2.9
Interest cover	(multiple)	13.4	10.0	9.7	4.3	3.1
Interest-bearing liabilities/equity	(%)	49.3	55.8	40.0	96.0	130.1
Average number of employees		1,475	1,390	1,067	857	625

Figures for all years based on 28% tax rate.

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.

Pre-tax 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

Pre-tax profit plus financial expenses as a percentage of average capital employed.

Return on equity

Pre-tax profit minus tax at standard rate (28%) as a percentage of average equity.

Return on total assets

Pre-tax profit 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

Pre-tax profit 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, 1995–1999



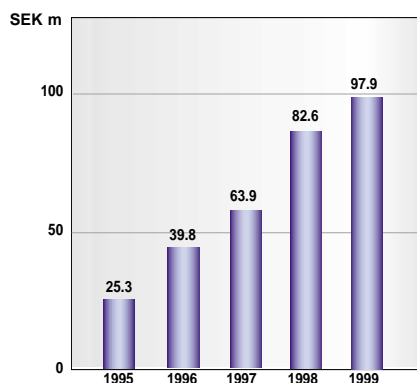
Net sales

1999 was NIBE Industrier's best year yet. Group net sales climbed 13.8% to SEK 1,168.2 million (1998: SEK 1,026.8 m) and volumes rose in two of the Group's business areas, while holding steady in the third, NIBE Element. NIBE Heating reported the greatest growth at 36%: 27.3% of this was organic and derived from both Sweden and our priority export markets, while the remaining 8.7% was generated by acquisitions. The 7.0% growth reported by NIBE Stoves was organic in its entirety.

The Group's net sales outside Sweden rose by SEK 71.7 million to SEK 577.7 million (SEK 506.0 m). As such, net sales abroad accounted for 49.5% (49.3%) of total net sales. Group net sales in the Swedish market climbed 13.4% to SEK 590.5 million (SEK 520.8 m).

Organic growth accounted for SEK 83.3 million of the total SEK 141.4 million increase in Group net sales. The remaining SEK 58.1 million was due to acquisitions, with SEK 26.9 million of this figure attributable to NIBE Element and the remaining 31.2 million to NIBE Heating.

Operating profit, 1995–1999



Operating profit

Group operating profit for 1999 climbed 18.5% to SEK 97.9 million (SEK 82.6 m), pushing the operating margin up to 8.4% (8.0%). The increase in the operating margin was due largely to substantial organic growth at NIBE Heating.

NIBE Heating reported the greatest increase in operating profit, SEK 18.5 million or 61.1%. NIBE Stoves reported growth of SEK 2.4 million, which is equivalent to 15.8%, while NIBE Element saw a drop of SEK 4.5 million or 9.9%.

Goodwill

Operating profit was charged with goodwill amortisation of SEK 9.2 million (SEK 6.0 m). Since all operations had been acquired with effect from the beginning of 1999 or earlier, the 1999 financial year was charged with full-year amortisation in all cases.

Quarterly data – net sales and profit

Group (amounts in millions of SEK)

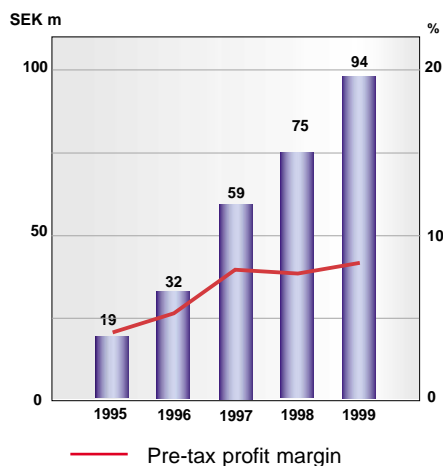
Income statement	1999				1998			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	267.6	276.6	265.9	358.1	214.7	209.0	289.4	313.7
Operating expenses	- 253.9	- 260.3	- 238.8	- 317.3	- 203.1	- 197.5	- 260.5	- 283.1
Operating profit	13.7	16.3	27.1	40.8	11.6	11.5	28.9	30.6
Net interest income/expenses	- 0.5	- 0.7	- 2.2	- 0.4	- 0.3	- 1.4	- 1.0	- 2.5
Profit/loss in subsidiaries before acquisition	0.0	0.0	0.0	0.0	0.0	0.0	- 1.8	- 0.1
Pre-tax profit	13.2	15.6	24.9	40.4	11.3	10.1	26.1	28.0
Tax on profit for the year	- 4.8	- 5.2	- 7.9	- 11.9	- 3.9	- 3.4	- 8.4	- 9.4
Minority participation in net profit	- 0.1	0.0	0.0	- 0.1	- 0.1	0.0	- 0.1	+ 0.1
Net profit for the year	8.3	10.4	17.0	28.4	7.3	6.7	17.6	18.7

Business areas (amounts in millions of SEK)

Net sales	1999				1998			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIBE Element	141.4	135.7	122.3	159.1	113.7	106.0	177.8	154.9
NIBE Heating	101.3	119.3	115.9	148.8	75.5	80.1	82.8	118.4
NIBE Stoves	26.8	23.5	30.8	52.5	27.4	24.7	30.5	42.2
Group eliminations	- 1.9	- 1.9	- 3.1	- 2.3	- 1.9	- 1.8	- 1.7	- 1.8
Group	267.6	276.6	265.9	358.1	214.7	209.0	289.4	313.7

Operating profit	1999				1998			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIBE Element	9.4	5.5	9.5	16.7	9.5	5.9	19.1	11.1
NIBE Heating	3.8	10.6	15.9	18.5	2.6	5.8	7.2	14.7
NIBE Stoves	2.5	2.6	4.0	8.5	1.5	2.2	4.6	6.9
Group eliminations	- 2.0	- 2.4	- 2.3	- 2.9	- 2.0	- 2.4	- 2.0	- 2.1
Group	13.7	16.3	27.1	40.8	11.6	11.5	28.9	30.6

Pre-tax profit, 1995–1999



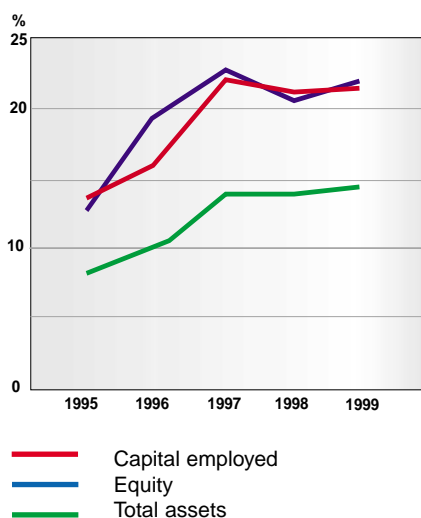
Pre-tax profit

Pre-tax profit rose 24.6% to SEK 94.1 million (SEK 75.5 m), giving a pre-tax profit margin of 8.1% (7.4%). Net interest expenses for the Group totalled SEK 3.8 million (SEK 5.2 m), the improvement in which was due entirely to exchange rate gains on the repayment of a loan denominated in FIM and gains on the sale of fixed assets.

Tax

The tax charged totalled SEK 29.8 million (SEK 25.1 m), equivalent to an effective tax rate of 31.7% (33.2%). 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 with higher tax rates.

Return



SPP surplus

In the absence of clear guidelines, the SEK 17.9 million refund receivable from the SPP pensions insurance company was not included in the accounts as at 31 December 1999.

Comments on the balance sheets

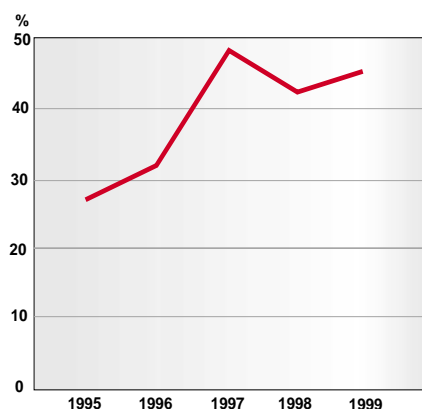
Equity/assets ratio and return

The Group's equity/assets ratio stood at 44.9% (43.3%) at the year-end. Equity, including minority participations, totalled SEK 330.2 million (SEK 291.2 m). 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 1999 was 21.9% (20.2%).

The return on capital employed was 21.5% (21.0%). 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 10.1% (8.5%) for 1999, NIBE Stoves' 13.2% (12.2%) and NIBE Element's 7.4% (8.2%). The operating margin for the Group as a whole was 8.4% (8.0%).

Equity/assets ratio



Liquid assets

Group liquid assets totalled SEK 34.1 million (SEK 36.2 m) at the year-end, not including unused overdraft facilities of SEK 115.8 million (SEK 55.7 m). The Group's overdraft facilities were increased by SEK 65.3 million during the year.

Comments on the cash flow statements

Cash flow from operating activities

The NIBE Group's cash flow before changes in working capital was SEK 101.9 million (SEK 82.8 m).

Changes in working capital

The SEK 31.5 million (SEK 43.9 m) increase in working capital items is equivalent to 22.3% (15.1%) of sales growth. This is within the range considered normal as a consequence of sales growth.

Investments

Group acquisitions of operations/subsidiaries totalled SEK 15.9 million (SEK 79.2 m), and net investments in existing units amounted to SEK 42.9 million (SEK 48.2 m), breaking down as follows:

	(SEK million)	1999	1998
Plant and machinery		35.3	39.8
Property		10.7	2.5
Construction in progress		-1.3	5.1
Other fixed assets		-1.8	0.8

The cash inflow after investment activities was thus SEK 11.6 million (SEK -88.5 m).

Credit from financial institutions and pension schemes

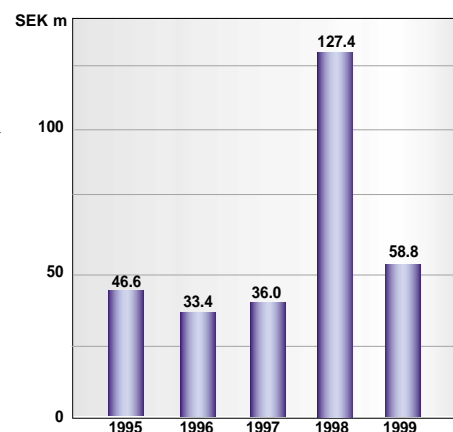
	(SEK million)	1999	1998
Variable rate loans, repayable over 10 years		102.3	108.0
Used portion of variable rate overdraft facilities		37.2	32.0
Allocations to PRI pensions		23.0	22.2
Total interest-bearing liabilities		162.5	162.2
Unused overdraft facilities		115.8	55.7
Total credit available		278.3	217.9

Group interest-bearing liabilities totalled SEK 162.5 million (SEK 162.2 m) at the year-end. Interest on total interest-bearing liabilities was payable at an average rate of 4.6% (5.9%).

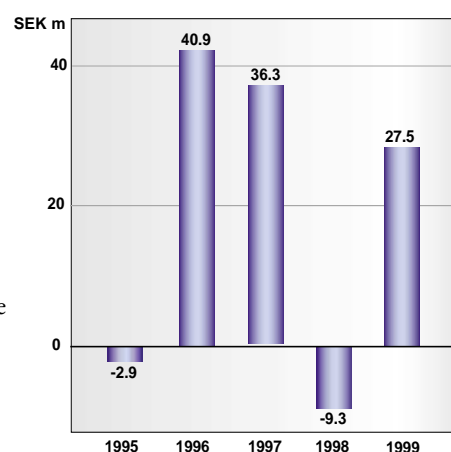
Acquisitions

1999 brought the acquisition of Haato Varaajat Oy, one of Finland's leading manufacturers of water heaters and heat pumps. The company reported turnover of SEK 30.2 million for the year and has 21 employees. It is based in Helsinki and is being run as a branch of NIBE AB in Markaryd.

Net investments in fixed assets



Operating cash flow



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

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 investments and other commitments expected by its various operations. The Group also operates a proactive 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 derived 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 below outlines some of the risks in question and shows how they impact on earnings. The changes shown are calculated on the basis of the 1999 income statement.

	Calculation basis (SEK m)	Change %	Impact (SEK m)
Net sales (margin constant)	1,168.2	+/- 1.0	5.0
Operating margin (volume constant)		+/- 0.1	1.2
Material costs	450.9	+/- 1.0	4.5
Payroll expenses	393.0	+/- 1.0	3.9
Interest-bearing liabilities (interest rate constant)	162.5	+/- 10.0	0.7
Interest rate (%)	4.6	+/- 1.0	1.6

Currency exposure

Ongoing transactions

69% of the Group's sales from Sweden were denominated in SEK in 1999. Where invoices and purchases are denominated in other currencies, the Group hedges the estimated net flows over the year for the following six to 12 months. The total net flow in 1999 was around SEK 222 million. The largest net inflows during the year were denominated in DEM at SEK 69 million and FRF at SEK 58 million, while the largest net outflows were denominated in USD at SEK 23 million and EUR at SEK 10 million.

Investments in foreign currencies

The value of foreign net assets as shown in the 1999 year-end Group balance sheet was around SEK 101 million, of which SEK 42 million was denominated in FIM, SEK 30 million in PLZ, SEK 16 million in NOK and SEK 13 million in DKK. SEK 10 million of the net assets denominated in FIM have been covered by a loan raised in FIM. No other forms of hedging were used.

Risks relating to disputes over patents and other matters

While the Group holds a number of patents, none of its products are patented. However, it 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 operations are 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.

Y2K

The companies in the group did not suffer any disruptions associated with the advent of the new millennium.

Group non-restricted equity

Group non-restricted equity totalled SEK 194.3 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 58,295,000, be appropriated as follows:

Shareholders' dividend	SEK 17,610,000
Carried forward	SEK 40,685,000
	SEK 58,295,000

Income Statements

(in millions of SEK)

	<i>Note 1</i>	Group		Parent company	
		1999	1998	1999	1998
Net sales	<i>Note 2</i>	1,168.2	1,026.8	–	–
Cost of goods sold		– 864.6	– 781.6	–	–
Gross profit		303.6	245.2	–	–
Selling expenses		– 150.8	– 116.2	–	–
Administrative expenses	<i>Note 3</i>	– 62.6	– 53.5	– 6.6	– 5.6
Other income		7.7	7.1	–	–
Operating profit	<i>Notes 2 - 4</i>	97.9	82.6	– 6.6	– 5.6
Result from financial investments					
Profit from participations in group companies	<i>Note 5</i>	–	–	30.9	18.8
Interest income and similar profit/loss items	<i>Note 6</i>	3.8	3.2	1.7	1.8
Interest expense and similar profit/loss items	<i>Note 7</i>	– 7.6	– 8.4	– 4.8	– 3.1
Result from subsidiaries before acquisitions		–	– 1.9	–	–
Profit after financial items		94.1	75.5	21.2	11.9
Appropriations	<i>Note 8</i>	–	–	– 0.7	–
Tax on profit for the year	<i>Note 9</i>	– 29.8	– 25.1	– 0.7	– 0.1
Minority participation in net profit after tax		– 0.2	– 0.1	–	–
Net profit for the year		64.1	50.3	19.8	11.8

Balance Sheets

(in millions of SEK)

	<i>Note 1</i>	Group		Parent company	
		31 Dec 1999	31 Dec 1998	31 Dec 1999	31 Dec 1998
Assets					
Fixed assets					
Intangible fixed assets					
Goodwill	<i>Note 10</i>	68.3	68.5	–	–
Other intangible assets	<i>Note 11</i>	0.4	0.5	–	–
		68.7	69.0	–	–
Tangible fixed assets					
Land and buildings	<i>Note 12</i>	99.9	97.7	–	–
Plant and machinery	<i>Note 13</i>	112.6	102.4	–	–
Construction in progress	<i>Note 14</i>	6.6	7.9	–	–
		219.1	208.0	–	–
Financial fixed assets					
Long-term securities holdings		0.1	1.6	–	–
Shares in subsidiaries	<i>Note 16</i>	–	–	278.6	278.6
Receivables from Group companies		–	–	41.3	1.5
Other long-term receivables		1.3	1.6	–	–
		1.4	3.2	319.9	280.1
Total fixed assets		289.2	280.2	319.9	280.1
Current assets					
Inventories					
Raw materials and consumables		120.7	105.4	–	–
Work in progress		50.3	45.1	–	–
Finished products and goods for resale		52.7	49.2	–	–
		223.7	199.7	–	–
Current receivables					
Accounts receivable – trade		177.7	141.5	–	–
Receivables from Group companies		–	–	0.5	9.5
Other receivables		4.4	4.1	0.4	2.0
Prepaid expenses and accrued income		4.3	5.9	0.1	0.1
		186.4	151.5	1.0	11.6
Current investments	<i>Note 15</i>	0.9	3.6	–	–
Cash and bank		34.1	36.2	–	2.3
Total current assets		445.1	391.0	1.0	13.9
Total assets		734.3	671.2	320.9	294.0

(in millions of SEK)		Group		Parent company	
		31 Dec 1999	31 Dec 1998	31 Dec 1999	31 Dec 1998
Equity and liabilities					
Equity	<i>Note 17</i>				
Restricted equity					
Share capital		58.7	58.7	58.7	58.7
Restricted reserves		76.6	78.9	74.9	74.9
		135.3	137.6	133.6	133.6
Non-restricted equity					
Non-restricted reserves		130.2	102.8	38.5	41.3
Net profit for the year		64.1	50.3	19.8	11.8
		194.3	153.1	58.3	53.1
Total equity		329.6	290.7	191.9	186.7
Minority participation in equity		0.6	0.5		
Untaxed reserves					
Tax allocation reserve		–	–	3.0	2.3
Provisions					
Provisions for pensions		23.0	22.2	–	–
Provisions for tax		47.9	44.1	–	–
Guarantee risk reserve		7.7	6.1	–	–
Total provisions		78.6	72.4	–	–
Long-term liabilities	<i>Note 18</i>				
Bank overdraft facilities	<i>Note 19</i>	37.2	32.0	–	–
Liabilities to Group companies		–	–	29.0	28.5
Liabilities to credit institutions		84.9	92.5	83.0	59.3
Pension liabilities		0.2	0.6	–	–
Total long-term liabilities		122.3	125.1	112.0	87.8
Current liabilities					
Liabilities to credit institutions		17.4	15.5	9.6	9.6
Accounts payable – trade		61.9	53.9	0.1	0.1
Advance payments from customers		0.4	0.2	–	–
Liabilities to Group companies		–	–	1.0	5.4
Tax liability		5.4	9.5	0.7	–
Other liabilities		26.7	25.6	0.1	0.1
Accrued expenses and deferred income	<i>Note 20</i>	91.4	77.8	2.5	2.0
Total current liabilities		203.2	182.5	14.0	17.2
Total equity and liabilities		734.3	671.2	320.9	294.0
Pledged assets	<i>Note 21</i>	500.9	442.7	229.8	229.8
Contingent liabilities	<i>Note 22</i>	1.9	3.7	25.3	25.5

Cash flow statements

(in millions of SEK)

	Note 1	Group		Parent company	
		1999	1998	1999	1998
Operating activities					
Operating profit		97.9	82.6	- 6.6	- 5.6
+ depreciation charged to this profit		41.3	34.6	-	-
- minority participation in profits		- 0.2	- 0.1	-	-
		139.0	117.1	- 6.6	- 5.6
Interest received and similar profit/loss items		3.8	3.6	1.7	1.8
Interest paid and similar profit/loss items		- 7.0	- 8.4	- 4.6	- 3.1
Profit/loss in subsidiaries before acquisition		-	- 1.9	-	-
Tax paid		- 33.9	- 27.6	1.5	- 1.9
Cash flow before change in working capital		101.9	82.8	- 8.0	- 8.8
Change in working capital					
Increase in inventories		- 23.9	- 26.3	-	-
Increase in current receivables		- 32.2	- 13.2	10.1	36.4
Increase in current liabilities		24.6	- 4.4	- 5.1	- 9.9
Cash flow from operating activities		70.4	38.9	- 3.0	17.7
Investment activities					
Net investment in long-term securities		1.5	- 1.4	-	-
Net investment in plant and machinery		- 35.3	- 39.8	-	-
Net investment in land and buildings		- 10.7	- 2.5	-	-
Change in construction in progress		1.3	- 5.1	-	-
Net investment in goodwill		0.1	- 2.3	-	-
Net investment in other intangible fixed assets		0.1	0.1	-	-
Change in long-term receivables		0.1	2.8	- 39.8	- 1.5
Cash flow from investment activities		- 42.9	- 48.2	- 39.8	- 1.5
Operational cash flow		27.5	- 9.3	- 42.8	16.2
Acquired companies		- 15.9	- 79.2	-	- 86.1
Financing activities					
Change in minority interest		0.1	- 0.6	-	-
Profit from participations in Group companies		-	-	30.9	18.8
Change in long-term liabilities and provisions		18.2	70.8	33.8	39.3
Amortisation of long-term loans		- 15.5	- 17.5	- 9.5	- 10.0
Dividend to shareholders		- 14.7	- 11.7	- 14.7	- 11.7
Cash flow from financing activities		- 11.9	41.0	40.5	36.4
Cash flow for the year		- 0.3	- 47.5	- 2.3	- 33.5
Liquid funds at the beginning of the year		36.2	82.3	2.3	35.8
Exchange rate difference in liquid funds		- 1.8	1.4	-	-
Liquid funds at year-end		34.1	36.2	0	2.3

Notes to the Accounts

1 Accounting and valuation principals

Consolidated accounts

The consolidated accounts cover the parent company, NIBE Industrier AB (publ), and those subsidiaries in which the parent company directly or indirectly holds more than 50 percent of the votes, or in some other way has a dominating influence. Companies acquired and disposed of are included in the Group income statement for the period during which they were owned. The consolidated accounts have been drawn up in accordance with the purchase method. For the consolidated accounts, recommendation RR01 has been applied (see below).

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

Recommendation RR01 from the Swedish Financial Accounting Standards Council means, among other things, 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, which can be allotted to the parent company without 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, and the remainder is recorded 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 percent, 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. The amounts for the previous financial year have been adjusted accordingly (see Note 17).

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 – 20%
Other intangible assets	20%
Buildings	3.33 – 5%
Land improvements	3.75 – 4%
Plant and machinery	10 – 20%
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.

Inventories

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

Research and development

Costs in connection with research and development activities 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	
	1999	1998	1999	1998
NIBE Element	558.5	552.4	41.1	45.6
NIBE Heating	485.3	356.9	48.8	30.3
NIBE Stoves	133.6	124.8	17.6	15.2
Group adjustments	- 9.2	- 7.3	- 9.6	- 8.5
Group total	1,168.2	1,026.8	97.9	82.6

Distribution by geographical market

(in millions of SEK)	Net sales	
	1999	1998
Scandinavia	882.5	763.0
Europe excluding Scandinavia	277.6	254.2
Other markets	8.1	9.6
Group total	1,168.2	1,026.8

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 0.6 million (of which SEK 0.2 million to the parent company) for services other than auditing.

(in millions of SEK)	Auditing	Other services
Öhrlings PricewaterhouseCoopers AB	0.7	0.3
PricewaterhouseCoopers	0.2	0.1
Others	0.1	0.2
	1.0	0.6

4 Salaries, other remuneration and social security contributions

(in millions of SEK)	1999			1998		
	Salaries and other remunerations	Social security contribs.	(of which pension costs)	Salaries and other remunerations	Social security contribs.	(of which pension costs)
Parent Company	2.6	1.4	(0.4)	2.6	1.3	(0.4)
Subsidiaries	290.1	99.0	(14.3)	260.7	91.1	(15.7)
Group total	292.7	100.4	(14.7)	263.3	92.4	(16.1)

Of the parent company's pension costs, SEK 0.2 million (SEK 0.2 m) 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 0.9 million (SEK 1.1 m). Outstanding Group pensions to the previous Board and MD amount to SEK 0.2 million (SEK 0.6 m).

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

(in millions of SEK)	1999		1998	
	Board and MD	Other employees	Board and MD	Other employees
Parent company	1.4	1.2	1.2	1.3
Subsidiaries in –				
Sweden	2.1	198.4	3.3	182.0
Norway (of which bonus SEK 0 m and SEK 0.1 m)	0.8	11.3	0.9	14.7
Finland	1.1	44.0	1.4	38.2
Denmark	0.7	25.4	0.4	15.4
Poland (of which bonus SEK 0.2 m and SEK 0m)	1.9	4.4	0.9	3.6
Group total	8.0	284.7	8.1	255.2

Average number of employees

	1999		1998	
	Number of employees	Male	Number of employees	Male
Parent company	3	2	3	2
Subsidiaries in –				
Sweden	933	760	896	713
Norway	48	35	62	41
Finland	243	128	235	98
Denmark	94	62	52	36
Poland	154	116	142	106
Group total	1,475	1,103	1,390	996

Agreement on severance pay

This applies only to the Managing Director of the parent company, where an agreement has been signed on severance pay amounting to one year's salary.

5 Result from participations in Group companies

(in millions of SEK)	Parent company	
	1999	1998
Group contribution	13.0	7.1
Dividend	17.9	11.7
	30.9	18.8

6 Interest income and similar profit/loss items

(in millions of SEK)	Group		Parent company	
	1999	1998	1999	1998
Interest income, Group companies	–	–	1.4	0.9
Interest income, other	1.1	2.6	–	0.4
Other financial income	2.7	0.6	0.3	0.5
	3.8	3.2	1.7	1.8

7 Interest expense and similar profit/loss items

(in millions of SEK)	Group		Parent company	
	1999	1998	1999	1998
Interest expense, Group companies	–	–	1.1	0.9
Interest expense, other	7.4	7.7	3.7	2.2
Other financial expense	0.2	0.7	–	–
	<u>7.6</u>	<u>8.4</u>	<u>4.8</u>	<u>3.1</u>

8 Appropriations

(in millions of SEK)	Parent company	
	1999	1998
Transfer to tax allocation reserve	0.7	–
Total	<u>0.7</u>	<u>–</u>

9 Tax on the profit for the year

(in millions of SEK)	Group		Parent company	
	1999	1998	1999	1998
Current tax	25.8	22.5	0.7	0.1
Deferred tax	4.0	2.6	–	–
Total	<u>29.8</u>	<u>25.1</u>	<u>0.7</u>	<u>0.1</u>

In the year's deferred tax the sum of SEK 5.4 million (SEK 3.4 m) is attributable to the change in untaxed reserves.

Deferred tax liability in the Group amounts to SEK 47.9 million (SEK 44.1 m) and is recorded in the item Provisions for tax. SEK 34.2 million (SEK 29.4 m) of the Group's deferred tax liability refers to tax on untaxed reserves.

10 Goodwill

(in millions of SEK)	Group	
	1999	1998
Acquisition value		
Acquisition value brought forward	83.1	38.1
Investment for the year	13.0	42.8
Sales and disposals	– 0.6	–
Translation differences	– 4.1	2.2
Accumulated acquisition value carried forward	<u>91.4</u>	<u>83.1</u>
Depreciation brought forward	14.6	8.3
Sales and disposals	– 0.5	–
Depreciation for the year	9.2	6.0
Translation differences	– 0.2	0.3
Accumulated depreciation carried forward	<u>23.1</u>	<u>14.6</u>
Residual value acc. to plan c'd fwd	<u>68.3</u>	<u>68.5</u>

11 Other intangible assets

(in millions of SEK)	Group	
	1999	1998
Acquisition value		
Acquisition value brought forward	0.6	0.4
Investment for the year	0.1	0.2
Translation differences	- 0.1	-
Accumulated acquisition value carried forward	0.6	0.6
Depreciation brought forward	0.1	0.1
Depreciation for the year	0.1	-
Translation differences	-	-
Accumulated depreciation carried forward	0.2	0.1
Residual value acc. to plan c'd fwd	0.4	0.5

12 Land and buildings

(in millions of SEK)	Group	
	1999	1998
Acquisition value		
Acquisition value brought forward	164.8	151.8
Investment for the year	10.7	10.9
Sales and disposals	- 1.3	-
Translation differences	- 2.5	2.1
Accumulated acquisition value carried forward	171.7	164.8
Depreciation brought forward	68.5	61.8
Sales and disposals	- 0.8	-
Depreciation for the year	6.0	6.1
Translation differences	- 0.8	0.6
Accumulated depreciation carried forward	72.9	68.5
Revaluation brought forward	1.4	1.6
Depreciation for the year on revalued amount	- 0.3	- 0.2
Accumulated revaluation carried forward	1.1	1.4
Residual value acc. to plan c'd fwd	99.9	97.7
Value assessed for tax purposes (Sweden)	46.8	42.4

13 Plant and machinery

(in millions of SEK)	Group	
	1999	1998
Acquisition value		
Acquisition value brought forward	269.2	219.9
Investment for the year	39.5	52.0
Sales and disposals	- 2.7	- 5.4
Translation differences	- 4.6	2.7
Accumulated acquisition value carried forward	301.4	269.2
Depreciation brought forward	166.8	147.8
Sales and disposals	- 1.9	- 4.6
Depreciation for the year	25.8	22.2
Translation differences	- 1.9	1.4
Accumulated depreciation carried forward	188.8	166.8
Residual value acc. to plan c'd fwd	112.6	102.4

14 Investment in construction in progress

(in millions of SEK)	Group	
	1999	1998
Balance brought forward	7.9	2.6
Accrued expenses during the year	7.9	11.8
Re-allocations carried out during the year	- 9.2	- 6.5
Group total	6.6	7.9

15 Current investments

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

16 Shares in subsidiaries

(in millions of SEK)	Proportion of capital	Number of shares	Book value
NIBE AB	100%	400,000	103.2
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	29.7
Calesco Foil AB	100%	10,500	37.3
Handöl-Form AB	100%	1,000	0.1
Group total			278.6

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

Details of corporate identity numbers and registered offices of subsidiaries

	Corporate identity number	Registered office	
NIBE AB	556056 - 4485	Markaryd	Sweden
Backer Elektro-Värme AB	556053 - 0569	Hässleholm	Sweden
Loval Oy		Lovisa	Finland
Handöl-Form AB	556194 - 1393	Markaryd	Sweden
Norske Backer A/S		Kongsvinger	Norway
Backer OBR Sp. z o. o.		Pyrzyce	Poland
Kiloval Oy		Lovisa	Finland
NIBE Polska Sp. z o. o.		Warnice	Poland
Bröderna Håkansson Värme AB	556108-0259	Höör	Sweden
Brakon Norge A/S		Jevnaker	Norway
Oy Meyer Vastus AB		Monninkylä	Finland
Jevi A/S		Vejle	Denmark
Calesco Foil AB	556000-5034	Hallstahammar	Sweden

17 Equity

Koncernen

(in millions of SEK)	Share capital	Restricted reserves	Translation difference	Non-restr'd reserves	Total equity
Amount at beginning of the year acc. to confirmed balance sheet	58.7	76.8	1.6	151.6	288.7
Effect of change in accounting procedures		2.1		- 0.1	2.0
Amount at beginning of the year adjusted acc. to new procedures	58.7	78.9	1.6	151.5	290.7
Dividend to shareholders				- 14.7	- 14.7
Shift between restricted and non-restricted capital		1.4		- 1.4	
Exchange rate differences charged directly against equity		- 3.7		- 0.5	- 4.2
Translation difference			- 6.3		- 6.3
Net profit for the year				64.1	64.1
Amount at year end	58.7	76.6	- 4.7	199.0	329.6

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 the beginning of the year	58.7	67.4	7.5	53.2	186.8
Dividend to shareholders				- 14.7	- 14.7
Net profit for the year				19.8	19.8
Amount at year end	58.7	67.4	7.5	58.3	191.9

18 Long-term liabilities

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

(in millions of SEK)	Group		Parent company	
	1999	1998	1999	1998
Liabilities to credit institutions	26.5	35.7	14.0	21.4
Liabilities to Group companies	-	-	28.5	28.5
Pension liabilities	0.1	0.2	-	-
	26.6	35.9	42.5	49.9

19 Bank overdraft facilities

The sum of bank overdraft facilities granted amounted to SEK 153.0 million (SEK 87.7 m) for the Group as a whole.

20 Accrued expenses and deferred income

(in millions of SEK)	Group		Parent company	
	1999	1998	1999	1998
Accrued salaries	39.5	36.3	0.9	0.8
Accrued social security contributions	23.5	23.6	0.7	0.6
Other items	28.4	17.9	0.9	0.6
	91.4	77.8	2.5	2.0

21 Pledged assets

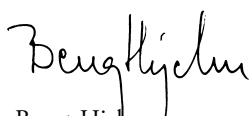
(in millions of SEK)	Group		Parent company	
	1999	1998	1999	1998
Floating charges	88.9	88.3	-	-
Real estate mortgages	43.1	52.2	-	-
Shares in subsidiaries	368.9	302.2	229.8	229.8
Total pledged assets	500.9	442.7	229.8	229.8

22 Contingent liabilities

(in millions of SEK)

	Group		Parent company	
	1999	1998	1999	1998
Pension obligations which have not been taken up among liabilities or provisions	1.5	1.4	0	0
Contingent liabilities in favour of other Group companies	–	–	25.3	25.5
Other contingent liabilities	0.4	2.3	0	0
Total contingent liabilities	1.9	3.7	25.3	25.5

Markaryd, Sweden, 15 March 2000



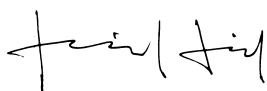
 Bengt Hjelm
Chairman of the Board



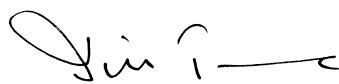
Arvid Gierow



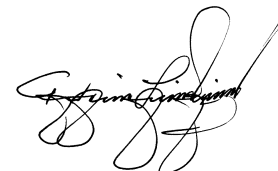
Leif Gustavsson



Lars Lind



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 1999. 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, 22 March 2000

Öhrlings PricewaterhouseCoopers AB



 Bertil Lindahl
Authorised Public Accountant

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